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CITY OF BROOKSVILLE, FLORIDA  
GOVERNMENTAL OFFICIALS

CITY COUNCIL

MAYOR

DAVID PUGH

VICE MAYOR

FRANKIE BURNETT

COUNCIL MEMBER

LARA BRADBURN

COUNCIL MEMBER

JOE BERNARDINI

COUNCIL MEMBER

RICHARD LEWIS

CITY MANAGER

T. JENNENE NORMAN-VACHA

DIRECTOR OF FINANCE

STEPHEN J. BAUMGARTNER

CITY CLERK

KAREN M. PHILLIPS, CMC

CITY ATTORNEY

THE HOGAN LAW FIRM

**FINANCIAL SECTION**

INDEPENDENT AUDITORS' REPORT

City Council  
City of Brooksville, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brooksville, Florida, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Brooksville's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brooksville, Florida as of September 30, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and the City of Brooksville Community Redevelopment Agency 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 issued our report dated March 27, 2008 on our consideration of the City of Brooksville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3(A) through 3(P) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brooksville's basic financial statements. The combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards and State Financial Assistance are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards and State Financial Assistance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

OLIVER & JOSEPH, P.A.

*Oliver K. Joseph, P.A.*

March 27, 2008

# **CITY OF BROOKSVILLE, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2007**

The City of Brooksville's (the "City") discussion and analysis is intended to provide a narrative introduction to the basic financial statements and an analytical overview of the City's financial activities for the fiscal year ending September 30, 2007. This is the fourth year the City has prepared financial statements in accordance with the guidelines prescribed in Governmental Accounting Standards Board's (GASB) Statement No. 34. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follows this section.

## **FINANCIAL HIGHLIGHTS**

- The Assets of the City of Brooksville exceeded its liabilities at September 30, 2007 by \$35,932,056 (net assets) and increased \$12,977,433. Of this amount, \$8,241,906 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2007, the City of Brooksville's governmental funds reported combining ending fund balances of \$4,556,046 and increased \$824,182 (22 percent). General Fund represents 33.7% of the governmental funds. City of Brooksville Community Redevelopment Agency and Nonmajor Governmental Funds represented 66.30% of the governmental funds.
- General Fund expenditures and Transfers Out came in under final budget projections by \$458,434.
- Utility Fund Cash and Cash Equivalents increased from \$3,945,609 at the beginning of the fiscal year to \$4,602,460 at the end of the fiscal year. Of the \$4,602,460 Cash and Cash Equivalents, \$2,779,453 is unrestricted. The Cash & Cash Equivalents for the Sanitation Fund increased from \$288,979 at the beginning of the fiscal year to \$480,669 at the end of the fiscal year.
- Total net assets of the Pension Trust Funds (Police and Fire) increased 14.2 percent. Total net assets of the two plans are \$6,785,878.
- The City closed in November 2006, a \$258,800 Capital Improvement Revenue Bond (4.125%) with USDA. This \$258,800 loan includes a USDA grant of \$286,000. The loan and grant funds will be used to purchase emergency generators and includes a City Hall hurricane window retrofit.

- City's Solid Waste Fund purchased a 2008 Sanitation Truck in September 07. The \$148,000 7 year loan was financed at 3.98% by Hancock Bank.
- City adopted an electric and propane Public Service Tax effective 1/1/04. In the 06 07 fiscal year the tax brought in \$594,920 in revenues.
- The City of Brooksville complied with the maximum millage levy allowed by Florida Department of Revenue Chapter 2007-321. If the City had adopted a higher millage than allowed the City would have not received their half-cent sales tax distribution (approximately \$400,000). The City's millage in 2007 was set at 6.3230 mills dropping from 7.5000 mills in 2006.
- City is repealing the City Occupational License Tax effective in the 08 09 Fiscal Year.
- In April 2005, City issued Subordinated Water and Sewer Note, Series 2005 (Line of Credit) with SunTrust Bank in the amount of \$2,250,000. The Line of Credit is for 3 years and will finance certain improvements to the City's water and sewer system primarily along the SR 50 west corridor. The balance on the line of credit is \$1,558,656. SunTrust has agreed to extend the Line of Credit.
- The City has committed to reimburse \$2,575,000 of the estimated \$9,000,000 in costs to Hampton Ridge Developers, LLC (Southern Hills Plantation Development) for improvements to the City's Cobb Road Wastewater Treatment Plant. This is expected to be completed in December 2011.
- City accepted over \$8.6 million in water and wastewater and reuse improvements paid for by the Developers at Southern Hills Plantation and Cascades at Southern Hills. These improvements totaling over \$8.6 million were not subject to impact fees credits.

## **CITY HIGHLIGHTS**

- The City adopted the millage rate at 6.3230 mills with the prior fiscal year rate at 7.50 mills. It had been 8.0000 mills for seven consequent years from 1997 through 2003
- A new City Manager T. Jennene Norman-Vacha began in June 2007.
- City is receiving State Restoration Projects Grants for rehabilitation of the City's wastewater lines to work on the inflow and infiltration problems of old sewer lines. In this fiscal year the total was \$1,272,734.
- The City's past annexations should create substantial growth in the future. However, due to the downturn in the housing market, growth has slowed from 2005/06 forward. Southern Hills Plantation has plans for 999 residences in a gated golf community; 28 homes were completed in 2007. Cascades at Southern Hills retirement development had plans to build out to 925 units; 3 homes were completed in 2007. On November 9, 2007 Levitt & Sons Hernando County, LLC filed Chapter 11 Bankruptcy. Levitt & Sons were developing Cascades at Southern Hills. Majesty Oaks near the Brooksville County Club is proposing 900 units.

- In 2007, outside of the Southern Hills development there were 4 single family residential homes completed within the City. Brookhaven Apartments with 160 units were completed on October 2, 2007. Villa Rosa submitted plans for 100 senior units on North Avenue. Other plans submitted are 194 2-story townhouses on Darby Lane; 164 single family units east of SR 41 and south of Southern Hills Blvd.; Phase 7 at Cloverleaf Farms for 68 mobile home units; and 36 units on Dr. Martin Luther King Blvd. west of Hale.
- In 2007 a new Starbucks opened a coffee shop by the new Publix Supermarket center.
- In 2006 the City took back the Building Division function from Hernando County after the termination of their agreement. The new office is located at the old City Hall building. The City hired PDCS, LLC as the contractual company to handle the building inspections and the building permits for the City. Hernando County was the prior contractor.
- The City has completed the work to support water and sewer on State Road 50 West to serve anticipated development near the new Brooksville Regional Hospital.
- Within the City's Internal Service Fund, the City has accumulated over \$1,170,000 in reserves to purchase new vehicles. City departments contribute to the Internal Service Vehicle Replacement cash reserves for their future purchases.

## **USING THIS ANNUAL REPORT**

The financial statements focus is on both the City as a whole (government-wide) and on the major individual funds. In this audit report, the financial statements are presented in compliance with pronouncement 34 of the Governmental Accounting Standards Board (GASB 34). The City's basic financial statements comprise of three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, in a manner similar to private-sector statements. The focus is on major funds, rather than fund types.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. The focus of the Statement of Net Assets (the "unrestricted net assets") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various activities, both governmental and business-type, that are supported by the governmental general taxes and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, parks and recreation, and transportation for vehicle maintenance and vehicle replacement. The business-type activities of the City consist of the water, sewer, and sanitation services. The business type activities reflect a private sector type of operation where a fee for services covers the cost of operation.

The government-wide financial statements include the City of Brooksville (the primary government) and the component unit, Brooksville Community Redevelopment Agency. The City has formed the Brooksville Fire District, but there were no revenues or expenses this fiscal year.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The financial transactions of the City are recorded in individual funds and each fund has a self-balancing set of accounts. All of the funds of the City can be divided into three categories: governmental, proprietary, and fiduciary. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The City maintains 52 funds. Information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Brooksville Community Redevelopment Agency, the Utility Fund, and Sanitation Fund, which are considered to be major funds. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report, immediately following the notes to the financial statements.

The City adopts an annual appropriated budget for its General Fund and other governmental funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget and are presented as required supplemental information.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental

fund financial focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. The General Fund is the chief operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Permanent funds.** This fund is the final type of governmental fund .The City maintains one permanent fund type, the Cemetery Perpetual Care Fund. Permanent Funds are used to account for permanent endowments created when a donor stipulates that the principal amount of a contribution must be invested and preserved but earnings on amounts so invested can be used for other public purposes.

The basic governmental fund financial statements can be found on pages 6-8 of this report.

**Proprietary funds.** The City maintains three proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and sanitation services. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City utilizes an internal service fund for its fleet operations. Because services accounted for in the internal service fund predominately benefit governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail.

The proprietary fund financial statements can be found on pages 12-16 of this report

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The four fiduciary funds are Butterweck Bond Fund, Donor Memorial Wall, Police Retirement and the Firefighters' Retirement.

The basic fiduciary fund financial statements can be found on pages 17-18 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes can be found on pages 19-50 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning budgetary comparisons and the City's progress in its obligation to provide pension benefits to its employees. Combining and individual fund statements can be found on pages 51-80 of this report.

## **ECONOMIC FACTORS**

The City of Brooksville, the County Seat of Hernando County, has experienced a period of substantial growth. The greater Tampa metropolitan area is expanding northward, due in part to limited available land for development in the southern regions and the completion of the Suncoast Parkway toll road which links Tampa with the northern counties of Pasco, Hernando, and Citrus. As a result, new development is taking interest in Brooksville because of its ideal proximity to Tampa (50 miles), Orlando (55 miles), and Ocala (60 miles).

Information obtained from the Florida statistical abstract supports the claim that the Brooksville area will grow significantly over the next 30 years. The annual estimates for the population of Brooksville were identified as being 7,309 as of 4/01/07. The adopted City of Brooksville Comprehensive Plan estimates Brooksville's population to nearly double within the next ten years.

The number of new residential building starts has declined from 2006. Although, the data is not yet available it is expected that the City's taxable values could drop or be flat due to the decline in property values in Hernando County. Amendment One passed by Florida voters in January 2008 raised the homestead from \$25,000 to \$50,000. The Amendment included a Save Our Homes portability feature of up to \$500,000. It created a \$25,000 exemption for all tangible personal property and provided a 10% annual assessment limitation cap for non-homestead real property. The City must adjust to these new factors mandated by the voters. The City is experiencing a possible decrease in property values and the added decrease in revenues as a result of Amendment One.

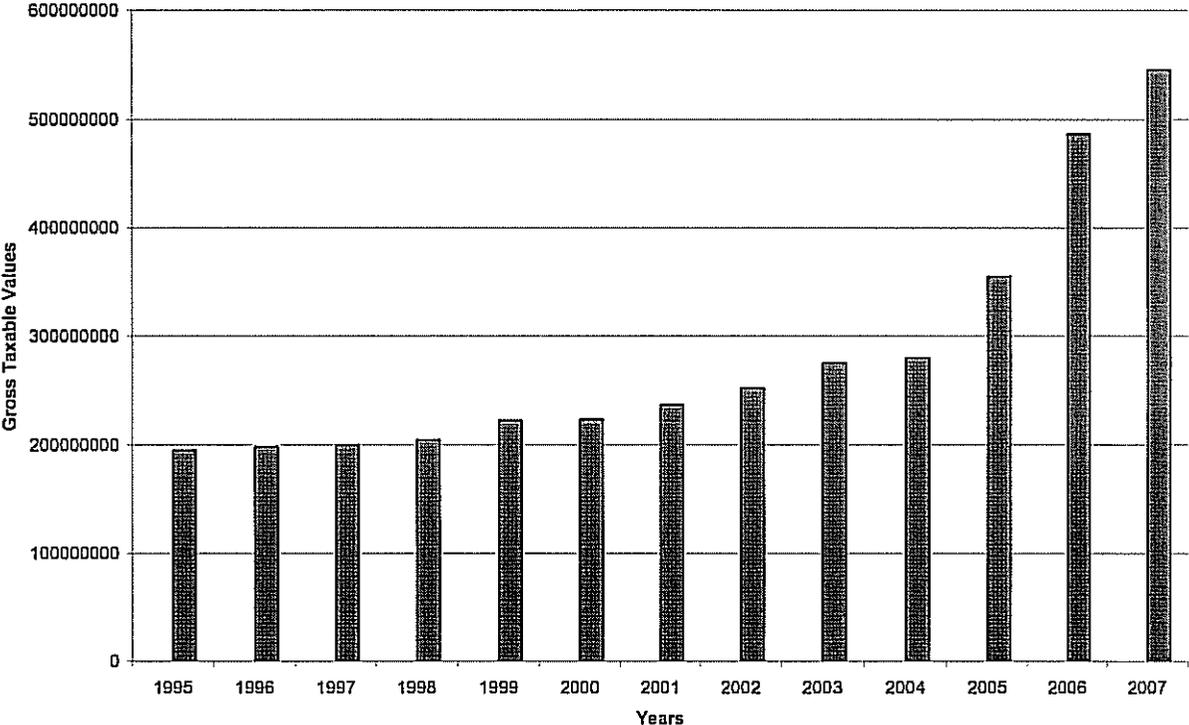
The City is taking advantage of the resulting growth trend by increasing the tax base through voluntary annexation thus increasing the acreage of taxable property within City boundaries. The City is also helping improve the taxable property base by encouraging high quality development and redevelopment. Both of these measures will amount to an increase in revenue streams for the City that will assist economically for decades to come.

Nationally franchised retail chains are noticing Brooksville’s changing demographics and are also quickly moving to the area. The list of national retailers recently relocated includes Wal-Mart, Sonic Drive Thru, Starbucks, Lowe’s Home Improvement, Tractor Supply, Dunkin Donuts and Baskin Robbins, and Walgreen’s. Countless other established retailers and small local businesses continue to thrive in a pro-business atmosphere.

The City is also being proactive in how it will accommodate new growth by planning in advance to upgrade City facilities. In particular, the City is currently making improvements to its water and sewer transmission lines so that existing and future customers can take advantage of the highest quality services. The City has also established a private-public partnership venture to expand a wastewater treatment facility, which will provide reuse water for irrigation purposes. In addition to infrastructure improvements, the City is expanding and improving public areas like parks and landscaped right-of-ways so as to create an ideal environment for people to live, work and play.

The table below shows the increase in gross taxable values since 1995. The table on the following page 3H highlights some of the more noteworthy development activity occurring in and around the City of Brooksville:

City of Brooksville Gross Taxable Values



## NOTEWORTHY DEVELOPMENT ACTIVITY

Project Name	Acreage	Land Use	Units	Comment/Status
Southern Hills Plantation	1,189	Residential w/associated Recreational and Commercial uses	999 residences proposed in Gated Golf Course Community	Annexed May 2003, Currently infrastructure is substantially complete in Phase 1. Work continues in other approved phases.
The Cascades	414	Residential	925 residences proposed in a age-restricted (senior) gated community	Annexed. Phase 1 infrastructure nearly complete. Property currently in receivership.
Majestic Oaks	428	Residential, Multi-Family, Commercial and Recreational	900 residences proposed	Annexed. CPA approved 2-12-07 Zoning pending.
Brooksville Country Club North end of Majestic Oaks	168 41	Residential Units Townhouse Units	53 SFR 80 MFR Units proposed	Annexed. CPA approved 2/12/07. Zoning pending.
Southern Pines	31	Multi-family Residential	240 Condominiums proposed	Annexed March 2004, first phase under construction
Southern Pines	9	Multi-family Residential	64 Condominiums proposed	2 <sup>nd</sup> phase - pending
Brook Haven Apartments	16	Multi-Family Residential with amenities	160 units	Project completed in 2006
Vallery Custom Homes Howell Avenue	4	Single Family Residences	12 units proposed	Master Plan Revised – construction pending final subdivision approval
Milk-A-Way Farms 41 and Croom Rd	425	Residential and Commercial	850 residence and 30 acres of commercial proposed	Annexed. Land use, zoning and master plan pending
Oak Brook Jefferson Street	48	Single Family Residences and Commercial	105 units proposed	Annexed 1984. Const. pending owner decision on phasing.
GGW,LLC/BTM, LLC	75	Single Family Residential	131 units proposed	Annexed. Land use & zoning approved.
Brooksville Assoc. Wiscon Rd	41.165	Townhouses	156 units proposed	Zoning, Master Plan approved.
Villa Rosa (Ty Underwood) North Ave	9	Townhouse project changed to senior housing complex. Master Plan Revision went to P&Z on 2-13-08	was 128 units. Now proposing 100 units.	Zoning approved Master Plan Revision currently being considered (2-13-08)
BV Holdings	1	4 Triplexes/1 Duplex	14 units proposed	Rezoning approved
Hometown America (Cloverleaf )	19	Manufactured Housing.	68 lots	Rezoning and Master Plan Approved
State Road 50 West	N/A	Anticipated Commercial development along SR 50 corridor	Expected growth due to Brooksville Regional Hospital which opened Fall 2005	City providing supporting water and sewer on SR 50.
Innovators Investment Group	7.71	Commercial and Professional Development	Undetermined at present time	Land use & zoning pending
Malouf Enterprises - Horse Lake Rd. & Cortez Blvd.	25	Commercial PDP	Beef O'Brady Restaurant and undetermined additional units	Commercial PDP approved, construction plans under review

**THE CITY AS A WHOLE**

The City’s combined net assets as of September 30, 2007 were \$35,932,056. The following Table 1 reflects the condensed Statement of Net Assets for the last two years:

<b>Table 1</b>						
<b>City of Brooksville Net Assets</b>						
	Governmental Activities		Business Type Activities		Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	6,414,149	5,749,330	5,511,880	5,046,025	11,926,029	10,795,355
Capital Assets, net of depreciation	<u>7,320,241</u>	<u>6,217,986</u>	<u>33,556,570</u>	<u>23,266,749</u>	40,878,811	<u>29,484,735</u>
Unrestricted	<u>13,734,390</u>	<u>11,957,316</u>	<u>39,070,450</u>	<u>28,312,774</u>	<u>52,804,840</u>	<u>40,260,090</u>
Long-Term Liabilities	(1,172,204)	(1,169,782)	(13,560,196)	(13,562,958)	-14,732,400	(14,732,740)
Other Liabilities	<u>-754,233</u>	<u>-1,036,740</u>	<u>-1,366,151</u>	<u>-1,555,987</u>	<u>-2,140,384</u>	<u>-2,592,727</u>
Total Liabilities	<u>(1,926,437)</u>	<u>(2,206,522)</u>	<u>(14,946,347)</u>	<u>(15,118,945)</u>	<u>(16,872,784)</u>	<u>(17,325,467)</u>
Net Assets:						
Invested in capital assets, net of related debt	6,147,541	5,208,300	20,222,457	9,608,114	26,369,998	14,816,414
Restricted			1,320,152	1,185,735	1,320,152	1,185,735
Unrestricted	<u>5,660,412</u>	<u>4,552,494</u>	<u>2,581,494</u>	<u>2,399,980</u>	<u>8,241,906</u>	<u>6,952,474</u>
Total Net Assets	<u>11,807,953</u>	<u>9,760,794</u>	<u>24,124,103</u>	<u>13,193,829</u>	<u>35,932,056</u>	<u>22,954,623</u>

The largest portion of the City’s net assets (73%) are its investment in capital assets such as land, buildings, and machinery and equipment, less the outstanding debt used to acquire those assets. The City uses these assets to provide services to citizens; consequently these assets are not available for future spending. It is also important to recognize that other resources will be required to repay the outstanding debt on capital assets. Restricted net assets, representing (4%) of total net assets, are subject to external restrictions on how they may be used. The remaining 23% are unrestricted net assets. The unrestricted net assets total \$8,241,906 which may be used to meet the City’s ongoing obligations to citizens and creditors. The City’s overall financial position continues to be healthy.

At the end of the current year, the City is able to report positive balances in all three categories of net assets.

Table 2 on page 3J is the condensed Change in Net Assets for the fiscal year ended September 30, 2007. This schedule compares the revenues and expenses for the primary government for the current and previous fiscal years. Table 2 shows us the cost of governmental activities this fiscal year was \$7,979,576 going up 8.8% over last year. The cost of Business-type activities was \$4,231,255 (increase of 4.7% over last year). The City’s total Primary Government Revenues increased over last year by 63.7%. This large increase was due to donated capital in the Utility Fund. The total Primary Government

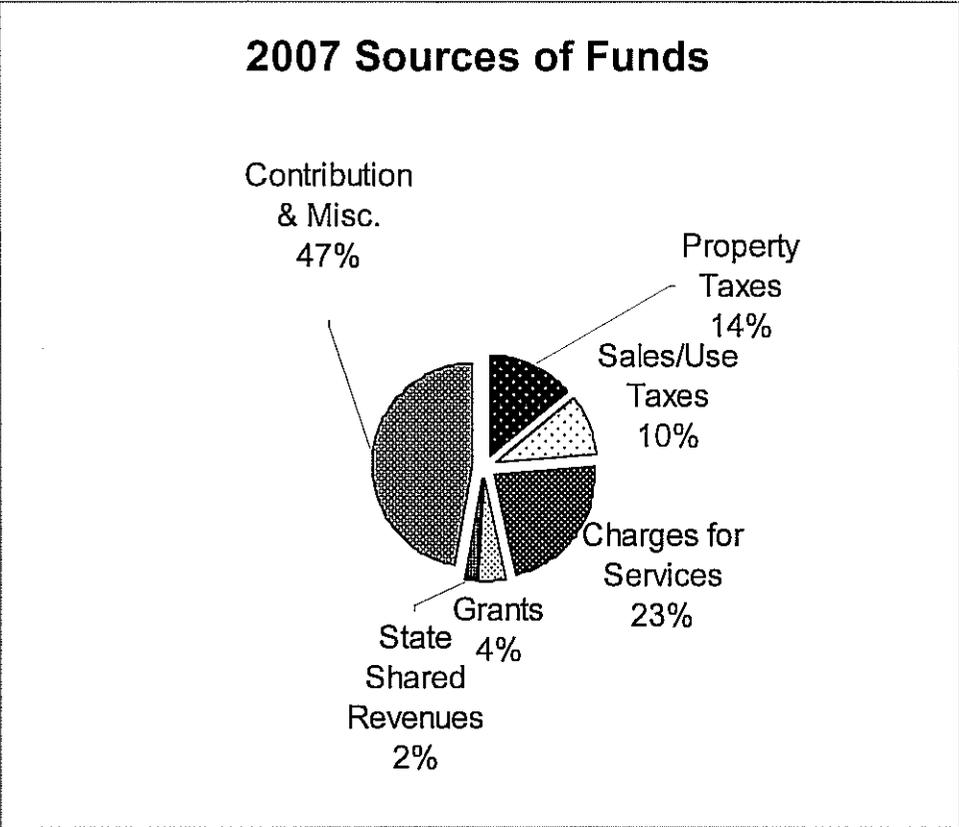
Expenses were \$12,210,831 up \$662,113 from 2006. Charges for Services Government wide were down about 5.3% from 2006. Operating and Capital grants totaled \$11,791,572. The Utility Fund had infrastructure contributions from Developer of over \$8.6 million making up much of this increase. Taxes brought in to the City totaled \$6,013,733. Approximately 14% of the City's total revenues came from property taxes and 10% from other taxes. Impact Fees accounted for 1.2% of the City's total revenues.

**Table 2**  
**City of Brooksville, Florida's Change in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Charges for Services	775,769	610,067	4,898,577	5,384,499	5,674,346	5,994,566
Operating Grants & Contributions	61,966	123,765		350	61,966	124,115
Capital Grants & Contributions	1,224,160	150,095	10,505,446	1,864,428	11,729,606	2,014,523
Property Taxes	3,604,964	2,750,345			3,604,964	2,750,345
Fuel Taxes	315,545	314,604			315,545	314,604
Sales Taxes	403,998	436,180			403,998	436,180
Other Taxes	1,689,226	1,787,984			1,689,226	1,787,984
Impact Fees	303,474	226,219			303,474	226,219
State Shared Revenues	408,677	406,919			408,677	406,919
Investment Earning	347,965	221,745	188,786	147,497	536,751	369,242
Miscellaneous	352,549	272,001	102,290	798,257	454,839	1,070,258
Sale of Capital Assets	4,872	6,175			4,872	6,175
Interfund Transfers	<u>533,570</u>	<u>555,273</u>	<u>(533,570)</u>	<u>(555,273)</u>		
<b>Total Revenues</b>	<b><u>10,026,735</u></b>	<b><u>7,863,372</u></b>	<b><u>15,161,529</u></b>	<b><u>7,639,758</u></b>	<b><u>25,189,264</u></b>	<b><u>15,503,130</u></b>
<b>Expenses</b>						
General Government	2,253,199	2,175,581			2,253,199	2,175,581
Public Safety	3,348,062	2,919,424			3,348,062	2,919,424
Physical Environment	298,973	336,481			298,973	336,481
Transportation	1,140,617	1,111,427			1,140,617	1,111,427
Culture & Education	890,227	862,930			890,227	862,930
Interest on long-term debt	48,498	28,947			48,498	28,947
Utility Fund			3,226,642	3,034,730	3,226,642	3,034,730
Sanitation Fund			<u>1,004,613</u>	<u>1,079,198</u>	<u>1,004,613</u>	<u>1,079,198</u>
<b>Total Expenses</b>	<b><u>7,979,576</u></b>	<b><u>7,434,790</u></b>	<b><u>4,231,255</u></b>	<b><u>4,113,928</u></b>	<b><u>12,210,831</u></b>	<b><u>11,548,718</u></b>
Change In Net Assets	2,047,159	428,582	10,930,274	3,525,830	12,977,433	3,954,412
Net Assets, Beginning of Year	<u>9,760,794</u>	<u>9,332,212</u>	<u>13,193,829</u>	<u>9,667,999</u>	<u>22,954,623</u>	<u>19,000,211</u>
Net Assets, End of Year	<b><u>11,807,953</u></b>	<b><u>9,760,794</u></b>	<b><u>24,124,103</u></b>	<b><u>13,193,829</u></b>	<b><u>35,932,056</u></b>	<b><u>22,954,623</u></b>

The Pie Chart on the page 3K shows the 2007 Sources of Funds Government-wide. Charges for Services provide 23% of our Revenues. Property Taxes provide 14% and Sales and Use Taxes provide 10%. The dependence on revenues, such as sales and use

taxes and state revenue sharing limits the City's ability to change or improve revenue streams as part of managing resources. The 47% piece of the 2007 Sources is primarily a contribution from a developer of approximately \$8.6 million of water and wastewater infrastructure. This contribution distorts the pie graph because of the extraordinary size of this contribution to our financial statements.



**The City's Funds**

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

Governmental funds are comprised of the general fund, special revenue funds, debt service funds and capital projects funds. Governmental funds use the current financial resources measurement focus that provides information on the near-term inflows, outflows and balances of spendable resources. See page 6 which begins the Governmental Funds detail.

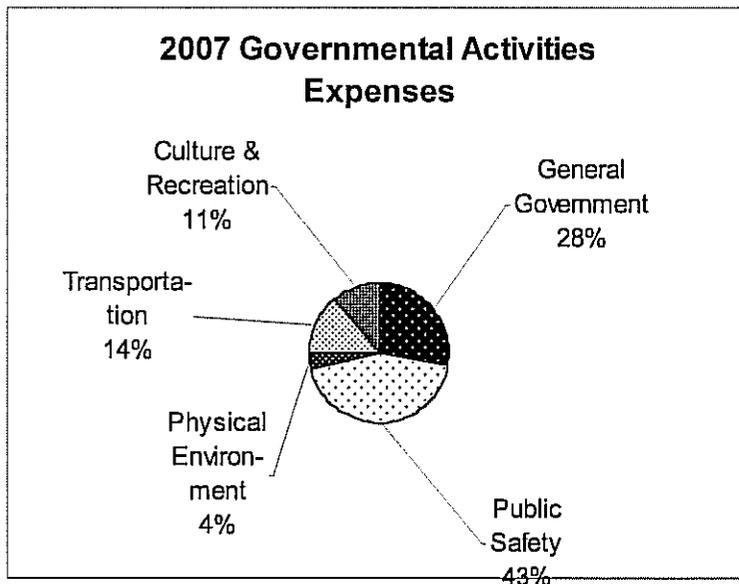
There are two major Funds in the Governmental Fund group. The two are General Fund and Brooksville Community Redevelopment Agency. To determine a Major Fund,

GASB 34 requires a two-step process based on a 10% and 5% criteria. The General Fund is the chief operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund. At the end of the fiscal year, the fund balance of the General Fund was \$1,540,057.

The Brooksville Community Redevelopment Agency is considered a Major Fund based on Section 163.387(8) F.S. In meeting the statutory requirements, the CRA Trust Fund must be treated as a Major Fund.

The non-major Governmental Funds, which consist of Special Revenue Funds, Capital Projects Funds, and a Permanent Fund had a year-end Fund Balance of \$3,038,195. Please see page 6 for the Governmental Funds Balance Sheet. Together the City had approximately \$4.6 million in Fund Balance Reserves as opposed to \$3.7 million in the previous year.

The pie chart below indicates the percentage of dollars spent on governmental activities. Public Safety makes up 43% of the City's Governmental Activities. General Government is 28% of the total Governmental Activities. General Government includes Administration, Finance, Human Resources, Community Development, and Management Information Services. Streets are 14% and Recreation activities are 11%.



## Proprietary Funds

The City's proprietary funds are comprised of enterprise funds and an internal service fund. An enterprise fund is used to account for activities for which a fee is charged to external users for goods and services. Also, included is the Internal Service Fund, which provides services to other City departments. See page 12 for the beginning of the Proprietary Funds detail.

The Utility Fund represents the City's water and sewer utility. The Fund experienced a change in net assets of 10,829,592 due to the contribution of water and wastewater infrastructure from a developer.

The Sanitation Fund sustained change in net assets of \$138,935. In the previous year the change in net assets was (\$77,157). The change in net assets indicates a positive increase in the Sanitation Fund assets.

The Internal Service Funds reports activities that provide a service to the City's other operations for vehicle maintenance and vehicle replacement. Internal service funds are combined with governmental activities in the government-wide statements since they primarily benefit governmental activities. The following presentation shows the reserves in Vehicle Replacement for each Fund with additional detail presented in General Fund departments:

### VEHICLE REPLACEMENT RESERVES

Administration & Finance	54,449
Police	169,028
Fire	429,600
Streets	78,371
Parks	28,432
General Fund Total	759,880
Utility Fund	51,824
Sanitation Fund	121,899
Proprietary Funds Total	173,723
Internal Service Contingency	240,000
Grand Total	1,173,603

## **Capital Assets**

The City's capital assets as of September 30, 2007 reflect an investment of \$40,681,493 net of accumulated depreciation. Please refer to Note H beginning on page 40 to review detail of the Capital Asset activity for the fiscal year ended 9/30/07.

In compliance with GASB #34, the City will book future infrastructure assets, such as roads and bridges.

Significant increases in assets or construction in progress this fiscal year include:

- Rehabilitation continued on the City's wastewater lines to work on the inflow and infiltration problems. State Restoration Projects Grants paid for the rehabilitation in this fiscal year totaling \$1,272,734.
- The City purchased from the Vehicle Replacement Fund two vehicles for the Police Department at a cost of \$46,954, and a vehicle for the Fire Department at a cost of \$27,788.
- In the 06/07 Fiscal Year, the USDA Loan and Grant funded \$337,000 in Generators for City Hall and the Water and Sewer Fund.

## **Long-term Debt**

General Fund has a loan that refinanced the City Hall Building and purchased the Park Office. The balance on the loan is \$313,516 at 9/30/07 with an interest rate of 3.94% maturing 7/1/2011. Refer to Note G beginning on page 36 for detail on long-term liabilities.

The City purchased a new ladder truck for the fire department on November 10, 2005. Sun Trust Bank issued the loan for \$633,659. The balance on the loan as of September 30, 2007 is \$594,131 with an interest rate of 4.23% maturing May 10, 2021.

The City obtained a \$258,800 Capital Improvement Revenue Bond in November 2006. The loan was financed through USDA and included a grant portion of \$286,000. The loan/grant was to purchase emergency generators and retrofit City Hall windows.

The Utility Fund has two Revenue Bonds:

- The 1999 Water and Sewer Revenue Bond have a principal balance due of \$6,083,000 and are due in 2039. The bonds carry interest rates of 3.25%. The funds were used for the construction of the Cobb Road Wastewater Treatment Plant and transmission lines.
- In November 2002, the City issued \$6,610,000 in Water and Sewer Revenue Refunding Bonds to refund outstanding 1988A and 1992 Series bonds. As a result of the refunding, the City reduced their debt service requirements by \$1,257,216. The bonds carry interest rates varying from 2.50% to 4.60%. The principal balance due is \$5,285,000.

The City of Brooksville issued a \$2,250,000 Subordinated Water and Sewer Revenue Note, Series 2005 (Line of Credit) dated April 11, 2005. The issuing Bank is SunTrust. The Line of Credit has a 3-year maturity due April 11, 2008. The City has drawn \$1,558,656 as of 9/30/07. The interest rate on the Line of Credit is set quarterly on the first business day of the month based on the following: (67% of the 3 Month LIBOR) + .50%. The proceeds of the Line of Credit will finance certain improvements to the City-owned Water and Sewer system.

The Sanitation Fund has a 3% capital lease for the purchase of a sanitation truck. The lease expires May 5, 2009 with a balance due of \$54,709.

The Sanitation Fund has a new capital lease issued 9/14/07 in the amount of \$148,000 at 3.98% maturing 9/14/2014. This financed a 2008 Peterbilt Sanitation Truck

### **Performance Measured Against Expectations (Budget)**

General Fund Revenues were higher than budgeted by \$311,327. The City budgets Ad Valorem and other revenues at 95% of estimate, which accounts for this difference. General Fund Expenditures and Transfers Out were under budget by \$458,434. This is positive indication of the City's ability to plan and manage resources, and illustrates management's commitment to reducing expenditures.

### **2007 Millage Rate**

The City's elected and appointed officials considered many factors when adopting the 2007/08 Annual Budget. The State of Florida under s. 200.185, F.S, required that City adopt a tax levy permitted under the law. If the City adopted a tax levy that exceeds the maximum tax levy, s. 200.185, F.S. requires that the municipality will lose their half-cent sales tax distribution. The City of Brooksville complied with the requirements and did not lose their half-cent sales tax distribution. The City lowered the millage from 7.5000 mills (2006) to 6.3230 mills for 2007.

### **State Board of Administration**

Please refer to Note U on page 49 for detailed information concerning the State Board of Administration. The two Pool B accounts that the City of Brooksville participates have a reported (State Board of Administration Participant Statement as of 2/29/08) unrealized loss of (\$71,045). As of February 29, 2008, the City of Brooksville has \$4,615,367 and \$855,613 invested in Pool A and B, respectively.

## **Acknowledgements**

The preparation of this report could not be accomplished without the dedicated services of the entire staff of the Finance Department. Appreciation is also extended to the Mayor and City Council and the City Manager for their continuous commitment to the highest ethical standards in financial reporting and disclosure.

## **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. Questions concerning any of the information should be addressed to the Finance Director, CITY OF BROOKSVILLE, 201 Howell Avenue, Brooksville, Florida 34601.

CITY OF BROOKSVILLE, FLORIDA  
STATEMENT OF NET ASSETS

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
<b>ASSETS</b>			
POOLED CASH AND INVESTMENTS	\$ 5,761,583	\$ 3,260,392	\$ 9,021,975
ACCOUNTS RECEIVABLE	193,035	387,683	580,718
ALLOWANCE FOR UNCOLLECTIBLES	0	(42,915)	(42,915)
INTEREST RECEIVABLE	18,406	0	18,406
INTERNAL BALANCES	196,910	(196,910)	0
DUE FROM OTHER GOVERNMENTS	194,051	82,873	276,924
INVENTORIES	21,620	184,313	205,933
PREPAID ITEMS	18,460	13,707	32,167
RESTRICTED ASSETS			
CASH AND INVESTMENTS	10,084	1,822,737	1,832,821
CAPITAL ASSETS			
LAND	1,258,388	717,092	1,975,480
CONSTRUCTION IN PROGRESS	1,541,726	3,453,900	4,995,626
PROPERTY, PLANT & EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	4,520,127	29,190,260	33,710,387
LINE OF CREDIT ISSUE COSTS, NET	0	3,701	3,701
BOND ISSUE COSTS, NET	0	193,617	193,617
<b>TOTAL ASSETS</b>	<b>\$ 13,734,390</b>	<b>\$ 39,070,450</b>	<b>\$ 52,804,840</b>
<b>LIABILITIES</b>			
ACCOUNTS PAYABLE	\$ 126,998	\$ 118,295	\$ 245,293
ACCRUED INTEREST PAYABLE	6,252	6,862	13,114
ACCRUED WAGES PAYABLE	22,882	6,791	29,673
ACCRUED PAYROLL LIABILITIES	236	1,696	1,932
DEPOSITS	65,381	0	65,381
UNEARNED REVENUE	272,702	0	272,702
OTHER CURRENT LIABILITIES	120,283	108,702	228,985
PAYABLE FROM RESTRICTED ASSETS			
METER DEPOSITS	0	502,585	502,585
REVENUE BONDS PAYABLE	0	461,000	461,000
ACCRUED INTEREST PAYABLE	0	125,982	125,982
NON-CURRENT LIABILITIES			
DUE WITHIN ONE YEAR			
ACCRUED COMPENSATED ABSENCES	32,979	6,083	39,062
LEASES PAYABLE	0	48,155	48,155
NOTES PAYABLE	106,520	0	106,520
DUE IN MORE THAN ONE YEAR			
ACCRUED COMPENSATED ABSENCES	112,276	21,627	133,903
LEASES PAYABLE	0	151,949	151,949
NOTES PAYABLE	801,128	0	801,128
LINE OF CREDIT	0	1,558,656	1,558,656
REVENUE BONDS PAYABLE	258,800	10,786,191	11,044,991
OTHER LONG-TERM LIABILITIES	0	1,041,773	1,041,773
<b>TOTAL LIABILITIES</b>	<b>\$ 1,926,437</b>	<b>\$ 14,946,347</b>	<b>\$ 16,872,784</b>
<b>NET ASSETS</b>			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT RESTRICTED	6,147,541	20,222,457	26,369,998
RESTRICTED FOR DEBT RETIREMENT	0	535,044	535,044
RESTRICTED FOR RENEWAL & REPLACEMENT	0	785,108	785,108
UNRESTRICTED	5,660,412	2,581,494	8,241,906
<b>TOTAL NET ASSETS</b>	<b>\$ 11,807,953</b>	<b>\$ 24,124,103</b>	<b>\$ 35,932,056</b>

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA  
STATEMENT OF ACTIVITIES  
SEPTEMBER 30, 2007

FUNCTION/PROGRAM ACTIVITIES	PROGRAM REVENUES					NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
GOVERNMENTAL ACTIVITIES								
GENERAL GOVERNMENT	\$ 2,253,199	\$ 453,121	\$ 27,968	\$ 0	\$ (1,772,110)	\$ 0	\$ 0	\$ (1,772,110)
PUBLIC SAFETY	3,348,062	3,718	16,403	0	(3,327,941)	0	0	(3,327,941)
PHYSICAL ENVIRONMENT	298,973	750	0	61,691	(236,532)	0	0	(236,532)
TRANSPORTATION	1,140,617	91,058	0	1,162,313	112,754	0	0	112,754
CULTURE & RECREATION	890,227	227,122	17,595	156	(645,354)	0	0	(645,354)
INTEREST ON LONG-TERM DEBT	48,498	0	0	0	(48,498)	0	0	(48,498)
TOTAL GOVERNMENTAL ACTIVITIES	7,979,576	775,789	61,966	1,224,160	(5,917,681)	0	0	(5,917,681)
BUSINESS-TYPE ACTIVITIES								
UTILITY	3,226,842	3,673,255	0	10,505,446	0	10,952,059	10,952,059	10,952,059
SANITATION	1,004,613	1,225,322	0	0	0	220,709	220,709	220,709
TOTAL BUSINESS-TYPE ACTIVITIES	4,231,455	4,898,577	0	10,505,446	0	11,172,768	11,172,768	11,172,768
TOTALS	\$ 12,210,831	\$ 5,674,346	\$ 61,966	\$ 11,729,606	\$ (5,917,681)	\$ 11,172,768	\$ 5,255,087	\$ 5,255,087
GENERAL REVENUES								
PROPERTY TAXES					3,604,964	0	0	3,604,964
FUEL TAXES					315,545	0	0	315,545
SALES TAXES					403,998	0	0	403,998
OTHER TAXES					1,689,226	0	0	1,689,226
IMPACT FEES					303,474	0	0	303,474
STATE SHARED REVENUE					408,677	0	0	408,677
INVESTMENT EARNINGS					347,965	188,786	0	536,751
MISCELLANEOUS					352,549	102,290	0	454,839
OTHER FINANCING SOURCES (USES)					4,872	0	4,872	4,872
SALE OF CAPITAL ASSETS					533,570	(533,570)	0	0
TRANSFERS					7,964,840	(242,494)	0	7,722,346
TOTAL GENERAL REVENUES					2,047,159	10,930,274	12,977,433	12,977,433
CHANGE IN NET ASSETS					9,760,794	13,193,829	22,954,623	22,954,623
NET ASSETS, BEGINNING OF YEAR					11,807,953	24,124,103	35,932,056	35,932,056
NET ASSETS, END OF YEAR								

CITY OF BROOKSVILLE, FLORIDA  
 BALANCE SHEET  
 GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

	MAJOR FUNDS					TOTAL FUNDS
	CITY OF BROOKSVILLE					
	GENERAL FUND	REDEVELOPMENT AGENCY	NONMAJOR GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS	
<b>ASSETS</b>						
POOLED CASH AND INVESTMENTS	\$ 1,192,332	\$ 173,722	\$ 3,209,255	\$	\$ 4,575,309	
RESTRICTED POOLED CASH AND INVESTMENTS	0	0	10,084		10,084	
ACCOUNTS RECEIVABLE	193,035	0	0		193,035	
INTEREST RECEIVABLE	5,699	4,158	8,549		18,406	
DUE FROM OTHER FUNDS	109,820	0	152,828		262,648	
ADVANCE TO OTHER FUNDS	133,027	0	0		133,027	
DUE FROM OTHER GOVERNMENTS	129,948	0	64,103		194,051	
INVENTORIES	1,080	0	17,741		18,831	
PREPAID ITEMS	18,460	0	0		18,460	
<b>TOTAL ASSETS</b>	<b>\$ 1,783,411</b>	<b>\$ 177,880</b>	<b>\$ 3,462,560</b>	<b>\$</b>	<b>\$ 5,423,851</b>	
<b>LIABILITIES AND FUND BALANCE</b>						
<b>LIABILITIES</b>						
ACCOUNTS PAYABLE	\$ 114,298	\$ 0	\$ 11,221		\$ 125,519	
DUE TO OTHER FUNDS	24,460	200,086	38,102		262,648	
ACCRUED WAGES PAYABLE	22,141	0	0		22,141	
DEPOSITS	65,381	0	0		65,381	
UNEARNED REVENUE	5,500	0	267,202		272,702	
OTHER CURRENT LIABILITIES	11,574	0	107,840		119,414	
<b>TOTAL LIABILITIES</b>	<b>243,354</b>	<b>200,086</b>	<b>424,365</b>	<b>\$</b>	<b>867,805</b>	
<b>FUND BALANCE</b>						
RESERVED FOR ENCUMBRANCES	5,126	0	0		5,126	
RESERVED FOR PREPAID ITEMS	18,460	0	0		18,460	
RESERVED FOR ADVANCES	133,027	0	0		133,027	
RESERVED FOR DEBT RETIREMENT	0	0	10,084		10,084	
UNRESERVED: UNDESIGNATED						
GENERAL FUND	1,383,444	0	0		1,383,444	
SPECIAL REVENUE FUNDS	0	(22,206)	2,513,666		2,491,460	
CAPITAL PROJECT FUNDS	0	0	221,602		221,602	
PERMANENT FUNDS	0	0	292,843		292,843	
<b>TOTAL FUND BALANCE</b>	<b>1,540,057</b>	<b>(22,206)</b>	<b>3,038,195</b>	<b>\$</b>	<b>4,556,046</b>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 1,783,411</b>	<b>\$ 177,880</b>	<b>\$ 3,462,560</b>	<b>\$</b>	<b>\$ 5,423,851</b>	

CITY OF BROOKSVILLE, FLORIDA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2007

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 4,556,046

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN  
 STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL  
 RESOURCES AND THEREFORE ARE NOT REPORTED IN GOVERNMENTAL FUNDS.

GOVERNMENTAL CAPITAL ASSETS \$ 10,743,038  
 LESS: ACCUMULATED DEPRECIATION (3,998,142) 7,044,896

LONG-TERM LIABILITIES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD  
 AND THEREFORE ARE NOT REPORTED IN THE GOVERNMENTAL FUNDS.

ACCRUED INTEREST PAYABLE (6,252)  
 ACCRUED COMPENSATED ABSENCES (138,929)  
 NOTES PAYABLE (907,648)  
 BOND PAYABLE (1,311,629)

INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO CHARGE  
 THE COSTS OF CERTAIN ACTIVITIES TO THE INDIVIDUAL FUNDS.

ASSETS NET OF LIABILITIES OF THE INTERNAL SERVICE FUNDS THAT  
 ARE REPORTED IN THE GOVERNMENTAL ACTIVITIES PORTION OF THE  
 STATEMENT OF NET ASSETS. 1,454,757

OPERATING LOSS OF THE INTERNAL SERVICE FUNDS IS ALLOCATED  
 BETWEEN GOVERNMENTAL ACTIVITIES AND BUSINESS-TYPE ACTIVITIES.  
 INTERNAL SERVICE FUND OPERATING INCOME ALLOCATED TO BUSINESS-TYPE  
 ACTIVITIES. 63,893

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 11,807,953

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	MAJOR FUNDS					TOTAL FUNDS
	CITY OF BROOKSVILLE					
	GENERAL FUND	REDEVELOPMENT AGENCY	NONMAJOR GOVERNMENTAL FUNDS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	
REVENUES						
TAXES	\$ 5,188,850	\$ 105,340	\$ 315,545	\$	\$ 5,609,735	
LICENSES & PERMITS	303,530	0	50,310		353,840	
INTERGOVERNMENTAL REVENUE	857,159	0	115,555		966,714	
CHARGES FOR SERVICES	242,453	0	0		242,453	
FINES & FORFEITS	37,847	0	3,718		41,565	
MISCELLANEOUS REVENUES	496,399	6,104	489,629		972,132	
TOTAL REVENUES	<u>7,120,238</u>	<u>111,444</u>	<u>954,757</u>		<u>8,186,439</u>	
EXPENDITURES						
CURRENT						
CULTURE & RECREATION	762,735	0	4,517		767,252	
GENERAL GOVERNMENT	2,165,617	0	37,300		2,202,917	
PUBLIC SAFETY	3,146,568	0	15,912		3,162,480	
PHYSICAL ENVIRONMENT	96,879	20,443	500		117,822	
TRANSPORTATION	1,124,413	0	0		1,124,413	
CAPITAL OUTLAY	217,115	0	173,286		390,401	
DEBT SERVICE						
PRINCIPAL	102,038	0	0		102,038	
INTEREST	41,705	0	7,253		48,958	
TOTAL EXPENDITURES	<u>7,657,070</u>	<u>20,443</u>	<u>238,768</u>		<u>7,916,281</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(536,832)</u>	<u>91,001</u>	<u>715,989</u>		<u>270,158</u>	
OTHER FINANCING SOURCES (USES)						
DEBT ISSUED	258,800	0	0		258,800	
INTERFUND TRANSFERS IN	812,052	0	82,178		894,230	
INTERFUND TRANSFERS OUT	(252,828)	0	(346,178)		(599,006)	
TOTAL OTHER FINANCING SOURCES (USES)	<u>818,024</u>	<u>0</u>	<u>(264,000)</u>		<u>554,024</u>	
NET CHANGE IN FUND BALANCES	281,192	91,001	451,989		824,182	
FUND BALANCES, BEGINNING OF YEAR	1,258,865	(113,207)	2,586,206		3,731,864	
FUND BALANCES, END OF YEAR	<u>\$ 1,540,057</u>	<u>\$ (22,206)</u>	<u>\$ 3,038,195</u>		<u>\$ 4,556,046</u>	

CITY OF BROOKSVILLE, FLORIDA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 824,182

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:  
 GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAY AS EXPENDITURES.  
 HOWEVER, IN THE STATEMENT OF ACTIVITIES, THE COST OF THOSE  
 ASSETS IS DEPRECIATED OVER THEIR ESTIMATED USEFUL LIVES.

EXPENDITURES FOR CAPITALIZED ASSETS \$ 283,193  
 LESS: CURRENT YEAR DEPRECIATION (339,011) (55,818)

REALIZED GAIN ON DISPOSITION OF CAPITAL ASSETS 2,073

REPAYMENT OF PRINCIPAL IS AN EXPENDITURE IN THE  
 GOVERNMENTAL FUNDS, HOWEVER THE REPAYMENT REDUCES  
 LONG-TERM LIABILITIES IN THE STATEMENT OF NET ASSETS. 102,038

SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES DO  
 NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND  
 THEREFORE ARE NOT REPORTED AS EXPENDITURES IN THE  
 GOVERNMENTAL FUNDS. THE AMOUNTS BELOW REPRESENT  
 THE CHANGE IN THESE ACCOUNTS.  
 ACCRUED INTEREST ON LONG-TERM DEBT 460  
 ACCRUED COMPENSATED ABSENCES 15,499

REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT  
 PROVIDE CURRENT FINANCIAL RESOURCES ARE NOT REPORTED  
 AS REVENUES IN THE FUNDS. 1,162,313

DEBT ISSUED IS AN OTHER FINANCING SOURCE (USE) IN THE  
 GOVERNMENTAL FUNDS. HOWEVER, THE AMOUNT OF THE DEBT  
 IS RECORDED AS A LIABILITY IN THE STATEMENT OF NET ASSETS. (258,800)

INTERNAL SERVICE FUNDS ARE USED BY MANAGEMENT TO CHARGE  
 THE COSTS OF CERTAIN ACTIVITIES TO INDIVIDUAL FUNDS. THE  
 NET INCOME OF THE INTERNAL SERVICE FUND IS REPORTED  
 WITH GOVERNMENTAL ACTIVITIES. 15,102

TRANSFERS BETWEEN GOVERNMENTAL FUNDS INCLUDING  
 INTERNAL SERVICE FUNDS MUST BE ELIMINATED FOR  
 PRESENTATION IN THE STATEMENT OF ACTIVITIES. 240,110

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 2,047,159

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SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 GENERAL FUND  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES	\$ 5,086,055	\$ 5,086,055	\$ 5,188,850	\$ 92,795
LICENSES & PERMITS	325,300	325,300	303,530	(21,770)
INTERGOVERNMENTAL REVENUE	870,600	836,600	851,159	14,559
CHARGES FOR SERVICES	237,685	237,685	242,453	4,768
FINES & FORFEITS	28,850	28,850	37,847	8,997
MISCELLANEOUS REVENUES	284,421	284,421	496,399	211,978
TOTAL REVENUES	6,842,911	6,808,911	7,120,238	311,327
EXPENDITURES				
CURRENT				
CULTURE & RECREATION	778,459	783,509	762,735	20,774
GENERAL GOVERNMENT	2,436,262	2,534,022	2,165,617	368,405
PUBLIC SAFETY	3,155,913	3,197,913	3,146,568	51,345
PHYSICAL ENVIRONMENT	97,624	97,624	96,879	745
TRANSPORTATION	1,048,920	1,080,270	1,124,413	(44,143)
CAPITAL OUTLAY	134,130	175,598	217,115	(41,517)
DEBT SERVICE				
PRINCIPAL	104,276	104,276	102,038	2,238
INTEREST	45,635	45,635	41,705	3,930
TOTAL EXPENDITURES	7,801,219	8,018,847	7,657,070	361,777
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(958,308)	(1,209,936)	(536,832)	673,104
OTHER FINANCING SOURCES (USES)				
DEBT ISSUED	0	68,000	256,800	190,800
INTERFUND TRANSFERS IN	797,800	797,800	812,052	14,252
INTERFUND TRANSFERS OUT	(324,528)	(349,485)	(252,828)	96,657
TOTAL OTHER FINANCING SOURCES (USES)	473,271	516,315	818,024	301,709
NET CHANGE IN FUND BALANCE	(485,037)	(693,621)	281,192	974,813
FUND BALANCES, BEGINNING OF YEAR	485,037	693,621	1,258,665	565,244
FUND BALANCES, END OF YEAR	0	0	1,540,057	1,540,057

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 CITY OF BROOKSVILLE COMMUNITY REDEVELOPMENT AGENCY FUND  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
TAXES	\$ 100,000	\$ 100,000	\$ 105,340	\$ 5,340
MISCELLANEOUS REVENUES	0	0	6,104	6,104
TOTAL REVENUES	100,000	100,000	111,444	11,444
EXPENDITURES				
CURRENT	27,950	27,950	20,443	7,507
PHYSICAL ENVIRONMENT	27,950	27,950	20,443	7,507
TOTAL EXPENDITURES	72,050	72,050	91,001	18,951
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
NET CHANGE IN FUND BALANCES	72,050	72,050	91,001	18,951
FUND BALANCES, BEGINNING OF YEAR	(72,050)	(72,050)	(113,207)	(41,157)
FUND BALANCES, END OF YEAR	0	0	(22,206)	(22,206)

CITY OF BROOKSVILLE, FLORIDA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES		GOVERNMENTAL ACTIVITIES -	
	UTILITY FUND	SANITATION FUND	TOTAL	INTERNAL SERVICE FUND
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
POOLED CASH AND INVESTMENTS	\$ 2,779,723	\$ 480,689	\$ 3,260,392	\$ 1,186,274
ACCOUNTS RECEIVABLE	387,883	0	387,883	0
ALLOWANCE FOR UNCOLLECTIBLES	(42,915)	0	(42,915)	0
DUE FROM OTHER GOVERNMENTS	82,873	0	82,873	0
INVENTORIES	184,313	0	184,313	2,789
PREPAID ITEMS	13,049	658	13,707	0
<b>TOTAL CURRENT ASSETS</b>	<b>3,404,726</b>	<b>481,327</b>	<b>3,886,053</b>	<b>1,189,063</b>
<b>NON-CURRENT ASSETS</b>				
RESTRICTED ASSETS				
CASH AND INVESTMENTS	1,822,737	0	1,822,737	0
CAPITAL ASSETS, NET				
LAND	670,072	47,020	717,092	0
PROPERTY PLANT & EQUIPMENT	28,748,155	442,105	29,190,260	237,623
CONSTRUCTION IN PROGRESS	3,453,900	0	3,453,900	37,722
LINE OF CREDIT ISSUE COSTS, NET	3,701	0	3,701	0
BOND ISSUE COSTS, NET	193,617	0	193,617	0
<b>TOTAL NON-CURRENT ASSETS</b>	<b>34,892,182</b>	<b>489,125</b>	<b>35,381,307</b>	<b>275,345</b>
<b>TOTAL ASSETS</b>	<b>38,296,908</b>	<b>970,452</b>	<b>39,267,360</b>	<b>1,464,408</b>

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUND TYPES  
 SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES			TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	UTILITY FUND	SANITATION FUND			
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
ACCOUNTS PAYABLE	\$ 72,297	\$ 45,998	\$ 118,295	\$ 1,479	
ACCRUED INTEREST PAYABLE	6,428	433	6,862	0	
ACCRUED WAGES PAYABLE	5,256	1,535	6,791	741	
ACCRUED PAYROLL LIABILITIES	1,358	338	1,696	236	
LEASES PAYABLE - CURRENT	0	48,155	48,155	0	
OTHER CURRENT LIABILITIES	108,672	30	108,702	869	
<b>TOTAL CURRENT LIABILITIES</b>	<b>194,012</b>	<b>96,489</b>	<b>290,501</b>	<b>3,325</b>	
<b>CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>					
METER DEPOSITS	502,585	0	502,585	0	
REVENUE BONDS PAYABLE	461,000	0	461,000	0	
ACCRUED INTEREST PAYABLE	125,982	0	125,982	0	
<b>TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)</b>	<b>1,089,567</b>	<b>0</b>	<b>1,089,567</b>	<b>0</b>	
<b>NON-CURRENT LIABILITIES</b>					
ACCRUED COMPENSATED ABSENCES	19,368	8,342	27,710	6,326	
ADVANCE FROM OTHER FUNDS	133,027	0	133,027	0	
LEASES PAYABLE	0	151,949	151,949	0	
LINE OF CREDIT	1,558,656	0	1,558,656	0	
REVENUE BONDS PAYABLE	10,786,191	0	10,786,191	0	
OTHER LONG-TERM LIABILITIES	1,041,773	0	1,041,773	0	
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>13,539,015</b>	<b>160,291</b>	<b>13,699,306</b>	<b>6,326</b>	
<b>TOTAL LIABILITIES</b>	<b>14,822,594</b>	<b>256,780</b>	<b>15,079,374</b>	<b>9,651</b>	
<b>NET ASSETS</b>					
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	19,933,869	288,568	20,222,437	275,345	
RESTRICTED:					
RESERVED FOR DEBT RETIREMENT	535,044	0	535,044	0	
RESERVED FOR RENEWAL & REPLACEMENT	785,108	0	785,108	0	
UNRESTRICTED	2,220,293	425,084	2,645,377	1,179,412	
<b>TOTAL NET ASSETS</b>	<b>23,474,314</b>	<b>713,652</b>	<b>24,187,966</b>	<b>1,454,757</b>	
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS				(63,883)	
<b>NET ASSETS OF BUSINESS-TYPE ACTIVITIES</b>			<b>\$ 24,124,103</b>		

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND TYPES  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES		TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	UTILITY FUND	SANITATION FUND		
OPERATING REVENUE				
CHARGES FOR SERVICES	\$ 3,668,812	\$ 1,248,018	\$ 4,916,830	\$ 178,085
MISCELLANEOUS REVENUES	97,100	6,909	104,009	75
TOTAL OPERATING REVENUES	<u>3,765,912</u>	<u>1,254,927</u>	<u>5,040,839</u>	<u>178,160</u>
OPERATING EXPENSES				
PERSONAL SERVICES	1,020,722	305,406	1,326,128	143,624
OTHER SERVICES & CHARGES	955,975	628,141	1,584,116	29,912
DEPRECIATION	720,283	68,904	789,187	79,362
TOTAL OPERATING EXPENSES	<u>2,696,980</u>	<u>1,002,451</u>	<u>3,699,431</u>	<u>252,898</u>
OPERATING INCOME	<u>1,068,932</u>	<u>252,476</u>	<u>1,341,408</u>	<u>(74,738)</u>
NONOPERATING REVENUES (EXPENSES)				
INTEREST EARNINGS	164,036	24,750	188,786	53,280
INTEREST EXPENSE	(529,652)	(2,162)	(531,814)	0
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(365,616)</u>	<u>22,588</u>	<u>(343,028)</u>	<u>53,280</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>723,306</u>	<u>275,064</u>	<u>998,370</u>	<u>(21,458)</u>
CAPITAL GRANTS AND CONTRIBUTIONS	10,505,446	0	10,505,446	0
TRANSFERS IN	49,235	1,456	50,691	240,686
TRANSFERS OUT	(448,395)	(137,585)	(585,980)	(576)
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>10,106,286</u>	<u>(136,129)</u>	<u>9,970,157</u>	<u>240,110</u>
CHANGE IN NET ASSETS	10,829,592	138,935	10,968,527	218,652
NET ASSETS, BEGINNING OF YEAR	12,644,722	574,737		1,236,105
NET ASSETS, END OF YEAR	<u>\$ 23,474,314</u>	<u>\$ 713,672</u>		<u>\$ 1,454,757</u>
ADJUSTMENT TO REFLECT CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS.			(38,253)	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES				<u>\$ 10,930,274</u>

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES		TOTAL	GOVERNMENTAL ACTIVITIES -	
	UTILITY FUND	SANITATION FUND		INTERNAL SERVICE FUND	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
RECEIPTS FROM CUSTOMERS	\$ 4,260,532	\$ 1,248,018	\$ 5,508,550	\$ 178,085	
PAYMENTS TO SUPPLIERS	(1,485,876)	(724,963)	(2,210,839)	(69,885)	
PAYMENTS TO EMPLOYEES	(744,959)	(202,461)	(947,420)	(102,634)	
OTHER RECEIPTS (PAYMENTS)	104,534	13,618	118,152	75	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,134,231</u>	<u>334,212</u>	<u>2,468,443</u>	<u>5,841</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
TRANSFERS FROM OTHER FUNDS	49,235	1,456	50,691	240,686	
TRANSFERS TO OTHER FUNDS	(448,395)	(137,585)	(585,980)	(57.6)	
NET CASH PROVIDED (USED BY) NONCAPITAL FINANCING ACTIVITIES	<u>(399,160)</u>	<u>(136,129)</u>	<u>(535,289)</u>	<u>240,110</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
PURCHASES OF PROPERTY, PLANT & EQUIPMENT	(2,309,487)	(148,470)	(2,457,957)	(74,742)	
CAPITAL GRANT RECEIPTS	2,021,653	0	2,021,653	0	
PROCEEDS OF LONG-TERM DEBT	0	148,000	148,000	0	
PRINCIPAL PAYMENTS ON LONG-TERM DEBT	(442,000)	(28,573)	(470,573)	0	
INTEREST PAYMENTS ON LONG-TERM DEBT	(512,422)	(2,100)	(514,522)	0	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,242,256)</u>	<u>(31,143)</u>	<u>(1,273,399)</u>	<u>(74,742)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
RECEIPT OF INTEREST AND DIVIDENDS	164,036	24,750	188,786	53,280	
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>164,036</u>	<u>24,750</u>	<u>188,786</u>	<u>53,280</u>	
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	656,951	191,990	848,941	224,489	
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	3,945,609	288,979	4,234,588	961,785	
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 4,602,460</u>	<u>\$ 480,969</u>	<u>\$ 5,083,429</u>	<u>\$ 1,186,274</u>	
<b>NONCASH CAPITAL FINANCING ACTIVITIES</b>					
CAPITAL ASSETS OF \$8,622,320 WERE ACQUIRED THROUGH CONTRIBUTIONS FROM DEVELOPERS.					

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	BUSINESS-TYPE ACTIVITIES		TOTAL	GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND
	UTILITY FUND	SANITATION FUND		
	\$ 1,088,932	\$ 252,476	\$ 1,341,408	\$ (74,738)
OPERATING INCOME	720,283	58,904	789,187	79,362
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES:				
DEPRECIATION EXPENSE	72,892	0	72,892	0
(INCREASE) DECREASE IN	145,951	6,709	152,670	641
ACCOUNTS RECEIVABLE	(6,664)	0	(6,664)	248
DUE FROM OTHER GOVERNMENTS	(7,483)	(9)	(7,492)	0
INVENTORIES	(402,296)	4,434	(397,862)	(1,056)
PREPAID ITEMS	133,027	0	133,027	0
INCREASE (DECREASE) IN	210	116	326	(2)
ACCOUNTS PAYABLE	4	(26)	(22)	10
ADVANCE FROM OTHER FUNDS	(1,880)	(135)	(2,015)	718
ACCRUED WAGES PAYABLE	19,695	0	19,695	0
ACCRUED PAYROLL LIABILITIES	(895)	1,743	848	658
OTHER CURRENT LIABILITIES	372,445	0	372,445	0
METER DEPOSITS	1,045,299	81,736	1,127,035	80,579
ACCRUED COMPENSATED ABSENCES				
OTHER LONG-TERM LIABILITIES				
TOTAL ADJUSTMENTS	2,134,231	334,212	2,468,443	5,841
NET CASH PROVIDED BY OPERATING ACTIVITIES				

CLASSIFIED AS:				
UNRESTRICTED	\$ 2,779,453	\$ 480,669	\$ 3,260,122	\$ 1,186,274
RESTRICTED	1,823,007	0	1,823,007	0
TOTAL CASH AND CASH EQUIVALENTS	\$ 4,602,460	\$ 480,669	\$ 5,083,129	\$ 1,186,274

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH  
 PROVIDED BY (USED BY) OPERATING ACTIVITIES

NET CASH PROVIDED BY OPERATING ACTIVITIES

CLASSIFIED AS:  
 UNRESTRICTED  
 RESTRICTED  
 TOTAL CASH AND CASH EQUIVALENTS

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2007

	PRIVATE PURPOSE TRUST FUNDS	PENSION TRUST FUNDS	AGENCY FUNDS
<b>ASSETS</b>			
POOLED CASH AND INVESTMENTS	\$ 9,153 \$	6,754,137 \$	82,168
ACCOUNTS RECEIVABLE	<u>0</u>	<u>31,741</u>	<u>0</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,153 \$</u>	<u>6,785,878 \$</u>	<u>82,168</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
ACCOUNTS PAYABLE	\$ 0 \$	0 \$	5,073
OTHER CURRENT LIABILITIES	<u>0</u>	<u>0</u>	<u>77,095</u>
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>0 \$</u>	<u>82,168</u>
<b>NET ASSETS</b>			
HELD IN TRUST FOR RETIREMENT AND OTHER PURPOSES	<u>9,153</u>	<u>6,785,878</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 9,153 \$</u>	<u>6,785,878</u>	

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	PRIVATE PURPOSE TRUST FUNDS	PENSION TRUST FUNDS
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	0 \$	136,406
PLAN MEMBERS	0	37,930
OTHER	0	297,686
TOTAL CONTRIBUTIONS	<u>0</u>	<u>472,022</u>
INVESTMENT EARNINGS		
NET INCREASE (DECREASE) IN FAIR VALUE	0	432,425
GAIN (LOSS) ON SALE OF INVESTMENTS	0	91,504
INTEREST/DIVIDENDS	507	208,337
TOTAL INVESTMENT EARNINGS	<u>507</u>	<u>732,266</u>
MISCELLANEOUS REVENUES	0	2,561
TOTAL ADDITIONS	<u>507</u>	<u>1,206,849</u>
DEDUCTIONS		
BENEFIT PAYMENTS	0	282,121
ADMINISTRATIVE EXPENSES	0	80,532
TRANSFERS OUT	45	0
TOTAL DEDUCTIONS	<u>45</u>	<u>362,653</u>
CHANGE IN NET ASSETS	462	844,196
NET ASSETS, BEGINNING OF YEAR	8,691	5,941,682
NET ASSETS, END OF YEAR	<u>9,153 \$</u>	<u>6,785,878 \$</u>

CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

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**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE A – REPORTING ENTITY**

The City of Brooksville is an incorporated municipality, established in 1880, when the officers of the Town of Brooksville adopted ordinances declaring administrative and criminal laws. In 1931 the legislature of the State of Florida approved the Proposed Home Rule Charter for the City of Brooksville as contained in Chapter 15103 of the 1931 Acts of Florida. This chapter legalized and validated the charter election, which was held in the City on April 21, 1931. The City operates under a City Council-Manager form of government and provides the following municipal services: general administrative, public safety, permitting and zoning, development, public improvements, recreation, water and sewer, sanitation and cemetery services.

The accompanying financial statements are prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental units, as prescribed by the Governmental Accounting Standards Board (GASB). The more significant of the City's accounting policies are described below.

As required by the Governmental Accounting Standards Board (GASB), these financial statements include the Council (the primary government) and its component units, entities for which the Council is considered to be financially accountable. The Council is financially accountable if (a) it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Council; (b) the organization is fiscally dependent upon the Council; or (c) it would cause the financial statements to be misleading by excluding the organization.

The reporting entity's financial statements should allow users to distinguish between the primary government (the Council) and its component units. However, some component units, because of the closeness of their relationships with the Council should be blended as though they were part of the City. Otherwise, component units should be discretely presented. To accomplish this goal, the City's financial statements present the fund types of the City, including component units that have been blended.

**City of Brooksville Community Redevelopment Agency**

The City of Brooksville Community Redevelopment Agency (CRA), a public body corporate and politic created pursuant to Florida Statutes, Section 163.356 was created to oversee and implement the City's redevelopment plan and to supervise and control the expenditures of tax increment financing funds placed in the Community Redevelopment Area Trust Fund. The members of the City Council serve as the members of the CRA Board and approve the annual budget. The CRA satisfies the criteria in GASB 14 for blending and is reported as a Special Revenue Fund of the City. The CRA must be treated as a major fund, pursuant to Florida Statutes, Section 163.387(8).

**Brooksville Housing Authority**

The Brooksville Housing Authority has not been included as part of the City for financial statement purposes. The governing board is selected by the City Council, but then the governing board is responsible for the hiring and firing of management; the budget, which is then approved by the federal government; and all fiscal matters. The City has no responsibility for any surplus or deficits of the Brooksville Housing Authority.

**Brooksville Fire District**

The Brooksville Fire District was created by action of City Council on November 15, 2004. The members of the City Council serve as the members of the Brooksville Fire District Board. However, at this time the Fire District is not accessing fees to District residents. No annual budget has been approved and no revenues or expenses have occurred since the creation of the District.

CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basic Financial Statements – Government-Wide and Fund Financial Statements**

**Government-Wide Financial Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, public works, and general administrative services are classified as governmental activities. The City's water, sewer, and sanitation services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports functional categories of programs provided by the City and demonstrates how and to what degree those programs are supported by specific revenue. The "Expenses" column reports direct expenses that are clearly identifiable with a specific function or program. "Program Revenues" are directly attributable to a specific function or program and are categorized as charges for services, operating grants and contributions, and capital grants and contributions. The net of program expenses less program revenues reflects the net cost of each function or program. The general revenues section includes revenues that are not program specific such as taxes and investment earnings.

As a general rule, the effect of interfund balances and transfers have been removed from the government-wide financial statements, except for the residual amounts between governmental and business-type activities reported as "internal balances", which are eliminated in the total column. These statements distinguish between governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

**Fund Financial Statements**

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (or expenses), as appropriate. Government 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. The funds of the City are divided into three categories: governmental, proprietary and fiduciary.

The emphasis in fund financial statements is on the major funds, as defined by GASB, in either the governmental or business-type activities categories. The nonmajor funds are combined in a column in the fund financial statements.

The City operates the following major governmental funds:

Government 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 government's primary operating funds. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statements (Continued)**

Government Funds (Continued)

- The City of Brooksville Community Redevelopment Agency, a special revenue fund, accounts for expenditures associated with oversight and implementation of the City's redevelopment plan and control of the expenditures of tax increment financing funds placed in the City of Brooksville Community Redevelopment Agency.

Proprietary Funds

Proprietary funds are used to account for a government's ongoing activities, which are similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration.

The City reports the following major proprietary funds:

- The Water and Sewer Utility Fund accounts for the fiscal activity of providing water and wastewater services to residential and commercial customers.
- The Sanitation Fund accounts for the fiscal activity of providing collection and disposal of solid waste to residential and commercial customers.

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 and of the internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and the internal service fund 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.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal service (vehicle maintenance) are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City activities or obligations. As a result, they are excluded from the government-wide financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The City applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued before November 30, 1989 in accounting and reporting for its governmental activities, business-type activities and proprietary operations, but has elected not to apply FASB pronouncements issued after November 30, 1989.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Financial Statements (Continued)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)**

The modified accrual basis of accounting is followed by governmental funds. Under the modified accrual basis of accounting, revenues are recorded when they become measurable and available to pay liabilities of the current period. Expenditures are recorded when the related fund liability has been incurred except for (1) principal and interest on long-term debt, which is recorded when due, and (2) the noncurrent portion of accrued vacation and sick leave.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Net Assets is segregated into three components: invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net assets.

The Fiduciary Funds consist of pension trust, private-purpose trust and agency funds. Pension trust and private-purpose trust funds are prepared on a full accrual basis, which is a on a flow of economic resources measurement focus. Agency funds are also prepared on a full accrual basis, but do not have a measurement focus.

**Budgets and Budgetary Accounting**

The City follows these procedures, which comply with legal requirements, in establishing the budgetary data reflected in the financial statements:

1. All funds have legally adopted annual budgets. Prior to the inception of the fiscal year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budget amounts within departments; however, any revisions that alter the total expenditures of any department or fund must be approved by the City Council. City policy permits amendments to the budget during the fiscal year and subsequent to year-end.
5. Budgets for the General Fund, Special Revenue Funds and Capital Projects Funds are principally prepared on the modified accrual basis of accounting. Encumbrances, which do not lapse at the end of a fiscal year, are carried over to the next fiscal year.

**Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in all funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities under generally accepted accounting principles.

**Cash and Cash Equivalents**

Cash and cash equivalents are stated at cost, which approximates market.

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Allowances For Uncollectibles**

The City calculates its allowances for uncollectibles using historical collection data, specific account analysis and management's judgment.

**Investments**

All investments, except non-participating investments, (i.e., certificates of deposits, and repurchase agreements), and investments in the "2a-7 like external investments pools" are reported at fair value.

**Inventories**

Supplies inventories are valued at cost on a first-in, first-out basis. Supplies inventory consists of supplies held for consumption that are expensed at the time of consumption, rather than at the time a liability is incurred.

Confiscated property inventory is valued at estimated fair market value at the date confiscated. Confiscated property inventory consists of tangible property confiscated from persons due to the properties in connection to alleged illegal activity.

**Prepaid Items**

Payments made to vendors in the governmental funds for services that will benefit periods beyond September 30<sup>th</sup> are recorded as prepaid items. Prepaid expenses in the enterprise funds are reported on the accrual basis and are expensed as the related benefits expire.

**Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements as well as the proprietary fund financial statements.

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value on date of donation. Capital assets in the Proprietary Funds are stated at cost for all assets purchased subsequent to June 30, 1971. For those fixed assets purchased prior to June 30, 1971, an appraisal of the estimated cost of these assets was performed as of that date. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided using the straight-line method. The estimated useful lives are as follows:

Buildings	40 years
Utility Plant in Service	20 – 40 years
Equipment	5 – 10 years
Infrastructure	10 – 50 years

The City is not required to report infrastructure assets acquired prior to October 1, 2003. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. As infrastructure is added, the assets are capitalized and depreciated appropriately.

**Compensated Absences**

City employees accumulate vacation pay in varying amounts as services are provided. All outstanding vacation time is payable upon termination of employment.

CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences (Continued)**

Additionally, City employees accumulate sick leave in varying amounts as services are provided. Effective with the first pay period each October, employees are given the option to convert up to fifty percent (50%) of the unused sick leave earned for the previous twelve (12) months to cash payment based upon the employee's then current rate of pay. The remaining balance is accrued for the employee's use. Upon separation or retirement of employment with the City, the balance of unused sick leave has no value.

The cost of accumulated vacation and sick leave pay expected to be paid in the future are accounted for as a liability in the government-wide financial statements.

**Restricted Net Assets**

In accordance with applicable covenants of certain enterprise fund bond issues, cash and other assets have been appropriately restricted. Cash has also been restricted to the extent of customers' deposits and unexpended bond proceeds. Net Assets have been reserved for the excess of restricted assets over related liabilities where appropriate.

**Reserved and Designated Fund Balance**

Fund balance reserves are used to indicate that portion of the fund balance that is not available for expenditures or is legally segregated for a specific future use. Designations of portions of the fund balance are established to indicate tentative plans for financial resource utilization in a future period.

**Statement of Cash Flows**

For purposes of the statements of cash flows, the City has included checking accounts, certificates of deposit, and cash on hand as part of cash and cash equivalents. Cash equivalents are defined as original maturities of 90 days or less.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

**NOTE C – CASH AND INVESTMENTS**

**Cash Deposits**

As of September 30, 2007, the City's cash deposits were entirely covered by federal depository insurance or by the banking network provided by Chapter 280 of the Florida Statutes. Florida Statutes provide for collateral pooling by banks and savings and loans, and limit local government deposits to "authorized depositories." Therefore, all cash deposits held by banks can be classified as fully insured.

**Restricted Cash**

Customer deposits, renewal and replacement and debt retirement funds are shown as restricted cash due to the legal limitations imposed on them.

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE C – CASH AND INVESTMENTS (CONTINUED)**

**Investments**

The City's investment policy allows the City to invest surplus money in instruments provided by Florida Statutes Chapter 218.40 – 218.415. Among them are:

- a. The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperative Act, as provided in Section 163.01, Florida Statutes;
- b. Savings accounts in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes;
- c. Certificates of deposit in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes;
- d. Direct obligations of the U.S. Treasury;
- e. Federal Agencies and instrumentalities;
- f. Repurchase Contracts secured by U.S. Treasury or U.S. Government Agency Securities when market value shall be not less than 5% more than the amount of the contract. The 5% margin shall be maintained for the term of the contract. If the market value falls below the 5% margin, the issuer of the contract shall pledge additional collateral to restore the margin.

City ordinance authorizes investments for the pension trust funds, as follows:

- a. Annuity and life insurance contracts;
- b. Time and savings accounts of National Bank and a State of Florida bank insured by FDIC;
- c. Obligations of the United States;
- d. State and local government bonds (as restricted); and
- e. Corporate stocks and bonds (as restricted).

Pension trust fund investments are made up primarily of trust company and equity funds (bank common funds). The investments are insured or registered securities that are held by the City or its agent, in the City's name. As of September 30, 2007, pension trust fund investments totaled \$6,754,137.

The following schedule reflects cash, demand deposits and investments on hand at September 30, 2007:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Unrestricted			
Cash	\$ 4,175	\$ 0	\$ 4,175
Checking Accounts	579,135	82,168	661,303
Certificate of Deposit	126,012	0	126,012
Local Government Surplus Trust Fund	7,309,815	9,153	7,318,968
Savings Account	<u>1,900</u>	<u>0</u>	<u>1,900</u>
	8,021,037	91,321	8,112,358
U.S. Government Agencies	<u>1,000,938</u>	<u>0</u>	<u>1,000,938</u>
<b>Total</b>	<b><u>\$9,021,975</u></b>	<b><u>\$91,321</u></b>	<b><u>\$9,113,296</u></b>

CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

**NOTE C – CASH AND INVESTMENTS (CONTINUED)**

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Restricted			
Checking Accounts	\$ 459,592	\$ 0	\$ 459,592
Local Government Surplus Trust Fund	<u>1,373,229</u>	<u>0</u>	<u>1,373,229</u>
	1,832,821	0	1,832,821
U.S. Government Agencies	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$1,832,821</u>	<u>\$ 0</u>	<u>\$1,832,821</u>

Investments listed above as U.S. Government Agencies consist of variable rate bonds held with the Federal Home Loan Bank System. As of September 30, 2007, the fair value and maturities of these securities are as follows:

	Fair Value	Maturity 1-5 Years
U.S. Government Agencies	<u>\$1,000,938</u>	<u>\$1,000,938</u>

**Interest Rate Risk**

To mitigate interest rate risk, the City's investment policy requires that the investment portfolio structure maturities to the City's cash needs for ongoing operations and that operating funds be invested primarily in short-term securities. Of the City's investments outstanding at year-end, all of them have maturities of less than one year. The City's policy requires that investments have maturities no greater than five years.

**Credit Risk**

To mitigate credit risk, the City primarily invests in U.S. government securities and the State of Florida local government surplus trust fund pool. Money market accounts are held with qualified public depositories who meet the State of Florida requirements.

**Custodial Risk**

To mitigate custodial risk, broker/dealers must meet established capital requirements as set forth by the Securities Exchange Commission, be registered in the State of Florida, provide proof of registration, complete a broker/dealer questionnaire, certify understanding of the City's investment policy, and provide a copy of most recent audit report.

**Concentration of Credit Risk**

The City's investment policy requires that investments be diversified by security type and institution. Approximately 18% of the City's investments are in Federal Home Loan Bank Securities, which are currently rated as AAA by the S&P and Composite rating agencies and AAA by Moody's rating agency.

The Local Government Surplus Trust Fund was not rated by a nationally recognized statistical rating agency as of September 30, 2007.

**NOTE D – UTILITY FUND**

**Revenue Bonds Payable**

In February 1992, the City issued \$6,915,000 in Water and Sewer Refunding Bonds to advance refund the outstanding 1988B and 1988C Series bonds.

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

***NOTE D – UTILITY FUND (CONTINUED)***

In December 1999, the City issued \$6,680,000 in Water and Sewer Revenue Bonds for the purpose of providing a part of the funds required to retire a non-revolving credit line. The City had used the proceeds from the non-revolving credit line to provide part of the funding for the construction of a new wastewater treatment plant and transmission lines.

In November 2002, the City issued \$6,610,000 in Water and Sewer Revenue Refunding Bonds to currently refund all outstanding 1988A and 1992 Series bonds, to finance the costs of issuance and pay insurance premiums for a municipal bond insurance policy as well as a reserve insurance policy.

The Series 1999 bonds are payable solely from and secured by the Net Revenues of the Water and Sewer System. The Series 2002 bonds are payable from and secured by a first lien upon and pledge of the Net Revenues of the Water and Sewer System. The Series 2002 lien is on a parity and equal status with the Series 1999 bonds.

Interest on the 1999 bonds is payable annually on September 1 of each year. The bonds carry an interest rate of 3.25%. Bonds maturing on or before September 1, 2008, are not subject to redemption prior to their respective dates of maturity. Bonds maturing September 1, 2009, and thereafter may be redeemed prior to maturing on September 1, 2008, or any subsequent interest date, at the option of the City at par plus accrued interest. If the bonds are redeemed on September 1, 2008 to September 2009, or September 1, 2010 to September 1, 2011, 2% or 1% premiums, respectively, will be added to the redemption price.

Interest on the 2002 bonds is payable semi-annually, on April 1 and October 1 of each year. The bonds carry interest rates varying from 2.50% to 4.60%, depending upon maturity date. Bonds maturing prior to October 1, 2013 shall not be subject to redemption prior to maturity. Bonds maturing on October 1, 2013 or thereafter may be redeemed prior to maturing on October 1, 2012, or any date thereafter, at the option of the City at a stated redemption price plus accrued interest.

CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

**NOTE D – UTILITY FUND (CONTINUED)**

The following is a summary of the required debt service payments for the fiscal years ended September 30:

	<u>1999 Issue</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 111,000	\$ 197,698	\$ 308,698
2009	114,000	194,090	308,090
2010	118,000	190,385	308,385
2011	121,000	186,550	307,550
2012	127,000	182,618	309,618
2013	131,000	178,490	309,490
2014	134,000	174,233	308,233
2015	139,000	169,878	308,878
2016	144,000	165,360	309,360
2017	147,000	160,680	307,680
2018	153,000	155,903	308,903
2019	158,000	150,930	308,930
2020	163,000	145,795	308,795
2021	168,000	140,498	308,498
2022	173,000	135,038	308,038
2023	179,000	129,415	308,415
2024	186,000	123,598	309,598
2025	191,000	117,553	308,553
2026	198,000	111,345	309,345
2027	205,000	104,910	309,910
2028	211,000	98,248	309,248
2029	218,000	91,390	309,390
2030	225,000	84,305	309,305
2031	231,000	76,993	307,993
2032	238,000	69,485	307,485
2033	246,000	61,750	307,750
2034	254,000	53,755	307,755
2035	263,000	45,500	308,500
2036	271,000	36,953	307,953
2037	279,000	28,145	307,145
2038	289,000	19,078	308,078
2039	<u>298,000</u>	<u>9,685</u>	<u>307,685</u>
Totals	<u>\$6,083,000</u>	<u>\$3,790,254</u>	<u>\$9,873,254</u>

CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

NOTE D – UTILITY FUND (CONTINUED)

Revenue Bonds Payable (Continued)

	2002 Issue		Amortization of Deferred Loss	Total
	Principal	Interest		
2008	\$ 350,000	\$ 213,326	\$ 19,632	\$ 582,958
2009	360,000	201,339	19,632	580,971
2010	370,000	188,101	19,632	577,733
2011	385,000	173,464	19,632	580,096
2012	410,000	157,564	19,632	587,196
2013	425,000	140,439	19,632	585,071
2014	440,000	122,164	1,632	563,796
2015	460,000	103,039	0	563,039
2016	485,000	82,654	0	567,654
2017	510,000	60,825	0	570,825
2018	535,000	37,568	0	572,568
2019	<u>555,000</u>	<u>12,765</u>	<u>0</u>	<u>567,765</u>
Totals	<u>\$5,285,000</u>	<u>\$1,493,248</u>	<u>\$119,424</u>	<u>\$6,897,672</u>

The deferred loss on early retirement of debt represents the unamortized balance of the bond discount and bond issuance costs of the retired debt. As of the date of refunding, this unamortized total was \$215,947. The deferred amount is reflected in the accompanying financial statements as a decrease in the book value of the new debt. As required by generally accepted accounting principles, the deferral will be amortized over the original remaining life of the old debt on a straight-line basis. For the year ended September 30, 2007, amortization of \$19,632 has been charged to interest expense, leaving an unamortized balance of \$119,424.

The following is a reconciliation of total principal due on the Utility Revenue fund's bonds as of September 30, 2007 per the balance sheet and the preceding amortization schedule.

1999 Bonds – Principal Per Amortization Schedule	\$ 6,083,000
2002 Bonds – Principal Per Amortization Schedule	5,285,000
Unamortized Discount as of September 30, 2007	(1,385)
Unamortized Deferred Loss on Early Retirement of Debt as of September 30, 2007	<u>(119,424)</u>
Total Principal	11,247,191
Current Portion	<u>(461,000)</u>
Long-Term Portion	<u>\$10,786,191</u>

Bond debt activity for the fiscal year ended September 30, 2007:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	\$11,810,000	\$ 0	\$ 442,000	\$11,368,000	\$461,000
Less: deferred amounts:					
For issuance discounts (premiums)	(1,509)	0	(124)	(1,385)	0
On refunding – gain (loss)	<u>(139,056)</u>	<u>0</u>	<u>(19,632)</u>	<u>(119,424)</u>	<u>0</u>
Total bonds payable	<u>\$11,669,435</u>	<u>\$ 0</u>	<u>\$422,244</u>	<u>\$11,247,191</u>	<u>\$461,000</u>

**CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007**

**NOTE D – UTILITY FUND (CONTINUED)**

**Subordinated Water and Sewer Revenue Note, Series 2005**

During the fiscal year ended September 30, 2005, City Council approved Resolution 2005-05 resulting in the execution of a Subordinated Water and Sewer Revenue Note, Series 2005. The Revenue Note is in the form of a Line of Credit, not to exceed a principal balance of \$2,250,000. The proceeds of the Line of Credit will be used to fund acquisition, construction and installation of certain improvements and extensions to the combined water and sewer system owned and operated by the City.

The repayment of the Line of Credit is secured by the proceeds of the issuance of permanent, fixed rate financing and lien on the net revenues of the water and sewer system which is subordinate to the lien on the net revenues of the water and sewer system in favor of the Water and Sewer Revenue Bonds, Series 1999 A&B and Water and Sewer Revenue Refunding Bonds, Series 2002. Subordination approval has been obtained from the United States Department of Agriculture, Rural Development Office as required.

The Line of Credit is non-revolving and will mature in three years on April 1, 2008. Interest is to be paid quarterly on January 1, April 1, July 1 and October 1 of each year, commencing April 1, 2005. The interest rate shall be set on the first business day of the month each quarter, based on the following formula: (67% of 3 Month LIBOR) + 0.50%.

Amounts drawn on the Line of Credit will be on an as needed basis as determined by the City. Amounts drawn are to be in increments of \$5,000, with a minimum draw of \$50,000. As of September 30, 2007, the City had drawn \$1,558,656 including issuance costs of \$19,033. Issuance costs will be amortized over three years, the date of maturity under the Line of Credit. For the year ended September 30, 2007, the City paid \$67,407 in interest.

**NOTE E – TRUST FUNDS**

**Firefighters' Retirement Trust Fund**

The City provides a retirement plan covering substantially all full time firefighters employed by the City. The plan was amended and restated by Ordinance 525, adopted by City Council October 20, 2003. The plan is a defined benefit plan with actuarial valuations performed annually. The most recent valuation was done as of October 1, 2006.

Membership in the plan as of the date of the valuation was as follows:

Active employees	23
Service retirees	12
Beneficiaries	0
DROP retirees	0
Terminated Vested	8
Disability retirees	<u>1</u>
Total participants	<u>44</u>

Following is a schedule of the City's and the State of Florida's annual contributions for the most recent valuation years:

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2006	\$199,876	\$120,301	\$95,088*	107.76%
2005	193,387	99,914	93,473	100.00%
2004	146,006	60,422	87,158*	101.08%
2003	102,122	26,884	85,243*	109.80%
2002	95,889	61,596	85,243*	153.13%
2001	89,562	25,878	80,419	118.69%

\*"Frozen" per Chapter 175, Florida Statutes.

CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

**NOTE E – TRUST FUNDS (CONTINUED)**

**Firefighters' Retirement Trust Fund (Continued)**

The following is a summary of eligibility, contribution methods, and benefit provisions.

Eligibility	Employees who are classified as full-time and volunteer firefighters shall participate in the System as a condition of employment.
Vesting Schedule	100% after 10 years of credited service
Member Contributions	4% of earnings
Contribution rates as of September 30, 2006	
City	20.8%
Employee	4%
Normal Retirement Date	Earlier of age 60; age 55 and 10 years of Credited Service; or 20 years of Credited Service regardless of age
Benefit	3.1% of average final compensation times credited service
Form of Benefit	Ten year certain and life annuity (options available)
Early Retirement	
Eligibility	Age 50 and 10 years of credited service
Benefit	Accrued benefit, reduced 3% per year

Significant actuarial assumptions used to determine the pension benefit obligation include the following:

Investment rate of return	8.0%
Projected salary increase*	Up to 3.0%
*Includes inflation at	3.0%
Post retirement cost of living adjustment (age 55 to 65)	3.0%
Administrative expenses	\$15,700 annually

CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

**NOTE E – TRUST FUNDS (CONTINUED)**

The funding activity of the Firefighters' Retirement Trust Fund for the current and preceding two years is as follows:

	September 30 2006	September 30, 2005	September 30 2004
Annual required contribution:	\$104,788	\$99,914	\$58,848
Interest on net pension obligation (asset)	(2,973)	(3,006)	(2,912)
Adjustment to annual required contribution	<u>2,679</u>	<u>3,418</u>	<u>3,312</u>
Annual pension cost	104,494	100,326	59,248
Contributions made	<u>120,301</u>	<u>99,914</u>	<u>60,422</u>
Change in net pension obligation (asset)	(15,807)	412	(1,174)
Net pension obligation (asset)			
Beginning of year	<u>(37,162)</u>	<u>(37,574)</u>	<u>(36,399)</u>
Net pension obligation (asset) end of year	<u>\$(52,969)</u>	<u>\$(37,162)</u>	<u>\$(37,573)</u>

The following represents funding progress for the Firefighter's Retirement Trust Fund for the current and each of the three most recent actuarial valuations:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annualized Covered Payroll	UAAL as a Percentage of Covered Payroll
10/01/06	\$4,029,916	\$4,672,236	\$642,320	86.25%	676,103	95.00%
10/01/05	3,790,259	4,497,765	707,506	84.27%	603,701	117.19%
10/01/04	3,638,910	4,212,509	573,599	86.38%	447,703	128.12%
10/01/03	3,558,913	4,059,601	500,688	87.67%	520,010	96.28%
10/01/02	3,529,952	3,839,675	309,723	91.93%	490,491	63.15%
10/01/01	3,472,481	3,837,065	364,584	90.50%	449,732	81.07%

**Police Retirement Chapter 185**

The City Council adopted Ordinance No. 552 on December 18, 1995, providing for the establishment of a Chapter 185 Local Law Municipal Police Officers' Pension Trust Fund effective for all police officers hired after January 1, 1996. The plan was amended by Ordinance No. 552-A on July 1, 1996. The plan is a defined benefit plan.

Membership of the plan consisted of the following at October 1, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	0
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	<u>18</u>
Total	<u>18</u>

CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

**NOTE E – TRUST FUNDS (CONTINUED)**

**Police Retirement Chapter 185 (Continued)**

Following is a schedule of the City's annual contributions:

Year Ended September 30	Annual Required Contribution	Percentage Contributed
2006	\$138,387	100% (a)
2005	145,651	100% (a)
2004	133,457	100% (a)
2003	99,188	100% (a)

(a) Plan drew required contribution from the surplus contribution account. This account now totals \$1,339,513.

(b) State contributions frozen at \$180,300.

The following is a summary of eligibility, contribution methods, and benefit provisions.

Eligibility: All full-time police officers when hired shall become a participant after the effective date.

Vesting Schedule: 100% after 6 years of credited service

Member Contributions: All participants contribute 1% (after-tax) of salary.

Contribution rates as of  
 September 30, 2006:

City	0.0%
Plan Members	1.0%

**Normal Retirement**

Date: The first day of the month coincident with or next following attainment of age 55 and 6 years of service or earlier attainment of 20 years of service.

Benefit: The monthly retirement benefit shall be equal to the number of years of credited service multiplied by 3.5% and multiplied by final monthly compensation.

Form of Benefit: The normal form of benefit is a ten (10) year certain and life annuity.

**Early Retirement**

Date: A member shall retire on his early retirement date that shall be the first day of any month coincident with or next following attainment of age 50 and 6 years of service.

Benefit: The amount of accrued benefits will be reduced a maximum of 3% for each year before the Normal Retirement Age.

**Description of Valuation Method for Required Contribution:**

The valuation method used to determine the required contribution is known as the "Aggregate Actuarial Cost" funding method. Under this method of actuarial valuation, the present value of benefits, less all assets, are equated to the present value of future employer contributions, and of future employee contributions, if any. The required contribution is then expressed as a percentage of current payroll.

**CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007**

**NOTE E – TRUST FUNDS (CONTINUED)**

**Police Retirement Chapter 185 (Continued)**

Significant actuarial assumptions used to determine the pension obligation include the following:

Investment rate of return		7.5%
Projected salary increases*	8% current; 7%, 6%, 5.5%, 5.2% long-term	
*Includes inflation at		3.75%
Cost-of-living adjustments		3%

The funding activity of the Police Retirement for the current and preceding two years is as follows:

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/06	0	100%	0
9/30/05	0	100%	0
9/30/04	0	100%	0

For more information pertaining to the Firefighters' Retirement Plan and the Police Retirement Plan refer to the City of Brooksville, Florida's stand alone financial statements for each plan, which can be obtained by contacting the City of Brooksville, Finance Department, 201 Howell Avenue, Brooksville, Florida 34601-2041.

**Self-Insured Dental Plan**

Effective March 1, 1991, the City implemented a Self-Insured Dental Plan (the "plan") with a year-end of September 30. To be a participant in the plan, the individual must also be a member of the City's medical program.

Claims submitted within ninety (90) days of services rendered are considered for reimbursement benefit. In a calendar year, each participant must satisfy a \$50 deductible; the next \$750 in claims is reimbursed at 80%; and subsequently, \$1,800 in claims is reimbursed at 50% generating a maximum claim payment of \$1,500 per participant annually. There is a \$3,500 maximum claim payout per family annually.

**Donor Memorial Wall Trust Fund**

In fiscal year 1993, a Donor Memorial Wall Trust Fund was established by Brooksville City Council action. This fund was established to account for the construction of a wall at the Brooksville Cemetery that would allow individuals and groups to memorialize deceased individuals by having the deceased individual's name permanently engraved upon the wall. The fund was designed so that all contributions collected for the memorializing of a deceased individual would be used only for construction and engraving cost. Any excess funds are to be classified as corpus and to remain perpetually intact, with interest income thereon going to the general fund.

During the fiscal year ended September 30, 2007 no money was collected for construction and engraving, nor was any money expended.

**Cemetery Perpetual Care Fund**

Created by Resolution 95-15, this fund was established to account for 50% of the proceeds received from the sale of any burial space or lot reserved. The interest earnings received from the investment of the proceeds of sales are to be used solely for the upkeep, maintenance and improvement of the Brooksville Cemetery.

**CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007**

**NOTE F – RETIREMENT SYSTEM**

Pursuant to Chapter 95-338, Laws of Florida, the City of Brooksville declared as its policy and purpose, a revocation of election to participate in the Florida Retirement System for all employees or officers hired on or after January 1, 1996. Effective January 1, 2002, the City elected to again participate in the Florida Retirement System for general employees and officers.

**I. Plan Description**

The Florida Retirement System (FRS) is a cost-sharing multiple-employer retirement plan. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida Legislature. Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public employee Optional Retirement Program or the FRS Investment became available to FRS members.

**II. Funding Policy**

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due (See below for current rates). Level percentage of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial cost method. If an unfunded actuarial liability reemerges as a result future plan benefit changes, assumption change, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount. Actuarial assumptions included (1) 7.75% investment rate of return; (2) 6.25% projected salary increases; (3) 3.0% inflation; and (4) 3.00% cost-of-living adjustments.

Following is the schedule of funding progress for the entire FRS, presented for each of the three most recent actuarial valuations (000 omitted):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability(AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annualized Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2004	106,707,426	95,185,433	(11,521,993)	112.10%	23,115,581	(49.85%)
July 1, 2005	111,539,878	103,917,955	(7,621,923)	107.33%	24,185,983	(31.51%)
July 1, 2006	117,159,615	110,977,831	(6,181,784)	105.57%	25,327,922	(24.41%)

The City is required to contribute the following percentages of covered employees' gross earnings: 8.69% for regular employees; 19.75% for special risk employees; 15.37% for elected officials; 11.96% senior management service; and 9.11% for participants in the deferred retirement option ("DROP") program. These rates are established on a statewide basis and reflect changes effective July 1, 2007. Following is a summary of the City's annual contribution for the current and two preceding years; for each year, the City's actual contributions were equal to the required contributions.

2006-07	\$506,467
2005-06	\$309,882
2004-05	\$279,103

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE G –LONG-TERM LIABILITIES**

The following is a summary of changes in Long-Term Liabilities:

**Governmental Activities:**

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2007</u>	<u>Amounts Due Within One Year</u>
Notes Payable	\$1,009,686	\$ 0	\$102,038	\$ 907,648	\$106,520
Bonds Payable	0	258,800	0	258,800	0
Accrued Compensated Absences	<u>160,096</u>	<u>31,299</u>	<u>46,140</u>	<u>145,255</u>	<u>32,979</u>
<b>TOTAL</b>	<b><u>\$1,169,782</u></b>	<b><u>\$290,099</u></b>	<b><u>\$148,178</u></b>	<b><u>\$1,311,703</u></b>	<b><u>\$139,499</u></b>

Included as part of the above totals for governmental activities are compensated absences for the internal service fund in the amount of \$6,326. For governmental activities, claims and judgments are typically liquidated by the general fund.

**Business-Type Activities:**

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2007</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$11,810,000	\$ 0	\$442,000	\$11,368,000	\$461,000
Line of Credit	1,558,656	0	0	1,558,656	0
Capital Leases	80,676	148,000	28,573	200,103	48,155
Accrued Compensated Absences	<u>26,862</u>	<u>6,865</u>	<u>6,017</u>	<u>27,710</u>	<u>6,083</u>
<b>TOTAL</b>	<b><u>\$13,476,194</u></b>	<b><u>\$154,865</u></b>	<b><u>\$476,590</u></b>	<b><u>\$13,154,469</u></b>	<b><u>\$515,238</u></b>

**Bonds Payable**

In November 2006, the City issued \$258,800 in Capital Improvement Revenue Bonds, Series 2006 for the purpose of providing a part of the funds required to finance a part of the cost of acquiring and installing certain capital improvements to the City Hall Building and wastewater utility lift stations. The City established an advance between the General Fund and the Utility Fund for the Utility Fund's portion due for the cost of improvements at the wastewater utility lift stations. The balance of the advance at September 30, 2007 was \$133,027.

Interest on the 2006 bonds is payable annually on September 1 of each. The bonds carry an interest rate of 4.125%. Bonds maturing on or before September 1, 2015 are not subject to redemption prior to their respective stated dates of maturity. Bonds maturing September 1, 2016 and thereafter shall be redeemable, at the option of the Issuer, in whole or in part, in inverse numerical and maturity order, on September 1, 2015 or on any interest payment date thereafter at par and accrued interest, plus the following premiums, expressed as percentages of the par value of the Bonds so redeemed, if redeemed in the following years:

- 5% if redeemed on September 1, 2015 or thereafter, to and including September 1, 2018;
- 4% if redeemed on September 1, 2019 or thereafter, to and including September 1, 2022;
- 3% if redeemed on September 1, 2023 or thereafter, to and including September 1, 2026;
- 2% if redeemed on September 1, 2027 or thereafter, to and including September 1, 2030;
- 1% if redeemed on September 1, 2031 or thereafter, to and including September 1, 2034;

Without premium, if redeemed on September 1, 2035 or thereafter, but prior to maturity.

CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

**NOTE G –LONG-TERM LIABILITIES (CONTINUED)**

The following is a summary of the required debt service payments for the fiscal years ended September 30:

	<u>2006 Issue</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 0	\$10,676	\$10,676
2009	5,800	10,676	16,476
2010	5,000	10,436	15,436
2011	6,000	10,230	16,230
2012	6,000	9,983	15,983
2013	6,000	9,735	15,735
2014	6,000	9,488	15,488
2015	7,000	9,240	16,240
2016	7,000	8,551	15,551
2017	7,000	8,663	15,663
2018	7,000	8,374	15,374
2019	8,000	8,085	16,085
2020	8,000	7,755	15,755
2021	8,000	7,425	15,425
2022	9,000	7,095	16,095
2023	9,000	6,724	15,724
2024	9,000	6,353	15,353
2025	10,000	5,981	15,981
2026	10,000	5,569	15,569
2027	11,000	5,156	16,156
2028	11,000	4,704	15,704
2029	11,000	4,249	15,249
2030	12,000	3,795	15,795
2031	12,000	3,300	15,300
2032	13,000	2,805	15,805
2033	13,000	2,269	15,269
2034	14,000	1,733	15,733
2035	15,000	1,155	16,155
2036	<u>13,000</u>	<u>536</u>	<u>13,536</u>
Totals	<u>\$258,800</u>	<u>\$190,741</u>	<u>\$449,541</u>

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE G –LONG-TERM LIABILITIES (CONTINUED)**

**Notes Payable**

The notes payable included in long-term liabilities as of September 30, consist of the following:

	<u>2007</u>
3.94% note payable to SunTrust Bank; secured by electric franchise fees; interest payable in semiannual installments beginning January 1, 2004 until July 1, 2011; principal payable in annual installments beginning July 1, 2004 until July 1, 2011.	\$313,516
4.23% note payable to SunTrust Bank; interest only payable for the first two quarters; principal and interest payable quarterly beginning July 26, 2007 until May 10, 2021; to purchase by a 2007 Sutphan Fire Aerial Platform Truck with a book value of \$619,577.	<u>594,132</u>
<b>TOTAL</b>	<u><b>\$907,648</b></u>

Below is a summary of scheduled debt service charges until maturity for the notes payable.

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$106,520	\$ 36,955	\$ 143,475
2009	110,878	32,640	143,518
2010	115,369	28,149	143,518
2011	120,041	23,477	143,518
2012	38,604	18,665	57,269
2013 and Thereafter	<u>416,236</u>	<u>83,493</u>	<u>499,729</u>
	<u><b>\$907,648</b></u>	<u><b>\$223,379</b></u>	<u><b>\$1,131,027</b></u>

CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

**NOTE G --LONG-TERM LIABILITIES (CONTINUED)**

**LEASES PAYABLE**

**Business-Type Activities – Sanitation Fund**

The following is a summary of Capital Leases Payable at September 30, 2007:

3.00% lease for a sanitation truck with costs basis of \$141,926 and accumulated depreciation of \$48,731; lease expires May 2009; quarterly payments are \$7,668.

3.98% lease for a Peterbilt fire truck with cost basis of \$148,470 and accumulated depreciation of \$0; lease expires September 2014; quarter payments are \$6,082.

Minimum future lease payments as of September 30, 2007 are as follows:

<u>Year Ended September 30</u>	<u>Total</u>
2008	\$ 55,002
2009	47,333
2010	24,329
2011	24,329
2012	24,329
2013 and Thereafter	<u>48,658</u>
Total Minimum Lease Payments	223,980
Less Amount Representing Interest	<u>(23,876)</u>
Present Value of Minimum Lease Payments	<u>\$200,104</u>

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE H – CAPITAL ASSETS**

Capital Asset activity for the year ended September 30, 2007 is as follows:

	<u>Balance October 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2007</u>
<b>Governmental Activities:</b>				
Non-Depreciable:				
Land	\$1,258,388	\$ 0	\$ 0	\$1,258,388
Construction in Progress	317,766	1,215,698	29,460	1,504,004
Construction in Progress (I/S Fund)	<u>37,722</u>	<u>0</u>	<u>0</u>	<u>37,722</u>
Total Non-Depreciable	<u>1,613,876</u>	<u>1,215,698</u>	<u>29,460</u>	<u>2,800,114</u>
Depreciable:				
Buildings	2,421,336	0	0	2,421,336
Improvements Other Than Buildings	2,988,490	54,388	0	3,042,878
Machinery & Equipment	2,378,081	207,445	69,093	2,516,432
Machinery & Equipment (I/S Fund)	<u>753,443</u>	<u>74,741</u>	<u>0</u>	<u>828,184</u>
Total Machinery & Equipment	<u>3,131,524</u>	<u>282,186</u>	<u>69,093</u>	<u>3,344,616</u>
Total Depreciable	<u>8,541,350</u>	<u>336,573</u>	<u>69,093</u>	<u>8,808,830</u>
Less Accumulated Depreciation				
Buildings	878,278	67,805	0	946,083
Improvements Other Than Buildings	1,142,015	132,784	0	1,274,799
Machinery & Equipment	1,405,752	138,421	66,294	1,477,879
Machinery & Equipment (I/S Fund)	<u>511,199</u>	<u>79,361</u>	<u>0</u>	<u>590,560</u>
Total Machinery & Equipment	<u>1,916,951</u>	<u>217,782</u>	<u>66,294</u>	<u>2,068,439</u>
Total Accumulated Depreciation	<u>3,937,244</u>	<u>418,372</u>	<u>66,294</u>	<u>4,289,321</u>
Net Book Value	<u>4,604,106</u>	<u>(81,798)</u>	<u>2,799</u>	<u>4,519,509</u>
Governmental Activities Capital Assets, Net	<u><b>\$6,217,982</b></u>	<u><b>\$1,133,900</b></u>	<u><b>\$32,259</b></u>	<u><b>\$7,319,623</b></u>

CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007

**NOTE H – CAPITAL ASSETS (CONTINUED)**

	Balance October 1, 2006	Additions	Deletions	Balance September 30, 2007
<b>Business-type Activities (includes Utility &amp; Sanitation)</b>				
Non-Depreciable				
Land	\$ 717,092	\$ 0	\$ 0	\$ 717,092
Construction in Progress	<u>6,166,137</u>	<u>1,761,974</u>	<u>4,474,211</u>	<u>3,453,900</u>
Total Non-Depreciable	<u>6,883,229</u>	<u>1,761,974</u>	<u>4,474,211</u>	<u>4,170,992</u>
Depreciable				
Buildings	256,002	0	0	256,002
Improvements Other Than Buildings	24,420,882	13,266,879	0	37,687,761
Machinery & Equipment	<u>2,262,247</u>	<u>548,104</u>	<u>0</u>	<u>2,810,351</u>
Total Machinery & Equipment	<u>2,262,247</u>	<u>548,104</u>	<u>0</u>	<u>2,810,351</u>
Total Depreciable	<u>26,939,131</u>	<u>13,814,983</u>	<u>0</u>	<u>40,754,114</u>
Less Accumulated Depreciation				
Buildings	132,823	5,729	0	138,552
Improvements Other Than Buildings	8,829,195	650,185	0	9,479,380
Machinery & Equipment	<u>1,812,649</u>	<u>133,273</u>	<u>0</u>	<u>1,945,922</u>
Total Machinery & Equipment	<u>1,812,649</u>	<u>133,273</u>	<u>0</u>	<u>1,945,922</u>
Total Accumulated Depreciation	<u>10,774,667</u>	<u>789,187</u>	<u>0</u>	<u>11,563,854</u>
Net Book Value	<u>16,164,464</u>	<u>13,025,796</u>	<u>0</u>	<u>29,190,260</u>
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$23,047,693</u>	<u>\$14,787,770</u>	<u>\$4,474,211</u>	<u>\$33,361,252</u>

Depreciation expense was charged to the function of the primary government as follows:

General Government	\$ 40,308
Public Safety	187,596
Physical Environment	48,312
Culture and Recreation	115,830
Transportation	<u>26,326</u>
Total depreciation for governmental activities	<u>\$418,372</u>
<b>Business-type activities:</b>	
Utility Fund	\$720,283
Sanitation Fund	<u>68,904</u>
Physical Environment	<u>\$789,187</u>

CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007

**NOTE I – INTERFUND TRANSACTIONS**

**Due from Other Funds**

The balances due from other funds were as follows at September 30, 2007:

General Fund	\$109,820
Nonmajor Governmental Funds	<u>152,828</u>
<b>TOTAL</b>	<b><u>\$262,648</u></b>

**Due to Other Funds**

The balances due to other funds were as follows at September 30, 2007:

General Fund	\$ 24,460
City of Brooksville Community Redevelopment Agency	200,086
Nonmajor Governmental Funds	<u>38,102</u>
<b>Total</b>	<b><u>\$262,648</u></b>

The balance advanced to other funds was as follows at September 30, 2007:

Advance to Other Funds	
General	<u>\$133,027</u>

The balance advanced from other funds was as follows at September 30, 2007:

Advance from Other Funds	
Utilities	<u>\$133,027</u>

Interfund receivables and payables represent recurring activities between funds as well as temporary deficit cash balances. All interfund payables are expected to be repaid within one year, with the exception of the City of Brooksville Community Redevelopment Agency (CRA) fund and the advance due between the General and Utility Fund. The CRA interfund payable represents monies owed to the City for a grant match advanced in a prior year that is scheduled to be repaid over the next twenty years.

**Interfund Transfers In/Transfers Out**

Individual interfund transfers were as follows for the fiscal year ended September 30, 2007:

	Transfer In	Transfers Out
General Fund	\$ 812,052	\$ 252,828
Utility Fund	49,235	448,395
Sanitation Fund	1,456	137,585
Nonmajor Governmental Funds	82,178	346,178
Internal Service Fund	240,686	576
Fiduciary Funds	<u>0</u>	<u>45</u>
<b>Total Transfers In/Transfers Out</b>	<b><u>\$1,185,607</u></b>	<b><u>\$1,185,607</u></b>

Transfers between funds are primarily to move unrestricted revenues collected in funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007**

**NOTE J – CURRENT YEAR DEFICITS**

**OPERATING DEFICITS**

For the year ended September 30, 2007, expenditures and other financing uses exceeded revenues and other financing sources in the following funds:

	<u>Amount of Excess</u>
<b><u>Special Revenue</u></b>	
Law Enforcement Impact Fees	\$30,214
Major Storm Readiness	27,222
Friends of the Children	3,774
Self Insured Dental	3,991
<b><u>Capital Project Funds</u></b>	
McKethan Park	15,500
City Hall Renovations	3,246

**FUND EQUITY**

The following funds had deficit unreserved fund balances as of September 30, 2007:

<b><u>Special Revenue</u></b>	
City of Brooksville Community Redevelopment Agency	\$22,206

Operating deficits occurred within these funds for various reasons. The operating deficit in Law Enforcement Impact Fee was due to purchasing new equipment for the Police Department. Reserves were utilized to make up the deficit. The operating deficit in the Major Storm Readiness Fund was due to purchasing generators. Reserves were utilized to make up the deficit. The operating deficit in the Friends of the Children Fund was due to the eventual closing of the Fund. Reserves were being spent to accomplish this closing. Operating deficits occurred in the Self-Insured Dental Fund due to higher dental expenses than the budgeted transfers-in. The deficit was covered by Self-Insured Dental Reserves. The operating deficit in McKethan Park Capital Projects was due to the purchase of outdoor children's playground equipment and outdoor fitness course equipment. Reserves were utilized to make up the deficit. The City Hall Renovations Fund was closed and the funds were transferred to the Public Facilities R&M Fund.

The deficit in the unreserved fund balance of the City of Brooksville Community Redevelopment Agency is due to an outstanding loan with an original amount of \$214,240 to the General Fund and the CDBG Community Redevelopment Fund. The Agency is expected to pay back \$8,159 of the loan in the 07/08 Fiscal Year. The present balance of the loan is \$200,086.

**NOTE K – PROPERTY TAXES**

Property tax collections, sales, and liens are governed by Chapter 197 of the Florida Statutes.

Assessed Value is established by the Property Appraiser as of January 1 for the subsequent fiscal year of the County for Tax Roll Preparation. Taxable Value is computed after deducting from Assessed Value various exemptions including governmental, educational, religious, health care and scientific properties and qualified exemptions; \$25,000 homestead exemption and added exemptions if a widow or disabled.

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE K – PROPERTY TAXES (CONTINUED)**

All property taxes are levied and become due and payable on November 1 of each year, and are delinquent on April 1 of the following year. Discounts are allowed for early payment of 4%, 3%, 2% and 1% in November through February, respectively. Delinquent taxes on real property may be paid after the date of delinquency but prior to the sale of a tax certificate by paying all taxes, costs, advertising charges, and interest of 18% per annum. For all real property with delinquent taxes, the Tax Collector advertises as required by Statute and sells tax certificates. All unsold certificates are issued to the County.

Any persons owning real property upon which a tax certificate has been sold may redeem the property by paying the Tax Collector the face amount of the tax certificate plus interest and costs associated with the sale of the certificate.

After taxes have been delinquent (April 1) for two years, the owner of a tax certificate may file an application for tax deed sale. The County is able to do the same two years after taxes were due (November 1). All taxes imposed on any property become a first lien; superior to all other liens, as of January 1, of the year the taxes are levied.

**NOTE L – SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City operates two enterprise funds. One provides water and sewer services (Utility Fund), and one provides solid waste disposal services (Sanitation Fund). The City's Enterprise Funds are presented as major funds in the Basic Financial Statements. For this reason, segment information is not provided. Notes D and M provide details of the bonds and other long-term liabilities of the Enterprise Funds.

**NOTE M – RESTRICTED NET ASSETS**

As of September 30, 2007 restricted assets in the enterprise funds were held for the following purposes:

Utility Fund	
Debt Retirement	\$ 535,044
Renewal and Replacement	785,108
Customers' Meter Deposits	<u>502,585</u>
Total Utility Fund	<u>\$1,822,737</u>

**NOTE N – FRANCHISE FEES**

The City of Brooksville receives franchise fees from each of the following sources, which are included in tax revenues of the General Fund. Revenues received for the year ended September 30, 2007 were as follows:

Electricity: Florida Power	\$574,367
Telephone: Florida Telecommunication Franchise	\$500,409

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE O – RISK MANAGEMENT**

The City's risk management activities are spread through several funds including the General, Utility, Sanitation, and Self-Insured Dental funds. Significant losses are covered by commercial insurance, workers' compensation, unemployment, and disability insurance. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or prior three years.

**NOTE P – WATER AND SEWER FUND OPERATIONS**

As of September 30, 2007, the Utility Fund had 7,374 residential and commercial water connections including 604 that were inactive. They also had 5,682 residential and commercial sewer connections including 365 that were inactive.

The City carries such insurance as is ordinarily carried by private or public corporations owning and operating similar utilities. The City, in addition to general liability and personal liability for auto accidents and property damage of autos, buildings and equipment, carries an umbrella policy for an additional \$1,000,000. The City does not carry insurance against loss or damage to the Utility Fund's water meters, fire hydrants or water and sewer lines, but self-funds these expenses.

**NOTE Q – IMPACT FEES**

On September 20, 2005 the Hernando County Board of County Commissioners voted to extend the prepayment of impact fees from one (1) to three (3) years. County property owners were allowed to prepay their impact fees prior to an increase on July 5, 2005. County property owners who prepaid impact fees are given until June 2, 2008 to obtain a building permit. If a building permit is not pulled by June 2, 2008, the increased impact fees will be charged. Through Interlocal Agreement, the City opted to access the same impact fees for roads, public buildings, police, fire, parks, and schools as Hernando County. As of September 30, 2007, the City has the following in prepaid impact fees: Road Impact Fees \$203,673; Public Building Impact Fees \$23,836; Police Impact Fees \$16,144; Fire Impact Fees \$9,619; and Parks Impact Fees \$13,930. The amounts are reflected as unearned revenues in the accompanying financial statements.

**NOTE R – INTERNAL SERVICE FUND**

The Internal Service Fund is used for two major purposes. The first is the Fleet Maintenance division. The Fleet Maintenance Division provides maintenance and repairs to the City's vehicles and equipment. The second purpose within the Internal Service Fund is the Vehicle Replacement Division. The Vehicle Replacement Division reserves cash to purchase the City's future vehicle requirements. The total Vehicle Replacement Division reserves total \$1,186,274 as of September 30, 2007. The remainder of the Reserves in the Internal Service Fund belong to the Fleet Maintenance Division.

The cash reserves are allocated among the City as follows:

General Fund	\$996,435
Utility Fund	56,907
Sanitation Fund	<u>132,932</u>
Total	<u>\$1,186,274</u>

The Utility and Sanitation Funds began participating in the Vehicle Replacement Program during the fiscal year ended September 30, 2004.

**CITY OF BROOKSVILLE, FLORIDA  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2007**

**NOTE R – INTERNAL SERVICE FUND (CONTINUED)**

The General Fund cash reserves are allocated among the following departments:

Administration and Finance	\$ 54,449
Police	186,223
Fire	429,600
Streets	78,371
Parks	28,432
Contingency	<u>219,360</u>
<b>Total</b>	<b><u>\$996,435</u></b>

**NOTE S – PRIOR YEAR COMPARISON INFORMATION**

The following prior year comparison information is specifically provided for the use of the United States Department of Agriculture Rural Development Area Office located in Tavares, Florida.

<u>General Fund</u>	<u>2007</u>	<u>2006</u>
Total Assets	\$1,783,411	\$1,642,259
Total Liabilities	243,354	383,394
Total Fund Balance	1,540,057	1,258,865
Total Revenues	7,120,238	6,120,194
Total Expenditures	7,657,070	7,472,105
Excess (Deficiency) of Revenues over Expenditures	(536,832)	(1,351,911)
Total Other Financing Sources/(Uses)	818,024	1,159,575
Net Change in Fund Balance	281,192	(192,336)

**Proprietary Funds**

**Enterprise Funds**

Includes Utility and Sanitation Funds

	<u>2007</u>	<u>2006</u>
Total Current Assets	\$3,885,783	\$ 3,403,030
Total Non-Current Assets	35,381,577	24,935,374
Total Assets	39,267,360	28,338,404
Total Current Liabilities	290,501	529,232
Total Current Liabilities (Payable from Restricted Assets)	1,089,567	1,055,328
Total Non-Current Liabilities	13,699,306	13,534,385
Total Liabilities	15,079,374	15,118,945
Total Net Assets	24,187,986	13,219,459
Total Operating Revenues	5,040,839	5,437,683
Total Operating Expenses	3,699,431	3,589,682
Operating Income	1,341,408	1,848,001
Total Nonoperating Revenues (Expenses)	(343,038)	(375,039)
Income before Contributions and Transfers	998,370	1,472,962
Total Contributions and Transfers	9,970,157	2,080,698
Change in Net Assets	10,968,527	3,553,660

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE S – PRIOR YEAR COMPARISON INFORMATION (CONTINUED)**

Internal Service Fund

	2007	2006
Total Current Assets	\$1,189,063	\$ 965,463
Total Non-Current Assets	275,345	279,970
Total Assets	1,464,408	1,245,433
Total Current Liabilities	3,325	3,655
Total Non-Current Liabilities	6,326	5,668
Total Liabilities	9,651	9,323
Total Net Assets	1,454,757	1,236,110
Total Operating Revenues	178,160	165,399
Total Operating Expenses	252,898	216,329
Operating (Loss) Income	(74,738)	(50,930)
Total Nonoperating Revenues (Expenses)	53,280	42,732
Income (Loss) before Contributions and Transfers	(21,458)	(8,198)
Total Contributions and Transfers	240,110	222,849
Change in Net Assets	218,652	214,651

**NOTE T – COMMITMENTS AND CONTINGENCIES**

**Cobb Road Wastewater Treatment Plant Expansion and Commitment from Southern Hills Plantation/Hampton Ridge Developers LLC**

The City has committed to reimburse \$2,575,000 of the estimated \$9,000,000 in costs to Hampton Ridge Developers, LLC (Southern Hills Plantation Development) for improvements to the City's Cobb Road Wastewater Treatment Plant, with about \$6,000,000 in sewer related costs being eligible for sewer impact fee credits. The Developer and the City agreed to construct additional waste water treatment capacity by doubling the size of the City of Brooksville's Cobb Road Plant from 1.5 to 3.0 mgd. The Development Agreement amendments and revisions revised the original plan to build a .5 mgd plant on South Broad Street and instead to expand the existing Cobb Road facility. The Cobb Road WWTP expansion will also increase the reuse capacity from the earlier proposal amount of 0.5mgd to 3.0mgd. It is expected that the City will pay the Developer by December 2011 when the Plant is expected to be completed. Developer and City are making direct purchases of equipment for the Wastewater Treatment Plant that will be stored until actual construction begins.

**Southern Hills Plantation/ Hampton Ridge Developers, LLC Impact Fee Credits**

Acceptance of the Southern Hills Plantation roads, right-of-ways, and water and sewer improvements are ongoing as various phases are completed. At present only potable water main phase I (\$510,155) are acceptable/completed for the booking of water impact fee credits and the start of Developers' official one year maintenance period. Completed sewer improvements eligible for the booking of sewer impact fee credits now total \$861,518. The completed sewer work includes a regional lift station and force mains along US 41 South and from Cobb Road to SR 50. Transportation impact fee credits have also been booked/granted in the amount of \$2,125,489 for improvements related to Southern Hills Boulevard access to US 41 and related drainage work, plus work on the SR 50 2-lane Collector Road after construction is completed.

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE T – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Water, Sewer and Reuse Service Expansion**

The expansion of the City's Sewer and Reuse systems continues with the completion of the Mobley/Wiscon Road Project. This approximately 10,000 linear foot project included the oversizing of the reuse main from 12" to 18"; so that the City could serve additional customers. The oversizing is expected to be at a cost of \$210,673.

A 12" sewer force main was also installed simultaneously along this same route, for which the Developer will receive sewer impact fee credits estimated at \$614,800.

**Wellfield Projects**

The City continues to improve its water supply by making improvements to its wells as funds are available. For fiscal year 2007/2008 the City plans to install pumps, and make other improvements, in a previously drilled well shaft at its Hope Hill Wellfield with a \$19,900 matching grant from the Withlacoochee Water Supply Authority partially offsetting the estimated total expenditure of \$170,000. An additional \$250,000 is budgeted to modify the Hope Hill elevated storage tank to increase our chlorine contact time.

**Water Advisory Panel Grant/Legislative Appropriation**

The Water and Sewer Department through the original Water Advisory Panel (WAP) Grants and subsequent Legislative Appropriations continue to work on the inflow and infiltration problems of our old sewer lines. About 44% of the City's sewers were made of clay pipe. Since 2000 the City has been awarded Water Advisory Panel Grants (State Legislative Appropriations) totaling \$4,250,000. The grant has provided for smoke testing of all the City's sewers (200,000 linear feet) as well as the replacement and relining of about 34,000 linear feet of sewers. The remaining grant funds (600,000 +) will be spent on repairing sewer laterals and manholes. This work is expected to be completed by December 31, 2008.

In 2008 the City has requested \$2,731,000 for continued sewer rehabilitation and \$1,600,000 for our Water System Improvement Project (to repair/replace and upgrade aging undersized potable water lines in the Historic sections of the City, and to extend the water system to property located within the Enterprise Zone, in our CBIR through the Hernando County Legislation Delegation. In the 2007 legislative session, the Water System Improvement Project was awarded \$250,000, which will be spent to up-size potable water lines in the downtown area.

**Transportation Outreach Program (TOPS)/CDBG-Economic Development Grant**

This project originally included the purchase of a bus for the County Transit system, and the construction of a portion of a reverse frontage road and utilities along SR50 and installation of pedestrian safety improvements downtown. The City scaled this project back at the end of 2006 due to prohibitive road work costs and further scaled it back in 2007 due to a conflict with land easements. At this time the project has been modified to build sidewalks in strategic location and will be used to purchase right-a-way for Governor's Boulevard. The Grant is scheduled to be closed out in April 2008.

**Good Neighbor Trail**

The City has been awarded a Florida Recreation Development Assistant Program (FRDAP) Grant in the amount of \$130,000 to construct the Parson's Brook Path and related trailhead improvements. These funds are being leveraged with \$75,000 in Metropolitan Planning Organization (MPO) Enhancement Program funding and land that the City acquired from the Museum Association and funds received through a CSX settlement. The FRDAP money must be spent by August 2009.

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE T – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Good Neighbor Trail (Continued)**

Additionally, the City has been awarded a Florida Recreation Development Assistant Program (FRDAP) Grant in the amount of \$200,000 to pave the first phase of the Good Neighbor Trail from the trailhead to Jasmine Drive. These funds were expected to be leveraged with \$230,000 of Metropolitan Planning Organization (MPO) Enhancement Program funding. The FRDAP grant money was to be expended by April 30, 2008. The City gave the \$200,000 Grant back to the funding agency due to scheduling issues with the leveraged funding source (MPO). The City plans to reapply for FRDAP funds for this project, if necessary, at the next funding cycle in September 2008 in order to ensure that this project is constructed.

**City-wide Installation of “Radio Read” Meters**

In the 2007-2008 Budget, the City Council authorized the replacement or retrofitting of 4,241 water meters from manual read meters to “radio read” meters. The City is working with USDA and banking institutions for financing over an expected 10 years. The cost in the 2007-2008 Budget is estimated at \$1,480,000.

**NOTE U – SUBSEQUENT EVENTS**

**State Board of Administration**

At September 30, 2007, the City of Brooksville had \$ 8,711,434 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 20, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately \$12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately \$2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

On December 6, 2007, Pool A participants could withdraw 15% of their balance of \$2 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. Effective January 18, 2008 the withdrawal amount was raised from 15% to 37% and from \$2 million to \$4 million on whichever is greater. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

As of January 31, 2008, the City of Brooksville has \$4,294,651 and \$1,163,086 invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2007**

**NOTE U – SUBSEQUENT EVENTS (CONTINUED)**

**Revision of Investment Policy**

On January 7, 2008, City Council approved revisions in the City's Investment Policy due to events with the State of Florida Local Government Surplus Trust Fund Investment Pool. The goal of the City is to be diversified in investments. The Investment Policy follows the guidelines set forth by Florida Statute Chapter 218.

**Self-Insured Dental Plan**

Effective October 1, 2007, the City will no longer be self-insured with employee dental claims. The City chose to contract with Blue Cross Blue Shield of Florida to pay those dental claims.

**2008 Constitutional Amendment Passed by Florida Voters Impact on Ad Valorem Taxes**

On January 29, 2008, Florida voters passed the 2008 Constitutional Amendment increasing the Homestead Exemption from \$25,000 to \$50,000 depending upon the assessed value of the homestead. The amendment provided a Save Our Homes portability of up to \$500,000. It created a \$25,000 exemption for all tangible personal property and provided a 10% annual assessment limitation cap for non-homestead real property. In a January 14, 2008 workshop with the City Council and representatives from Hernando County Property Appraisers, the City Council were told that the estimated impact on the City for the 2008-2009 fiscal year will be approximately a reduction of \$165,000 in Ad Valorem Taxes based on the millage rate of 6.323 mills.

**Bankruptcy of Levitt & Sons Hernando County, LLC/Cascades at Southern Hills Plantation**

On November 9, 2007, Levitt & Sons Hernando County, LLC filed Chapter 11 Bankruptcy. The City of Brooksville has a Westchester Fire Insurance, Atlanta, Georgia, performance bond on streets and utilities totaling \$5.366 million for the Cascades at Southern Hills Plantation Phase 2. This performance bond protects the City against bankruptcy by Levitt & Sons Hernando County, LLC so the roads and utility infrastructure will be completed in case of default for Phase 2. The City Attorney and staff are meeting with the representatives from Westchester Fire Insurance who issued the performance bonds to address the effects of the Levitt & Sons Hernando County, LLC Chapter 11 Bankruptcy.

**Consolidation of Dispatch and Communications Services Approved March 2008**

On March 3, 2008, City Council approved consolidation of dispatch and communication services with the Hernando County Sheriff's Office effective not later than June 1, 2008. This will provide a single point of contact without transfer for all public safety responses. In addition it will provide more efficient response time and enhanced safety for emergency personnel. Savings are projected in the amount of \$204,500 for the 08/09 fiscal year and beyond.

SPECIAL REVENUE FUNDS

POLICE SPECIAL EDUCATION FUND	PARK AND RECREATION TRANSPORT	LOCAL OPTION GAS TAX	LAW ENFORCEMENT INVESTIGATIVE TRUST	LAW ENFORCEMENT IMPACT FEE	PUBLIC BUILDING IMPACT FEES	FIRE IMPACT FEES	PARKS IMPACT FEES
\$ 14,568	\$ 261	\$ 7,892	\$ 19,251	\$ 38,700	\$ 235,431	\$ 87,535	\$ 99,663
0	0	0	0	0	0	0	0
0	0	0	0	0	1,425	0	0
0	0	0	0	0	0	0	0
210	0	24,672	0	0	0	0	0
0	0	0	17,741	0	0	0	0
\$ 14,568	\$ 261	\$ 32,564	\$ 36,992	\$ 38,700	\$ 236,856	\$ 87,535	\$ 99,663

ASSETS  
 POOLED CASH AND INVESTMENTS  
 RESTRICTED POOLED CASH AND INVESTMENTS  
 INTEREST RECEIVABLE  
 DUE FROM OTHER FUNDS  
 DUE FROM OTHER GOVERNMENTS  
 INVENTORY - CONFISCATED PROPERTY

TOTAL ASSETS

LIABILITIES AND FUND BALANCE  
 LIABILITIES  
 ACCOUNTS PAYABLE  
 UNEARNED REVENUE  
 DUE TO OTHER FUNDS  
 OTHER CURRENT LIABILITIES

\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,635	\$ 0	\$ 0	\$ 0
0	0	0	0	16,144	23,836	9,619	13,930
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0	24,779	23,836	9,619	13,930

TOTAL LIABILITIES

FUND BALANCE  
 RESERVED FOR DEBT RETIREMENT  
 UNRESERVED

0	0	0	0	0	0	0	0
14,568	261	32,564	36,992	13,921	213,020	77,916	85,733

TOTAL FUND BALANCE

TOTAL LIABILITIES AND FUND BALANCE

\$ 14,568	\$ 261	\$ 32,564	\$ 36,992	\$ 38,700	\$ 236,856	\$ 87,535	\$ 99,663
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CITY OF BROOKSVILLE, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

SPECIAL REVENUE FUNDS										
LAW ENFORCEMENT TRUST FUND	JUSTICE ASSISTANCE GRANT	POLICE SPECIAL COMMUNICATIONS	GOOD NEIGHBOR TRAIL PROJECT	MAJOR STORM READINESS	ROAD IMPACT FEES	FRIENDS OF THE CHILDREN				
\$ 37,644	\$ 0	\$ 4,457	\$ 72,243	\$ 74,222	\$ 1,937,573	\$ 5,089				
0	0	0	0	0	0	0				
0	0	0	0	0	7,124	0				
0	0	0	0	0	0	0				
0	3,000	0	156	0	0	0				
0	0	0	0	0	0	0				
<u>\$ 37,644</u>	<u>\$ 3,000</u>	<u>\$ 4,457</u>	<u>\$ 72,399</u>	<u>\$ 74,222</u>	<u>\$ 1,944,697</u>	<u>\$ 5,089</u>				
ASSETS										
POOLED CASH AND INVESTMENTS										
RESTRICTED POOLED CASH AND INVESTMENTS										
INTEREST RECEIVABLE										
DUE FROM OTHER FUNDS										
DUE FROM OTHER GOVERNMENTS										
INVENTORY - CONFISCATED PROPERTY										
TOTAL ASSETS										
LIABILITIES AND FUND BALANCE										
LIABILITIES										
ACCOUNTS PAYABLE										
UNEARNED REVENUE										
DUE TO OTHER FUNDS										
OTHER CURRENT LIABILITIES										
TOTAL LIABILITIES										
FUND BALANCE										
RESERVED FOR DEBT RETIREMENT UNRESERVED										
TOTAL FUND BALANCE										
TOTAL LIABILITIES AND FUND BALANCE										

CITY OF BROOKSVILLE, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

SPECIAL REVENUE FUNDS

	CDBG COMMUNITY REDEVELOPMENT	TREESCAPING	TOPS GRANT	SELF INSURED DENTAL	TOTAL SPECIAL REVENUE FUNDS
\$	0 \$	87,003 \$	0 \$	8,120 \$	2,729,442
	0	0	0	0	0
	0	0	0	0	8,549
	128,368	0	0	0	128,368
	0	0	35,977	0	64,015
	0	0	0	0	17,741
\$	<u>128,368 \$</u>	<u>87,003 \$</u>	<u>35,977 \$</u>	<u>8,120 \$</u>	<u>2,948,115</u>

ASSETS	
POOLED CASH AND INVESTMENTS	
RESTRICTED POOLED CASH AND INVESTMENTS	
INTEREST RECEIVABLE	
DUE FROM OTHER FUNDS	
DUE FROM OTHER GOVERNMENTS	
INVENTORY - CONFISCATED PROPERTY	
TOTAL ASSETS	

	ACCOUNTS PAYABLE	UNEARNED REVENUE	DUE TO OTHER FUNDS	OTHER CURRENT LIABILITIES	TOTAL LIABILITIES	FUND BALANCE	RESERVED FOR DEBT RETIREMENT UNRESERVED	TOTAL FUND BALANCE	TOTAL LIABILITIES AND FUND BALANCE
\$	0 \$	0 \$	428 \$	272 \$	11,221	0	0	267,202	38,102
	0	0	0	0	0	0	0	0	107,840
	0	0	34,975	0	0	0	0	0	424,365
	0	0	0	0	0	0	0	0	0
	0	0	35,403	272	272	0	0	0	0
\$	<u>0 \$</u>	<u>0 \$</u>	<u>428 \$</u>	<u>272 \$</u>	<u>11,221</u>	<u>0</u>	<u>0</u>	<u>267,202</u>	<u>38,102</u>
	0	0	0	0	0	0	0	0	0
	0	0	34,975	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	35,403	272	272	0	0	0	0
\$	<u>0 \$</u>	<u>0 \$</u>	<u>428 \$</u>	<u>272 \$</u>	<u>11,221</u>	<u>0</u>	<u>0</u>	<u>267,202</u>	<u>38,102</u>
	0	0	0	0	0	0	0	0	0
	0	0	34,975	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	35,403	272	272	0	0	0	0
\$	<u>0 \$</u>	<u>0 \$</u>	<u>428 \$</u>	<u>272 \$</u>	<u>11,221</u>	<u>0</u>	<u>0</u>	<u>267,202</u>	<u>38,102</u>
	0	0	0	0	0	0	0	0	0
	0	0	34,975	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0
	0	0	35,403	272	272	0	0	0	0
\$	<u>0 \$</u>	<u>0 \$</u>	<u>428 \$</u>	<u>272 \$</u>	<u>11,221</u>	<u>0</u>	<u>0</u>	<u>267,202</u>	<u>38,102</u>



CITY OF BROOKSVILLE, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2007

<u>PERMANENT FUND</u>		TOTAL
CEMETERY PERPETUAL CARE	TOTAL PERMANENT FUNDS	NONMAJOR GOVERNMENTAL FUNDS
\$ 268,383 \$	268,383 \$	3,209,255
0	0	10,084
0	0	8,549
24,460	24,460	152,828
0	0	64,103
0	0	17,741
<u>\$ 292,843 \$</u>	<u>292,843 \$</u>	<u>3,462,560</u>

ASSETS
POOLED CASH AND INVESTMENTS
RESTRICTED POOLED CASH AND INVESTMENTS
INTEREST RECEIVABLE
DUE FROM OTHER FUNDS
DUE FROM OTHER GOVERNMENTS
INVENTORY - CONFISCATED PROPERTY
TOTAL ASSETS

LIABILITIES AND FUND BALANCE	
LIABILITIES	
ACCOUNTS PAYABLE	11,221
UNEARNED REVENUE	267,202
DUE TO OTHER FUNDS	38,102
OTHER CURRENT LIABILITIES	107,840
TOTAL LIABILITIES	424,365
FUND BALANCE	
RESERVED FOR DEBT RETIREMENT	10,084
UNRESERVED	3,028,111
TOTAL FUND BALANCE	3,038,195
TOTAL LIABILITIES AND FUND BALANCE	3,462,560

CITY OF BROOKSVILLE, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS									
	POLICE EDUCATION FUND	PARK AND RECREATION TRANSPORT	LOCAL OPTION GAS TAX	LAW ENFORCEMENT INVESTIGATIVE TRUST	LAW ENFORCEMENT IMPACT FEES	PUBLIC BUILDING IMPACT FEES	FIRE IMPACT FEES	PARKS IMPACT FEES		
REVENUES										
TAXES	\$ 0	\$ 0	\$ 315,545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
LICENSES & PERMITS	0	0	0	0	0	0	0	0	0	0
INTERGOVERNMENTAL REVENUE	0	0	0	0	0	0	0	0	0	0
CHARGES FOR SERVICES	0	0	0	0	0	0	0	0	0	0
FINES & FORFEITS	3,718	0	0	0	0	0	0	0	0	0
MISCELLANEOUS REVENUES	427	10,049	0	457	12,621	46,707	22,772	31,325		
TOTAL REVENUES	4,145	10,049	315,545	457	12,621	46,707	22,772	31,325		
EXPENDITURES										
CURRENT										
CULTURE & RECREATION	0	0	0	0	0	0	0	0	0	0
GENERAL GOVERNMENT	0	0	0	0	0	0	0	0	0	0
PUBLIC SAFETY	0	0	0	0	0	0	0	0	0	0
PHYSICAL ENVIRONMENT	0	0	0	0	0	0	0	0	0	0
DEBT SERVICE	0	0	0	0	0	0	0	0	0	0
INTEREST AND FISCAL CHARGES	0	0	0	0	0	0	0	0	0	0
CAPITAL OUTLAY	0	0	0	23,500	42,835	0	0	0	0	0
TOTAL EXPENDITURES	0	0	0	23,500	42,835	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,145	10,049	315,545	(23,043)	(30,214)	46,707	22,772	31,325		
OTHER FINANCING SOURCES (USES)										
INTERFUND TRANSFERS IN	0	0	0	23,500	0	0	0	0	0	0
INTERFUND TRANSFERS OUT	0	(10,035)	(315,545)	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	(10,035)	(315,545)	23,500	0	0	0	0	0	0
NET CHANGE IN FUND BALANCES	4,145	14	0	457	(30,214)	46,707	22,772	31,325		
FUND BALANCES, BEGINNING OF YEAR	10,423	247	32,564	36,535	44,135	166,313	55,144	54,408		
FUND BALANCES, END OF YEAR	\$ 14,568	\$ 261	\$ 32,564	\$ 36,992	\$ 13,921	\$ 213,020	\$ 77,916	\$ 85,733		

CITY OF BROOKSVILLE, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

		SPECIAL REVENUE FUNDS							
	LAW ENFORCEMENT TRUST FUND	JUSTICE ASSISTANCE GRANT	POLICE SPECIAL COMMUNICATION	GOOD NEIGHBOR TRAIL PROJECT	MAJOR STORM READINESS	ROAD IMPACT FEES	FRIENDS OF THE CHILDREN		
REVENUES									
TAXES	0	0	0	0	0	0	0	0	0
LICENSES & PERMITS	0	0	0	0	0	0	0	0	0
INTERGOVERNMENTAL REVENUE	0	16,403	0	156	0	0	0	0	0
CHARGES FOR SERVICES	0	0	0	0	0	0	0	0	0
FINES & FORFEITS	0	0	0	0	0	0	0	0	0
MISCELLANEOUS REVENUES	13,452	0	246	3,997	1,940	298,752	2,312		
TOTAL REVENUES	13,452	16,403	246	4,153	1,940	298,752	2,312		
EXPENDITURES									
CURRENT									
CULTURE & RECREATION	0	0	0	0	0	0	4,517		
GENERAL GOVERNMENT	0	0	0	0	0	0	0		
PUBLIC SAFETY	2,271	13,641	0	0	0	0	0		
PHYSICAL ENVIRONMENT	0	0	0	0	0	0	0		
DEBT SERVICE	0	0	0	0	0	0	0		
INTEREST AND FISCAL CHARGES	0	0	0	0	0	0	0		
CAPITAL OUTLAY	0	2,733	0	166	29,162	0	1,569		
TOTAL EXPENDITURES	2,271	16,374	0	166	29,162	0	6,086		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,181	29	246	3,987	(27,222)	298,752	(3,774)		
OTHER FINANCING SOURCES (USES)									
INTERFUND TRANSFERS IN	0	0	0	0	0	0	0		
INTERFUND TRANSFERS OUT	0	0	0	0	0	0	0		
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0	0		
NET CHANGE IN FUND BALANCES	11,181	29	246	3,987	(27,222)	298,752	(3,774)		
FUND BALANCES, BEGINNING OF YEAR	26,463	0	4,211	69,246	101,444	1,334,432	6,977		
FUND BALANCES, END OF YEAR	37,644	29	4,457	72,243	74,222	1,633,184	3,203		

CITY OF BROOKSVILLE, FL  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

SPECIAL REVENUE FUNDS						
	CDBG COMMUNITY REDEVELOPMENT	TREESCAPING	TOPS GRANT	SELF INSURED DENTAL	TOTAL SPECIAL REVENUE FUNDS	
REVENUES						
TAXES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 315,545	
LICENSES & PERMITS	0	50,310	0	0	50,310	
INTERGOVERNMENTAL REVENUE	0	0	61,691	0	78,250	
CHARGES FOR SERVICES	0	0	0	0	0	
FINES & FORFEITS	0	0	0	0	3,718	
MISCELLANEOUS REVENUES	0	0	0	5,229	450,286	
TOTAL REVENUES	0	50,310	61,691	5,229	898,109	
EXPENDITURES						
CURRENT						
CULTURE & RECREATION	0	0	0	0	4,517	
GENERAL GOVERNMENT	0	0	0	37,300	37,300	
PUBLIC SAFETY	0	0	0	0	15,912	
PHYSICAL ENVIRONMENT	0	500	0	0	500	
DEBT SERVICE	0	0	0	0	0	
INTEREST RECEIVABLE	0	0	0	0	0	
CAPITAL OUTLAY	0	0	48,629	0	148,584	
TOTAL EXPENDITURES	0	500	48,629	37,300	206,813	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	49,810	13,062	(32,071)	691,296	
OTHER FINANCING SOURCES (USES)						
INTERFUND TRANSFERS IN	0	0	0	28,080	51,580	
INTERFUND TRANSFERS OUT	0	0	0	0	(325,580)	
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	28,080	(274,000)	
NET CHANGE IN FUND BALANCES	0	49,810	13,062	(3,991)	417,296	
FUND BALANCES, BEGINNING OF YEAR	128,368	37,193	(12,488)	11,839	2,106,454	
FUND BALANCES, END OF YEAR	\$ 128,368	\$ 87,003	\$ 574	\$ 7,848	\$ 2,523,750	

CITY OF BROOKSVILLE, FL  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	CAPITAL PROJECT FUNDS							TOTAL CAPITAL PROJECT FUNDS
	MCKETHAN PARK	PUBLIC FACILITIES R&M	CITY HALL RENOVATIONS	ACCUMULATION	PROJECT	IMPROVEMENT REVENUE BOND FUND	REVENUE BOND FUND	
REVENUES								
TAXES	0	0	0	0	0	0	0	0
LICENSES & PERMITS	0	0	0	0	0	0	0	0
INTERGOVERNMENTAL REVENUE	5,500	0	0	0	0	31,805	0	37,305
CHARGES FOR SERVICES	0	0	0	0	0	0	0	0
FINES & FORFEITS	0	0	0	0	0	0	0	0
MISCELLANEOUS REVENUES	3,702	1,071	15	3,098	0	0	0	7,886
TOTAL REVENUES	9,202	1,071	15	3,098	0	31,805	0	45,191
EXPENDITURES								
CURRENT								
CULTURE & RECREATION	0	0	0	0	0	0	0	0
GENERAL GOVERNMENT	0	0	0	0	0	0	0	0
PUBLIC SAFETY	0	0	0	0	0	0	0	0
PHYSICAL ENVIRONMENT	0	0	0	0	0	0	0	0
DEBT SERVICE								
INTEREST AND FISCAL CHARGES	0	0	0	0	0	0	7,253	7,253
CAPITAL OUTLAY	24,702	0	0	0	0	0	0	24,702
TOTAL EXPENDITURES	24,702	0	0	0	0	0	7,253	31,955
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,500)	1,071	15	3,098	0	31,805	(7,253)	13,236
OTHER FINANCING SOURCES (USES)								
INTERFUND TRANSFERS IN	0	3,261	0	0	0	0	17,337	20,598
INTERFUND TRANSFERS OUT	0	0	(3,261)	0	0	(17,337)	0	(20,598)
TOTAL OTHER FINANCING SOURCES (USES)	0	3,261	(3,261)	0	0	(17,337)	17,337	0
NET CHANGE IN FUND BALANCES	(15,500)	4,332	(3,246)	3,098	0	14,468	10,084	13,236
FUND BALANCES, BEGINNING OF YEAR	78,151	15,311	3,246	111,658	0	0	0	208,366
FUND BALANCES, END OF YEAR	\$ 62,651	\$ 19,643	\$ 0	\$ 114,756	\$ 0	\$ 14,468	\$ 10,084	\$ 221,602

CITY OF BROOKSVILLE, FL  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	<u>PERMANENT FUND</u>		TOTAL
	CEMETERY PERPETUAL CARE	TOTAL PERMANENT FUNDS	NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
TAXES	0 \$	0 \$	315,645
LICENSES & PERMITS	0	0	50,310
INTERGOVERNMENTAL REVENUE	0	0	115,555
CHARGES FOR SERVICES	0	0	0
FINES & FORFEITS	0	0	3,718
MISCELLANEOUS REVENUES	11,457	11,457	469,629
TOTAL REVENUES	11,457	11,457	954,757
EXPENDITURES			
CURRENT			
CULTURE & RECREATION	0	0	4,517
GENERAL GOVERNMENT	0	0	37,300
PUBLIC SAFETY	0	0	15,912
PHYSICAL ENVIRONMENT	0	0	500
DEBT SERVICE			
INTEREST AND FISCAL CHARGES	0	0	7,253
CAPITAL OUTLAY	0	0	173,285
TOTAL EXPENDITURES	0	0	238,768
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,457	11,457	715,989
OTHER FINANCING SOURCES (USES)			
INTERFUND TRANSFERS IN	10,000	10,000	82,178
INTERFUND TRANSFERS OUT	0	0	(346,178)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	10,000	(264,000)
NET CHANGE IN FUND BALANCES	21,457	21,457	451,989
FUND BALANCES, BEGINNING OF YEAR	271,386	271,386	2,586,206
FUND BALANCES, END OF YEAR	292,843 \$	292,843 \$	3,038,195

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS									
	POLICE SPECIAL EDUCATION FUND					PARK AND RECREATION TRANSPORT				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)		BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
ORIGINAL	FINAL		ORIGINAL	FINAL	ORIGINAL	FINAL		ORIGINAL	FINAL	
REVENUES										
FINES & FORFEITS	\$ 2,700	\$ 2,700	\$ 3,718	\$ 1,018	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	220	220	427	207	10,000	10,000	10,049	10,000	10,049	49
TOTAL REVENUES	2,920	2,920	4,145	1,225	10,000	10,000	10,049	10,000	10,049	49
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2,920	2,920	4,145	1,225	10,000	10,000	10,049	10,000	10,049	49
OTHER FINANCING SOURCES (USES)										
INTERFUND TRANSFERS OUT	0	0	0	0	(10,000)	(10,000)	(10,035)	(10,000)	(10,035)	(35)
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	(10,000)	(10,000)	(10,035)	(10,000)	(10,035)	(35)
NET CHANGE IN FUND BALANCES	2,920	2,920	4,145	1,225	0	0	14	0	14	14
FUND BALANCES, BEGINNING OF YEAR	(2,920)	(2,920)	10,423	13,343	0	0	247	0	247	247
FUND BALANCES, END OF YEAR	0	0	14,568	14,568	0	0	261	0	261	261

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	LOCAL OPTION GAS TAX				SPECIAL REVENUE FUNDS				LAW ENFORCEMENT INVESTIGATIVE TRUST			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES												
TAXES	\$ 305,000	\$ 305,000	\$ 315,545	\$ 10,545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	500	500	0	(500)	250	250	250	250	457	457	207	207
TOTAL REVENUES	305,500	305,500	315,545	10,045	250	250	250	250	457	457	207	207
EXPENDITURES												
CAPITAL OUTLAY	0	0	0	0	23,500	23,500	23,500	23,500	23,500	23,500	0	0
TOTAL EXPENDITURES	0	0	0	0	23,500	23,500	23,500	23,500	23,500	23,500	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	305,500	305,500	315,545	10,045	(23,250)	(23,250)	(23,250)	(23,250)	(23,043)	(23,043)	207	207
OTHER FINANCING SOURCES (USES)												
INTERFUND TRANSFERS IN	0	0	0	0	0	0	0	0	23,500	23,500	0	0
INTERFUND TRANSFERS OUT	(305,000)	(305,000)	(315,545)	(10,545)	0	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(305,000)	(305,000)	(315,545)	(10,545)	0	0	0	0	23,500	23,500	0	0
NET CHANGE IN FUND BALANCES	500	500	0	(500)	(23,250)	(23,250)	250	250	457	457	207	207
FUND BALANCES, BEGINNING OF YEAR	(500)	(500)	32,564	33,064	23,250	(250)	36,535	36,785	36,535	36,535	36,785	36,785
FUND BALANCES, END OF YEAR	0	0	32,564	32,564	0	0	36,992	36,992	36,992	36,992	36,992	36,992

CITY OF BROOKSVILLE, FLORIDAS  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS											
	LAW ENFORCEMENT IMPACT FEES					PUBLIC BUILDING IMPACT FEES						
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL			
REVENUES												
MISCELLANEOUS REVENUES	8,400	8,400	12,621	4,221	25,500	25,500	46,707	21,207	25,500	25,500	46,707	21,207
TOTAL REVENUES	8,400	8,400	12,621	4,221	25,500	25,500	46,707	21,207	25,500	25,500	46,707	21,207
EXPENDITURES												
CAPITAL OUTLAY	0	42,825	42,835	(10)	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	0	42,825	42,835	(10)	0	0	0	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,400	(34,425)	(30,214)	4,211	25,500	25,500	46,707	21,207	25,500	25,500	46,707	21,207
NET CHANGE IN FUND BALANCES	8,400	(34,425)	(30,214)	4,211	25,500	25,500	46,707	21,207	25,500	25,500	46,707	21,207
FUND BALANCES, BEGINNING OF YEAR	(8,400)	34,425	44,135	9,710	(25,500)	(25,500)	166,313	191,813	(25,500)	(25,500)	166,313	191,813
FUND BALANCES, END OF YEAR	0	0	13,921	13,921	0	0	213,020	213,020	0	0	213,020	213,020

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS									
	FIRE IMPACT FEES					PARKS IMPACT FEES				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)		BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL		ORIGINAL	FINAL	ORIGINAL	FINAL	ORIGINAL	FINAL	
REVENUES										
MISCELLANEOUS REVENUES	12,500	12,500	22,772	8,000	8,000	8,000	8,000	31,325	31,325	23,325
TOTAL REVENUES	12,500	12,500	22,772	8,000	8,000	8,000	8,000	31,325	31,325	23,325
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	12,500	12,500	22,772	8,000	8,000	8,000	8,000	31,325	31,325	23,325
NET CHANGE IN FUND BALANCES	12,500	12,500	22,772	8,000	8,000	8,000	8,000	31,325	31,325	23,325
FUND BALANCES, BEGINNING OF YEAR	(12,500)	(12,500)	55,144	(8,000)	(8,000)	(8,000)	(8,000)	54,408	54,408	62,408
FUND BALANCES, END OF YEAR	0	0	77,916	0	0	0	0	85,733	85,733	85,733

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

		SPECIAL REVENUE FUNDS				
		LAW ENFORCEMENT TRUST FUND				
BUDGETED AMOUNTS		ACTUAL AMOUNTS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)		
ORIGINAL	FINAL	AMOUNTS				
REVENUES						
MISCELLANEOUS REVENUES	\$ 1,900	\$ 1,900	\$ 13,452	\$ 11,552		
TOTAL REVENUES	1,900	1,900	13,452	11,552		
EXPENDITURES						
CURRENT						
PUBLIC SAFETY	0	0	2,271	(2,271)		
CAPITAL OUTLAY	7,000	7,000	0	7,000		
TOTAL EXPENDITURES	7,000	7,000	2,271	4,729		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,100)	(5,100)	11,181	16,281		
NET CHANGE IN FUND BALANCES	(5,100)	(5,100)	11,181	16,281		
FUND BALANCES, BEGINNING OF YEAR	5,100	5,100	26,463	21,363		
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 37,644	\$ 37,644		

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS						VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	JUSTICE ASSISTANCE GRANT			POLICE SPECIAL COMMUNICATIONS			
	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
ORIGINAL	FINAL		ORIGINAL	FINAL			
REVENUES							
INTERGOVERNMENTAL REVENUE	\$ 20,217	\$ 20,217	\$ 16,403	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	0	0	0	60	60	246	186
TOTAL REVENUES	20,217	20,217	16,403	60	60	246	186
EXPENDITURES							
CURRENT							
PUBLIC SAFETY	20,217	20,217	13,641	0	0	0	0
CAPITAL OUTLAY	0	0	2,733	0	0	0	0
TOTAL EXPENDITURES	20,217	20,217	16,374	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	0	29	60	60	246	186
NET CHANGE IN FUND BALANCES	0	0	29	60	60	246	186
FUND BALANCES, BEGINNING OF YEAR	0	0	0	(60)	(60)	4,211	4,271
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 29	\$ 0	\$ 0	\$ 4,457	\$ 4,457

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS						VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	GOOD NEIGHBOR TRAIL PROJECT			MAJOR STORM READINESS			
	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
ORIGINAL	FINAL		ORIGINAL	FINAL			
REVENUES							
INTERGOVERNMENTAL REVENUE	\$ 205,000	\$ 205,000	\$ 156	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	1,900	1,900	3,997	111,700	1,940	1,940	(109,760)
TOTAL REVENUES	206,900	206,900	4,153	111,700	1,940	1,940	(109,760)
EXPENDITURES							
CAPITAL OUTLAY	265,000	265,000	156	243,207	29,162	29,162	214,045
TOTAL EXPENDITURES	265,000	265,000	156	243,207	29,162	29,162	214,045
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(58,100)	(58,100)	3,997	(131,507)	(27,222)	(27,222)	104,285
OTHER FINANCING SOURCES							
INTERFUND TRANSFERS IN	0	0	0	108,864	0	0	(108,864)
TOTAL OTHER FINANCING SOURCES	0	0	0	108,864	0	0	(108,864)
NET CHANGE IN FUND BALANCES	(58,100)	(58,100)	3,997	(22,643)	(27,222)	(27,222)	(4,579)
FUND BALANCES, BEGINNING OF YEAR	58,100	58,100	68,246	22,643	101,444	101,444	78,801
FUND BALANCES, END OF YEAR	0	0	72,243	0	74,222	74,222	74,222

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS											
	ROAD IMPACT FEES					FRIENDS OF THE CHILDREN						
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL			ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES												
MISCELLANEOUS REVENUE	\$ 132,000	\$ 132,000	\$ 298,752	\$ 166,752	\$ 1,300	\$ 1,300	\$ 2,312	\$ 1,012	\$ 1,300	\$ 2,312	\$ 1,012	
TOTAL REVENUES	132,000	132,000	298,752	166,752	1,300	1,300	2,312	1,012	1,300	2,312	1,012	
EXPENDITURES												
CURRENT												
CULTURE & RECREATION	0	0	0	0	9,431	9,431	4,517	4,914	9,431	4,517	4,914	
CAPITAL OUTLAY	900,000	900,000	0	900,000	0	0	1,569	(1,569)	0	1,569	(1,569)	
TOTAL EXPENDITURES	900,000	900,000	0	900,000	9,431	9,431	6,086	3,345	9,431	6,086	3,345	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(768,000)	(768,000)	298,752	1,066,752	(8,131)	(8,131)	(3,774)	4,357	(8,131)	(3,774)	4,357	
NET CHANGE IN FUND BALANCES	(768,000)	(768,000)	298,752	1,066,752	(8,131)	(8,131)	(3,774)	4,357	(8,131)	(3,774)	4,357	
FUND BALANCES, BEGINNING OF YEAR	768,000	768,000	1,334,432	566,432	8,131	8,131	6,977	(1,154)	8,131	6,977	(1,154)	
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 1,633,184	\$ 1,633,184	\$ 0	\$ 0	\$ 3,203	\$ 3,203	\$ 0	\$ 3,203	\$ 3,203	

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS									
	CDBG COMMUNITY REDEVELOPMENT					TREESCAPING				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL AMOUNTS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
ORIGINAL	FINAL	ORIGINAL	FINAL		ORIGINAL	FINAL	ORIGINAL	FINAL		
REVENUES										
LICENSES & PERMITS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200	\$ 0	\$ 0	\$ 50,310	\$ 50,310
MISCELLANEOUS REVENUES	0	0	0	0	0	0	400	0	0	(400)
TOTAL REVENUES	0	0	0	0	0	200	400	0	50,310	49,910
EXPENDITURES										
CURRENT										
PHYSICAL ENVIRONMENT	0	0	0	0	0	0	0	0	500	(500)
TOTAL EXPENDITURES	0	0	0	0	0	0	0	0	500	(500)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	0	0	0	0	200	400	400	49,810	49,410
NET CHANGE IN FUND BALANCES	0	0	0	0	0	200	400	400	49,810	49,410
FUND BALANCES, BEGINNING OF YEAR	0	0	0	0	128,368	(200)	(400)	(400)	37,193	37,593
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 128,368	\$ 0	\$ 0	\$ 0	\$ 87,003	\$ 87,003

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	SPECIAL REVENUE FUNDS						VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	TOPS GRANT			SELF-INSURED DENTAL			
	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
ORIGINAL	FINAL		ORIGINAL	FINAL			
REVENUES							
INTERGOVERNMENTAL REVENUE	\$ 686,598	\$ 686,598	\$ 61,691	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	0	0	0	3,000	5,229	2,229	2,229
TOTAL REVENUES	686,598	686,598	61,691	3,000	5,229	2,229	2,229
EXPENDITURES							
CURRENT							
GENERAL GOVERNMENT	0	0	0	30,000	37,300	1,700	1,700
CAPITAL OUTLAY	686,598	686,598	48,629	0	0	0	0
TOTAL EXPENDITURES	686,598	686,598	48,629	30,000	37,300	1,700	1,700
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	0	13,062	(27,000)	(32,071)	3,929	3,929
OTHER FINANCING SOURCES (USES)							
INTERFUND TRANSFERS IN	0	0	0	28,080	28,080	0	0
INTERFUND TRANSFERS OUT	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	28,080	28,080	0	0
NET CHANGE IN FUND BALANCES	0	0	13,062	1,080	(7,920)	(3,991)	3,929
FUND BALANCES, BEGINNING OF YEAR	0	0	(12,488)	(1,080)	7,920	11,839	3,919
FUND BALANCES, END OF YEAR	0	0	574	0	0	7,848	7,848

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	CAPITAL PROJECT FUNDS									
	MCKETHAN PARK					PUBLIC FACILITIES R&M				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS		ACTUAL AMOUNTS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
ORIGINAL	FINAL	ORIGINAL	FINAL		ORIGINAL	FINAL	ORIGINAL	FINAL		
REVENUES										
INTERGOVERNMENTAL REVENUE	\$ 0	\$ 5,500	\$ 5,500	\$ 0	0	\$ 0	\$ 0	\$ 0	\$ 0	0
MISCELLANEOUS REVENUES	900	900	3,702	2,802	2,802	400	400	1,071	1,071	671
TOTAL REVENUES	900	6,400	9,202	2,802	2,802	400	400	1,071	1,071	671
EXPENDITURES										
CURRENT										
CULTURE & RECREATION	2,000	2,000	0	2,000	0	0	0	0	0	0
CAPITAL OUTLAY	0	24,700	24,702	(2)	(2)	0	0	0	0	0
TOTAL EXPENDITURES	2,000	26,700	24,702	1,998	1,998	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,100)	(20,300)	(15,500)	4,800	4,800	400	400	1,071	1,071	671
OTHER FINANCING SOURCES (USES)										
INTERFUND TRANSFERS IN	0	0	0	0	0	3,175	3,175	3,261	3,261	86
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0	3,175	3,175	3,261	3,261	86
NET CHANGE IN FUND BALANCES	(1,100)	(20,300)	(15,500)	4,800	4,800	3,575	3,575	4,332	4,332	757
FUND BALANCES, BEGINNING OF YEAR	1,100	20,300	78,151	57,851	57,851	(3,575)	(3,575)	15,311	15,311	18,886
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 62,651	\$ 62,651	\$ 62,651	\$ 0	\$ 0	\$ 19,643	\$ 19,643	\$ 19,643

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	CAPITAL PROJECT FUNDS					
	CITY HALL RENOVATIONS			MULTI-YEAR CAPITAL PROJECT ACCUMULATION		
	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES						
MISCELLANEOUS REVENUES	0	0	15	2,000	2,000	3,098
TOTAL REVENUES	0	0	15	2,000	2,000	3,098
EXPENDITURES						
CURRENT						
GENERAL GOVERNMENT	0	0	0	70,000	70,000	0
TOTAL EXPENDITURES	0	0	0	70,000	70,000	0
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	0	15	(68,000)	(68,000)	3,098
OTHER FINANCING SOURCES (USES)						
INTERFUND TRANSFERS OUT	(3,175)	(3,175)	(3,261)	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(3,175)	(3,175)	(3,261)	0	0	0
NET CHANGE IN FUND BALANCES	(3,175)	(3,175)	(3,246)	(68,000)	(68,000)	3,098
FUND BALANCES, BEGINNING OF YEAR	3,175	3,175	3,246	68,000	68,000	111,658
FUND BALANCES, END OF YEAR	0	0	0	0	0	114,756

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	CAPITAL PROJECT FUNDS					
	CAPITAL IMPROVEMENT REVENUE BOND FUND			CAPITAL IMPROVEMENT BOND AND INTEREST SINKING FUND		
	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	BUDGETED AMOUNTS	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES						
INTERGOVERNMENTAL REVENUES	0	34,000	\$ 31,805	0	0	0
TOTAL REVENUES	0	34,000	(2,195)	0	0	0
EXPENDITURES						
DEBT SERVICE						
INTEREST AND FISCAL CHARGES	0	7,300	7,300	0	7,253	(7,253)
TOTAL EXPENDITURES	0	7,300	7,300	0	7,253	(7,253)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	0	26,700	5,105	0	(7,253)	(7,253)
OTHER FINANCING SOURCES (USES)						
INTERFUND TRANSFERS IN	0	0	0	0	17,337	17,337
INTERFUND TRANSFERS OUT	0	0	(17,337)	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(17,337)	0	17,337	17,337
NET CHANGE IN FUND BALANCES	0	26,700	14,468	(12,232)	10,084	10,084
FUND BALANCES, BEGINNING OF YEAR	0	(26,700)	0	0	0	0
FUND BALANCES, END OF YEAR	0	0	14,468	14,468	10,084	10,084

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

	PERMANENT FUND			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	CEMETERY PERPETUAL CARE			
	BUDGETED AMOUNTS	ACTUAL AMOUNTS		
ORIGINAL	FINAL			
REVENUES				
MISCELLANEOUS REVENUES	\$ 8,000	\$ 8,000	\$ 11,457	\$ 3,457
TOTAL REVENUES	8,000	8,000	11,457	3,457
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,000	8,000	11,457	3,457
OTHER FINANCING SOURCES				
INTERFUND TRANSFERS IN	10,000	10,000	10,000	0
TOTAL OTHER FINANCING SOURCES	10,000	10,000	10,000	0
NET CHANGE IN FUND BALANCES	18,000	18,000	21,457	3,457
FUND BALANCES, BEGINNING OF YEAR	(18,000)	(18,000)	271,386	289,386
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 292,843	\$ 292,843

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUND - VEHICLE MAINTENANCE  
 SEPTEMBER 30, 2007

ASSETS	
CURRENT ASSETS	
POOLED CASH AND INVESTMENTS	\$ 1,186,274
INVENTORIES	2,789
TOTAL CURRENT ASSETS	<u>1,189,063</u>
NON-CURRENT ASSETS	
CAPITAL ASSETS, NET	
MACHINERY & EQUIPMENT	237,623
CONSTRUCTION IN PROGRESS	37,722
TOTAL CAPITAL ASSETS, NET	<u>275,345</u>
TOTAL ASSETS	<u>\$ 1,464,408</u>
LIABILITIES AND FUND EQUITY	
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	\$ 1,479
ACCRUED WAGES PAYABLE	741
ACCRUED PAYROLL LIABILITIES	236
OTHER CURRENT LIABILITIES	869
TOTAL CURRENT LIABILITIES	<u>3,325</u>
NON-CURRENT LIABILITIES	
ACCRUED COMPENSATED ABSENCES	<u>6,326</u>
TOTAL LIABILITIES	<u>9,651</u>
NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	275,345
UNRESTRICTED	<u>1,179,412</u>
TOTAL NET ASSETS	<u>1,454,757</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,464,408</u>

CITY OF BROOKSVILLE, FLORIDA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 INTERNAL SERVICE FUND - VEHICLE MAINTENANCE  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

OPERATING REVENUE	
CHARGES FOR SERVICES	\$ 178,085
MISCELLANEOUS REVENUES	75
TOTAL OPERATING REVENUES	<u>178,160</u>
OPERATING EXPENSES	
PERSONAL SERVICES	143,624
OTHER SERVICES & CHARGES	29,912
DEPRECIATION	79,362
TOTAL OPERATING EXPENSES	<u>252,898</u>
OPERATING INCOME	<u>(74,738)</u>
NONOPERATING REVENUES (EXPENSES)	
INTEREST EARNINGS	53,280
TOTAL NONOPERATING REVENUES	<u>53,280</u>
INCOME BEFORE TRANSFERS	<u>(21,458)</u>
INTERFUND TRANSFERS IN	240,686
INTERFUND TRANSFERS OUT	(576)
TOTAL TRANSFERS	<u>240,110</u>
CHANGE IN NET ASSETS	218,652
NET ASSETS, BEGINNING OF YEAR	<u>1,236,105</u>
NET ASSETS, END OF YEAR	<u>\$ 1,454,757</u>

CITY OF BROOKSVILLE, FLORIDA  
STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND - VEHICLE MAINTENANCE  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES	
RECEIPTS FROM CUSTOMERS	178,085
PAYMENTS TO SUPPLIERS	(69,685)
PAYMENTS TO EMPLOYEES	(102,634)
OTHER RECEIPTS (PAYMENTS)	75
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,841</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
TRANSFERS FROM OTHER FUNDS	240,686
TRANSFERS FROM OTHER FUNDS	(576)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>240,110</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PURCHASES OF MACHINERY & EQUIPMENT	(74,742)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(74,742)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
RECEIPT OF INTEREST AND DIVIDENDS	53,280
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>53,280</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	224,489
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	961,785
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>1,186,274</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES	
OPERATING INCOME	\$ (74,738)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED BY) OPERATING ACTIVITIES:	
DEPRECIATION EXPENSE	79,362
(INCREASE) DECREASE IN	
DUE FROM OTHER GOVERNMENTS	641
INVENTORIES	248
PREPAID ITEMS	0
INCREASE (DECREASE) IN	
ACCOUNTS PAYABLE	(1,056)
ACCRUED WAGES PAYABLE	(2)
ACCRUED PAYROLL LIABILITIES	10
OTHER CURRENT LIABILITIES	718
ACCRUED COMPENSATED ABSENCES	658
TOTAL ADJUSTMENTS	<u>80,579</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,841</u>

CITY OF BROOKSVILLE, FLORIDA  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 SEPTEMBER 30, 2007

	PRIVATE PURPOSE TRUST FUNDS		PENSION TRUST FUNDS				TOTAL
	BUTTERWECK BOND FUND	DONOR MEMORIAL WALL	PRIVATE PURPOSE TRUST FUNDS	POLICE RETIREMENT CHAPTER 185	FIREFIGHTERS' RETIREMENT FUND	PENSION TRUST FUNDS	
ASSETS							
POOLED CASH AND INVESTMENTS	\$ 2,129 \$	7,024 \$	9,153 \$	2,532,469 \$	4,221,668 \$	6,754,137	
ACCOUNTS RECEIVABLE	0	0	0	10,929	20,812	31,741	
TOTAL ASSETS	\$ 2,129 \$	7,024 \$	9,153 \$	2,543,398 \$	4,242,480 \$	6,785,878	
LIABILITIES AND FUND BALANCE							
LIABILITIES							
ACCOUNTS PAYABLE	\$ 0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0
OTHER CURRENT LIABILITIES	0	0	0	0	0	0	0
TOTAL LIABILITIES	0	0	0	0	0	0	0
NET ASSETS							
Held in Trust for Retirement and Other Purposes	2,129	7,024	9,153	2,543,398	4,242,480	6,785,878	
TOTAL NET ASSETS	\$ 2,129 \$	7,024 \$	9,153 \$	2,543,398 \$	4,242,480 \$	6,785,878	

CITY OF BROOKSVILLE, FLORIDA  
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
 SEPTEMBER 30, 2007

	<u>AGENCY FUND</u>	<u>TOTAL AGENCY FUNDS</u>
ASSETS		
POOLED CASH AND INVESTMENTS	\$ 82,168 \$	82,168
TOTAL ASSETS	<u>\$ 82,168 \$</u>	<u>82,168</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
ACCOUNTS PAYABLE	\$ 5,073 \$	5,073
OTHER CURRENT LIABILITIES	77,095	77,095
TOTAL LIABILITIES	<u>\$ 82,168 \$</u>	<u>82,168</u>

CITY OF BROOKSVILLE, FLORIDA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	BUTTERWRECK BOND FUND	DONOR MEMORIAL WALL FUND	PRIVATE PURPOSE TRUST FUNDS	FIREMAN'S RETIREMENT	POLICE RETIREMENT	TOTAL PENSION TRUST FUNDS
ADDITIONS						
CONTRIBUTIONS						
EMPLOYER	0 \$	0 \$	0 \$	136,406 \$	0 \$	136,406
PLAN MEMBERS	0	0	0	30,596	7,334	37,930
OTHER	0	0	0	107,921	189,765	297,686
TOTAL CONTRIBUTIONS	0	0	0	274,923	197,099	472,022
INVESTMENT EARNINGS						
NET INCREASE (DECREASE) IN FAIR VALUE	0	0	0	358,660	73,765	432,425
GAIN (LOSS) ON SALE OF INVESTMENTS	0	0	0	(14,254)	105,758	91,504
INTEREST/DIVIDENDS	118	389	507	134,982	73,355	208,337
TOTAL INVESTMENT EARNINGS	118	389	507	479,388	252,878	732,266
MISCELLANEOUS REVENUES	0	0	0	230	2,331	2,561
TOTAL ADDITIONS	118	389	507	754,561	452,308	1,206,849
DEDUCTIONS						
BENEFIT PAYMENTS	0	0	0	280,738	1,383	282,121
ADMINISTRATIVE EXPENSES	0	0	0	48,811	31,721	80,532
TRANSFERS OUT	45	0	45	0	0	0
TOTAL DEDUCTIONS	45	0	45	329,549	33,104	362,653
CHANGE IN NET ASSETS	73	389	462	424,992	419,204	844,196
NET ASSETS, BEGINNING OF YEAR	2,056	6,635	8,691	3,817,488	2,124,194	5,941,682
NET ASSETS, END OF YEAR	\$ 2,129 \$	\$ 7,024 \$	\$ 9,153 \$	\$ 4,242,480 \$	\$ 2,543,398 \$	\$ 6,785,078 \$

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

GRANTOR PASS-THROUGH GRANTOR PROGRAM/PROJECT TITLE	CONTRACT #	CFDA/ CSFA #	AWARD AMOUNT	LOCAL MATCH	GRANT FUNDS EXPENDED	LOCAL MATCH EXPENDED
<u>FEDERAL AWARDS</u>						
U.S. Department of Justice Bureau of Justice Assistance Edward Byrne Justice Assistance Grant Program *	2005-DJ-BX-1485	16.738	\$ 12,029	\$ -	\$ -	\$ -
Regain Our Neighborhood (RON)	2007-JAGC-HERN-1-P3-090	16.738	13,464	-	10,595	-
Drug Abuse Resistance Education (DARE)	2007-JAGC-HERN-2-P3-008	16.738	2,286	-	1,975	-
Drug Abuse Resistance Education (DARE) - Direct Operation Alrwave	2007-JAGD-HERN-1-P4-112	16.738	3,797	-	3,797	-
Total U.S. Department of Justice			31,576	-	16,367	-
U.S. Department of Agriculture Water and Waste System Grant City Hall/Fire and Sewer Generator & City Hall/Fire Station Window Retrofit		10.760	1,790,000	-	55,069	-
Total U.S. Department of Agriculture			286,000	-	78,552	-
			2,076,000	-	133,621	-
Total Federal Awards			\$ 2,107,576	\$ -	\$ 149,988	\$ -

CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

GRANTOR PASS-THROUGH GRANTOR PROGRAM/PROJECT TITLE	CONTRACT #	CFDA/ CSFA #	AWARD AMOUNT	LOCAL MATCH	GRANT FUNDS EXPENDED	LOCAL MATCH EXPENDED
<b>STATE FINANCIAL ASSISTANCE</b>						
Florida Department of Transportation Transportation Outreach Program (TOPS)*	AM827	55.022	1,279,479	299,479	48,629	-
Department of Environmental Protection Statewide Surface Water Restoration & Wastewater Projects *	LP0503, LP6006	37.039	4,050,000	-	1,272,734	-
<b>Total State Financial Assistance</b>			<b>\$ 5,329,479</b>	<b>\$ 299,479</b>	<b>\$ 1,321,363</b>	<b>\$ -</b>

**NOTES**  
 \* - Denotes a Reimbursable Grant.

**SUPPLEMENTARY INFORMATION**

**CITY OF BROOKSVILLE, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND STATE FINANCIAL ASSISTANCE  
SEPTEMBER 30, 2007**

**NOTE A – GENERAL**

The accompanying schedule of Expenditures of Federal Awards and State Financial Assistance presents the activity of all federal and state financial assistance programs for the City of Brooksville. The City reporting entity is defined in Note A to the City's basic financial statements for the year ended September 30, 2007.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of Expenditures of Federal Awards and State Financial Assistance is presented using the modified accrual basis of accounting, which is described in Note A to the City's basic financial statements for the year ended September 30, 2007.

**NOTE C – MAJOR STATE FINANCIAL ASSISTANCE PROJECTS**

<u>Name of Project</u>	<u>CSFA Number</u>
Statewide Surface Water Restoration and Wastewater Projects	37.039

**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**

City Council  
City of Brooksville, Florida

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Brooksville as of and for the year ended September 30, 2007, and have issued our report thereon dated March 27, 2008. 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 City of Brooksville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Brooksville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Brooksville's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (07-1, 07-4). A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described in the accompanying schedule of findings and questioned costs, we consider item 07-4 to be a material weakness.

Compliance and Other Matters

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

The City of Brooksville's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Brooksville's response and, accordingly, we express no opinion on it.

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

OLIVER & JOSEPH, P.A.

*Oliver & Joseph, P.A.*

March 27, 2008

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH THE FLORIDA SINGLE AUDIT ACT**

City Council  
City of Brooksville, Florida

Compliance

We have audited the compliance of the City of Brooksville with the types of compliance requirements described in the State of Florida Department of Financial Services *State Projects Compliance Supplement* that are applicable to each of its major state programs for the year ended September 30, 2007. The City of Brooksville's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major state programs is the responsibility of the City of Brooksville's management. Our responsibility is to express an opinion on the City of Brooksville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Florida Single Audit Act. Those standards and the Florida Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major state program. An audit includes examining, on a test basis, evidence about the City of Brooksville's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Brooksville's compliance with those requirements.

In our opinion, the City of Brooksville complied, in all material respects, with the requirements referred to above that are applicable to each of its major state programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the City of Brooksville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Brooksville's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Brooksville's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City of Brooksville's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City of Brooksville's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected by the City of Brooksville's internal control.

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

The City of Brooksville's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Brooksville's response and, accordingly, we express no opinion on it.

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

OLIVER & JOSEPH, P.A.

*Oliver & Joseph, P.A.*

March 27, 2008

**CITY OF BROOKSVILLE, FLORIDA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Any material weakness(es) identified?	Yes
Any reportable condition(s) identified not considered to be material weaknesses?	Yes
Any noncompliance material to financial statements noted?	Yes

**State Awards**

Internal control over major programs:	
Any material weakness(es) identified?	No
Any reportable condition(s) identified not considered to be material weaknesses?	None reported

Type of auditors’ report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Rules of the Auditor General, Chapter 10.650?	No
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Identification of major programs:

<u>CSDA Number</u>	<u>Name of Project</u>
37.039	Statewide Surface Water Restoration & Wastewater Projects

Dollar threshold used to distinguish between Type A and Type B programs:	\$500,000
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Auditee qualified as low-risk auditee?	No
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**CITY OF BROOKSVILLE, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**Section II – Financial Statement Findings**

**07-1**

The City does not utilize a centralized accounts payable system. Accounts payable balances are established at the time invoices for goods and services are received for payment. In addition, accounts payable balances for year-end reporting purposes are generated based upon staff's review of subsequent disbursements.

We recommend that the City review and revise its accounts payable processing procedures, so that liabilities are recorded at the point goods and services are received by the City, instead of recording the transactions when payment for the goods or services is due. Receiving copies of purchase orders should be routed to the accounts payable department immediately after the appropriate City staff accepts the receipt of the goods or services, so that the related liability can be recorded in the accounts payable sub-system. This will help to provide a more accurate on-going liability balance for management purposes. If the final invoice differs from the receiving or purchase order amount, an adjustment can be made at the time the invoice is received for payment.

**07-2**

Auditor noted that cash was not deposited with paying agent at least one business day prior to the date established for payment of any principal of or redemption price or interest on the bonds. Per bond covenants, the issuer shall withdraw from the Sinking Fund sufficient moneys to pay such principal or redemption price or interest and deposit such moneys with the paying agent for the bonds to be paid.

We recommend that the City review its processing procedures to ensure that amounts are deposited with paying agents on a timely basis. It is imperative that all legal and compliance requirements be identified and monitored carefully.

**07-3**

Auditor noted per bond covenants that City did not establish upon issuance of bonds a separate special fund to be known as the "City of Brooksville Capital Improvement Revenue Bonds, Series 2006 Bond and Interest Sinking Fund". Per requirements, the City covenant and agreed to establish the fund to be used exclusively by the City to pay all interest and principal on the bonds as they come due.

We recommend that the City establish policies to ensure that all covenants are addressed during issuance of any new debt. We further recommend that the City establish a process to ensure that bond requirements are reviewed on a periodic basis for continued compliance. It is imperative that all legal and compliance requirements be identified and monitored carefully.

**07-4**

Auditor noted that the City's \$8.6 million contribution of donated sewer lines as initially recorded in fixed assets on the balance sheet was overstated by approximately \$193,000. The auditor requested an entry to reduce the amount of the contribution to final engineering reports. The auditor noted final engineering reports were received prior to the start of the audit; however this information was not forwarded to appropriate personnel in the finance department to ensure that proper adjustment was made.

We recommend that the City implement policies and procedures to ensure that all contributions from donors are recorded accurately.

**CITY OF BROOKSVILLE, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007**

**Resolution of Prior Year Findings**

**06-2**

During the fiscal year ended September 30, 2006, it was discovered that four 2" construction hydrant meters were installed at a customer's location without staff following the proper policies and procedures established for connection of new service. As a result, the customer billing account was not set up prior to the start of service, and the new service deposit was not collected. In addition, water service was provided for approximately eleven months prior to a bill being issued.

The City has implemented policies and procedures to control the installation process for construction hydrant meters. The auditor noted no instances of construction meter installation without proper procedures for establishing connection of new service during the fiscal year ended September 30, 2007.

**06-3**

Clause (M) of the bond covenants for the 1999 \$6,680,000 Water and Sewer Revenue Bonds entitled "No Free Services" states that the issuer (the City) "will not render or cause to be rendered, any free services of any nature by its facilities, nor will any preferential rates be established for users of the same class." During the fiscal year ended September 30, 2007, the City settled a disputed claim with a developer. The bill for water used was initially calculated using established construction rates. As part of the settlement, the City agreed to recalculate the bill using the lower residential rates normally charged. The effect of this change was a reduction of approximately \$140,000 in the customer's bill. Per discussions with City staff and review of utility billing records, it appears that there were no other users within the same customer class (developers) who benefited from application of the lower rate.

The City has implemented policies and procedures to ensure that no free services or preferential rates were given for the same class of customers. The auditor noted no instances during the fiscal year ended September 30, 2007.

**INDEPENDENT AUDITORS' MANAGEMENT LETTER**

Honorable Council Members  
Brooksville, Florida

We have audited the financial statements of the City of Brooksville, Florida, as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated March 27, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; We have issued our Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to each Major State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 27, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken address significant findings and recommendations made in the preceding annual financial audit report (except as noted below under the heading Prior Year Findings and Recommendations).

**Prior Year Audit Findings and Recommendations**

In conjunction with our audit of the City's financial statements for the year ended September 30, 2006, we commented on a number of audit findings and recommendations relating to the City's accounting system and internal controls. Recommendations for all but one finding have been resolved to our satisfaction. The finding is repeated as item 07-1 in the Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Brooksville complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal control. In connection with our audit, we did not have such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material, but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless discussed in the notes to the financial statements.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Brooksville did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City of Brooksville for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

Section 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The management letter is intended solely for the information of the City of Brooksville and management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

OLIVER & JOSEPH, P.A.



March 27, 2008



March 19, 2008

Mr. William O. "Bill" Monroe, CPA  
Auditor General  
State of Florida  
Claude Denson Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Re: Financial Audit of the City of Brooksville, Florida for the Audit Period: Fiscal Year Ended  
September 30, 2007

Dear Mr. Monroe:

The financial statements of the City of Brooksville for the fiscal year ended September 30, 2007, have been audited by the City's independent auditing firm of Certified Public Accountants (Oliver & Joseph, P.A.). The financial statements, auditor's reports and management letter are completed and will be made available to the city officials and the public on March 31, 2008. In compliance with their audit tasking, Oliver & Joseph, P.A. have reported to you and to other concerned parties what they consider being reportable conditions or material weaknesses in the internal control structure, accounting methods and systems, etc. of the City of Brooksville, along with management comments made to the City.

Herewith submitted is the City's response and corrective action plan to the independent auditors' management letter comments.

*Financial Statement Finding 07-1.*

Auditor's Recommendation: The City does not utilize a centralized accounts payable system. Accounts payable balances are established at the time invoices for goods and services are received for payment. In addition, accounts payable balances are established after year-end by reviewing subsequent disbursements.

Corrective action plan: With respect to establishing a centralized accounts payable system, additional staff would have to be hired in order to accomplish this recommendation. Approvals and coding are done by the various departments. The process is decentralized, but does work effectively. We believe we are recording our liabilities in the appropriate periods and bills are paid by their due dates with rare exceptions unrelated to decentralized processing. However, we

concur that the Auditors' recommendation is valid. As the City grows and the number of transactions increase, we will re-organize. The plan is to establish a centralized Purchasing Department that would assist us with creating a centralized accounts payable system.

Completion Date: City will consider recommendations of Auditors.

Financial Statement Finding 07-2.

Auditor's Recommendation: Auditor noted that cash was not deposited with paying agent at least one business day prior to the date established for payment of any principal or redemption price or interest on the bonds. Per bond covenants, the issuer shall withdraw from the Sinking Fund sufficient moneys to pay such principal or redemption price or interest and deposit such moneys with the paying agent for the bonds to be paid.

Response: Bond payments were wired on 10/1/07 which was the due date on the debt service invoice by the paying agent bank. However, in the future the City will wire the funds at least one business day prior to the date established for payment.

Completion Date: Implementation of the above has already been done as of this writing.

Financial Statement Finding 07-3.

Auditor's Recommendation: Auditor noted per bond covenants that City did not establish upon issuance of bonds a separate special fund to be known as the "City of Brooksville Capital Improvement Revenue Bonds, Series 2006 Bond Interest Sinking Fund." Per requirements, the City agreed to establish the fund to be used exclusively by the City to pay all interest and principal on the bonds as they come due.

Response: The City consulted with the City Attorney and USDA concerning combining the Revenue and Sinking Funds as one due to the small monthly transfers required for both. Those parties agreed to the combined fund, however we agree that the bond covenants are specific as to establishing two funds versus a combined fund.

Completion date: Implementation of the above has already been done as of this writing.

Financial Statement Finding 07-4.

Auditor's Recommendations: Auditor noted that the City \$8.6 million contribution of donated sewer lines as initially recorded in fixed assets on the balance sheet was overstated by approximately \$193,000. The auditor requested an entry to reduce the amount of the contribution to final engineering reports. The auditor noted final engineering reports were received prior to the start of the audit; however this information was not forwarded to appropriate personnel in the

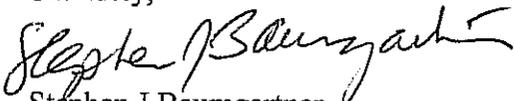
finance department to ensure that proper adjustment was made.

Response: Finance had booked at the time of the closing of our books the most current engineering reports. Between the closing of the books and the beginning of the audit, it appears the final engineering reports were completed. We will strive to ensure that all donations be recorded accurately.

Completion date: The adjustment has been made to the City's fixed assets and financial statements. The City will implement procedures to ensure that all contributions from donors are recorded accurately.

Mr. Monroe, I hope this letter has addressed the needs and concerns related to the auditor's findings and recommendations and the audit of the City of Brooksville's financial statements for the fiscal year ended September 30, 2007. Should you have any questions or suggestions, please feel free to contact me at (352) 544-5400, ext 101.

Sincerely,



Stephen J Baumgartner  
Finance Director

cc: Honorable Mayor and City Council Members  
T. Jennene Norman-Vacha  
Mary Beth Gary, CPA, Oliver & Joseph, P.A.

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