

FY2009/10 AUDIT REPORT

OLIVER & JOSEPH, P.A.
CERTIFIED PUBLIC
ACCOUNTANTS

INTRODUCTORY SECTION

**CITY OF BROOKSVILLE, FLORIDA
TABLE OF CONTENTS**

INTRODUCTORY SECTION

PAGE

TABLE OF CONTENTS

i

GOVERNMENTAL OFFICIALS

iii

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

1

MANAGEMENT'S DISCUSSION AND ANALYSIS

3

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Assets

4

Statement of Activities

5

Fund Financial Statements

Governmental Fund Financial Statements

Balance Sheet

6

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets

7

Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds

8

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement
of Activities

9

Statement of Revenues, Expenditures and Changes in Fund
Balances – Budget and Actual

General Fund

10

City of Brooksville Community Redevelopment Agency

11

Proprietary Fund Financial Statements

Statement of Net Assets

12

Statement of Revenues, Expenses, and Changes in Fund Net Assets

14

Statement of Cash Flows

15

Fiduciary Fund Statements

Statement of Fiduciary Net Assets

17

Statement of Changes in Fiduciary Net Assets

18

NOTES TO THE FINANCIAL STATEMENTS

19

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Combining Balance Sheet – Nonmajor Governmental Funds

53

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances – Nonmajor Governmental Funds

58

Schedules of Revenues, Expenditures and Changes in Fund

Balance – Budget and Actual – Nonmajor Governmental Funds

63

Statement of Net Assets – Internal Service Funds

76

Statement of Revenues, Expenses, and Changes in
Fund Net Assets – Internal Service Funds

77

**CITY OF BROOKSVILLE, FLORIDA
TABLE OF CONTENTS**

	<u>PAGE</u>
Statement of Cash Flows – Internal Service Funds	78
Combining Statement of Fiduciary Net Assets	79
Combining Statement of Changes in Fiduciary Net Assets	81
Schedule of Expenditures of Federal Awards and State Financial Assistance	82
Notes to Schedule of Expenditures of Federal Awards And State Financial Assistance	84
Report on Compliance and on Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance with Government Auditing Standards	85
Report on Compliance with Requirements Applicable to Each Major Program and On Internal Control Over Compliance in Accordance With Circular A-133	87
Schedule of Findings and Questioned Costs	89
Independent Auditors' Management Letter	91
Management's Response to Findings and Recommendations	94

**CITY OF BROOKSVILLE, FLORIDA
GOVERNMENTAL OFFICIALS**

CITY COUNCIL

MAYOR

FRANKIE BURNETT

VICE MAYOR

JOE JOHNSTON

COUNCIL MEMBER

LARA BRADBURN

COUNCIL MEMBER

EMORY PIERCE

COUNCIL MEMBER

JOE BERNARDINI

CITY MANAGER

T. JENNENE NORMAN-VACHA

DIRECTOR OF FINANCE

STEPHEN J. BAUMGARTNER

CITY CLERK

JANICE L. PETERS

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, 2010, 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, 2010, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the City of Brooksville Community Redevelopment Agency Fund 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 28, 2011 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(T) 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 fund statements and schedules 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 & COMPANY, P.A.

Oliver & Company, P.A.

March 28, 2011

**CITY OF BROOKSVILLE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2010**

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, 2010. This is the seventh year the City has prepared financial statements in accordance with the guidelines prescribed in Governmental Accounting Standards Board's (GASB) Statement No. 34.

FINANCIAL HIGHLIGHTS

- The Assets of the City of Brooksville exceeded its liabilities at September 30, 2010 by \$40,822,387 (net assets) and increased \$1,267,132. Of this amount, \$9,750,402 of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.
- As of September 30, 2010, the City of Brooksville's governmental funds reported combining ending fund balances of \$5,037,349 which increased \$53,540 from the previous fiscal year. General Fund represents 10% of the governmental funds. City of Brooksville Community Redevelopment Agency and Nonmajor Governmental Funds represented 90% of the governmental funds.
- General Fund expenditures and Transfers Out came in under final budget projections by \$296,671. The annual GASB adjustments performed by the Auditors created over budget variances primarily in Public Safety and Transportation which is adjusted by the offset entries to Transfers Out. These represent the annual transfers to our Internal Service Vehicle Maintenance Fund and our Vehicle Replacement Fund. Prior to these annual adjustments, the Public Safety Departments (Police and Fire) were under budget.
- Total General Fund expenditures including Transfers Out were increased from 08-09. The total expenditures were \$402,755 more in 09-10 from 08-09. Expenses were actually flat due to the remodeling of the Fire Station in the amount of \$394,000. This capital addition was paid by Hernando County and not from City monies.
- Utility Fund Cash and Cash Equivalents decreased from \$5,088,981 at the beginning of the fiscal year to \$4,975,967 at the end of the fiscal year. Of the \$4,975,967 Cash and Cash Equivalents, \$3,021,786 is unrestricted. The Cash & Cash Equivalents for the Sanitation Fund decreased from \$815,728 at the beginning of the fiscal year to \$806,222 at the end of the fiscal year. In the Utility Fund the amount expended on property, plant, and equipment increased by \$176,697 from the previous year which accounted for part of the decrease in Cash Equivalents. The Sanitation Fund purchased equipment in the amount of \$194,840 by paying Cash which accounted for the decrease in Cash Equivalents.
- Total net assets of the Pension Trust Funds (Police and Fire) increased by \$744,179 due primarily to the increase of the investment market values and earnings from interest and

dividends. In 07-08 the Pension Trust Funds had a decrease in net assets of \$616,570 due primarily to the world-wide economic crisis. Net assets of the two plans are \$7,212,012.

- City adopted an electric and propane Public Service Tax effective 1/1/04. In the 09-10 fiscal year the tax brought in \$819,976 in revenues. This is an increase of \$118,079 from the previous fiscal year.
- The City of Brooksville complied with the maximum millage levy allowed by Florida Department of Revenue Chapter 2007-321. The City's millage in 2010 was set at 6.3700 mills. The maximum millage allowed with a majority vote was 9.3474. The millage rate was 6.069 in 2009.
- In 09/10 City Council adopted a new policy on refunds of meter deposits for City utility customers that have a good credit standing with the City. As a result, the meter deposit liability in our Utility Funds was \$371,705 at 9/30/10 as opposed to \$492,365 at 9/30/09. Approximately \$120,000 of meter deposits was returned to customers with good standing.
- Phase I of the Good Neighbor Trail was completed from the trailhead to Jasmine Drive in the summer of 2009 at cost of \$393,146. In June 2010, the City Council approved an agreement with Coastal Engineering Associates, Inc. for the design, permitting, and land ownership coordination of the Good Neighbor Trail Phase 2B. The agreement will produce engineering plans allowing the City to have a "shovel ready" project and therefore be eligible for Florida Department of Transportation funding. The cost of this project in 09-10 was \$19,000 and it was booked in the City's Construction in Progress (CIP) capital assets. In addition, Majestic Oaks Partners, LLC generously donated to the City 4.14 acres of a 24 foot wide strip of land through the Majesty Oaks subdivision that was quit claim deeded to the City. This donation by Majestic Oaks Partner was valued at \$60,236. This trailhead is an exciting addition to the City's park system and will bring economic benefits as well.
- The City's Solid Waste Fund purchased in 09-10 a 2011 Peterbilt (chassis) with a Heil PT Commercial 27 yard Rear Loader. The cost was \$178,857 and the funds were not borrowed, but paid out of Solid Waste reserves. This truck replaced a 1994 Peterbilt with approximately 185,000 miles. The Solid Waste Fund also purchased a Ford 2011 F-210 truck for their operations in the amount of \$15,982. The funds came out of Solid Waste reserves.
- Funding through the City's Vehicle Replacement Fund, paid for two 2010 Dodge Chargers Police Cruisers. The 2 vehicles totaled \$43,146. Three walk behind mowers were purchased from the City's Equipment Replacement Fund at a cost of \$7,041.
- Through the U.S. Justice Assistance Grant Program entitled the Patrol Vehicle Replacement Grant; the Brooksville Police Department was awarded \$150,956. The Grant purchased 5 Ford Crown Victoria Patrol Cruisers.
- The Parks, Recreation and Facilities Department purchased a John Deere 1200 Bunker and Field Rake at a cost of \$10,144. In addition, the Department purchased two John Deere 6X TH Gator Utility Vehicles at a cost of \$13,118.
- The Red Light Camera violation program began operational on 3/29/09 with a 30 day probation period with one camera. The 5th camera became operational on 9/01/09. In 08-09 the City collected \$206,576 in violations. The red light violation is \$125 with the red light contractor (ATS) receiving \$40 of the fine. The \$206,576 represents gross collections at \$125 plus late fees that may have been assessed. Also, a part-time Police

Officer is paid out of the Traffic Camera Fund. As of July 1, 2010, the City Council suspended the Red Light Camera program. In 09-10 the City collected in violations \$932,320. The expenses associated with the program were \$301,360.

CITY HIGHLIGHTS

- The City adopted the millage rate at 6.3700 mills with the prior fiscal year rate at 6.0690. The millage rate had been 8.0000 mills for seven consecutive years from 1997 through 2003.
- The City was awarded a Federal American Recovery and Reinvestment Act (ARRA) of \$2,409,827 in 2009. Of that amount, \$1,039,627 will be a loan at 2.43% interest for 20 years. The remaining \$1,370,200 will be ARRA principal forgiveness Grant. The program is through the Florida Department of Environmental Protection entitled FDEP Small Community Wastewater Facility Grant/SRF loan.
- In 09-10, the City received \$801,534 in Federal Financial Assistance for the Brooksville Water System Improvement Project. The source of the funds for the grant is the Federal American Recovery and Reinvestment Act (ARRA). This improvement allowed for the repair and replacement of aging portions of the City's water system. The improvements ensured adequate fire flow and line pressures.
- In 09-10 the City received \$531,717 for the Brooksville Water System Improvement Project. The \$531,717 is booked as a long term liability. This will become a 20 year loan at 2.43%. The first payment is due on August 15, 2011. The maximum amount of the loan will be \$1,039,627.
- The City's past annexations should create substantial growth in the future; however the economic crisis has slowed new construction substantially. Southern Hills Plantation has plans for 1,163 residences in a gated golf community. In 2009, Hampton Ridge (developer for Hampton Ridge) filed for bankruptcy reorganization. On October 25, 2010 Hampton Ridge Developers sold the Southern Hills Development to Greenpointe Communities, LLC and subsidiaries. The sale included the golf club, the amenity center, the platted lots not owned by private individuals, and the undeveloped parcels outside of the Southern Hills Plantation development.
- In 2009-10 three (3) new single family residential permits were issued in the Southern Hills Plantation; two homes have been completed and one is under construction. The value of the three homes totals \$1,425,000. At this writing, one additional permit has been issued in 10/11 in the Southern Hills Plantation at a construction cost of \$266,000.
- Cascades at Southern Hills retirement development had plans to build out to 925 units. On November 9, 2007 Levitt & Sons Hernando County, LLC filed Chapter 11 Bankruptcy. Levitt & Sons were developing Cascades at Southern Hills. On October 31, 2009 this property was purchased by a development company known as CASHP1,LLC. In the Cascades, ten new homes were permitted and Certified for Occupancy in 2009-10 totaling \$1,624,716.00. Permits were issued in 2010/11 for eight single family homes in the Cascades with a construction value totaling \$1,207,687, with \$815,447 Certified for Occupancy as of this writing.
- Majestic Oaks near the Brooksville County Club is proposing 900 units.

- In 2009-10, outside of the Southern Hills development area there were four single family residential homes completed within the City with a total construction cost of \$285,700. In 2010/11, outside of the Southern Hills development, one new residence has been permitted at a construction cost of \$63,750.
- The old Brooksville Regional Hospital Facility was renovated to include adult living units and commercial space. The Grande is the new adult living facility with 75 units which are now being leased. The commercial renovations have been completed to provide 60,000 square feet of commercial space and the project is called Oaks Towne Centre. The commercial space shell will be customized based on future tenant needs.
- In 09-10 there was limited commercial permit activity. The activity included the City fire station renovation and a renovation of the County animal control building. In addition, McDonald's had a commercial renovation. The total construction costs permitted in 09-10 were \$696,000. In 10/11 new permits have been the Enrichment Center at the Quarry in the amount of \$1,000,000 and LRE Ground Services with renovations of \$100,000 permitted.
- In 2006 the City took back the Building Division function from Hernando County after the termination of their agreement. The City hired PDCS, LLC as the contractual company to handle the building inspections and the building permits for the City. In 2009, the Building Division moved from 25 East Liberty to the 2nd Floor of the Brooksville City Hall.
- Within the City's Internal Service Fund, the City has accumulated over \$1,398,000 in unrestricted reserves to purchase new vehicles and equipment. 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 are comprised 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 44 funds; however certain funds are combined for presentation purpose as presented in these financial statements. 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 non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 internal service funds for its fleet maintenance operations, vehicle replacement, and equipment replacement. 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 six fiduciary funds are Butterweck Bond Fund, Donor Memorial Wall, Payroll Account, HRA Fund, 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 19-52 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 53-81 of this report.

ECONOMIC FACTORS

The City of Brooksville, the County Seat of Hernando County, has experienced a period of growth over the last decade. 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).

The annual estimates for the population of Brooksville were identified as being 7,633 which was used in the FY 2010-11 State Revenue Sharing calculations. The City of Brooksville's Development Department estimates that the City will experience approximately an annual growth in population of 6.5% over the next 10 years. This estimate is based on the 2010 U.S. Census and the growth in the last decade within the City.

Although, the official data from the Hernando County Property Appraisers for 2011 is not yet available it is expected that the City's taxable values could drop as much as 5% to 10% or more in the City of Brooksville. In the 2010 Tax Year the current year gross taxable values for operating purposes were \$414,775,643; in the 2009 Tax year the final gross taxable values were \$472,475,278. This is a drop in taxable values of \$57,699,635 and over a 12.2% decline in values in one year. In the 2008, the final gross taxable values were \$568,431,915; this is a decline of \$153,656,272 in values in 3years and over 27% loss in values in that 3 year period. At the 2010 millage rate of 6.3700 mills, the decline of \$153,656,272 represents a decrease in Ad Valorem revenues of approximately \$930,000 (at 95%) in the span of three fiscal years. This is the challenge for many cities across Florida who are seeing their property value drop. Also, our concerns continue to be when the property values will stop dropping?

Hernando County's unemployment stood at 15.1% in January 2011. The State of Florida average in January 2011 was 11.9%. The halt in residential and commercial construction hit the County hard. As an indicator, the City in 06-07 collected \$183,685 in Building permit revenues. In 07-08 the City collected \$128,932 in Building permits; and in 08-09 the City collected 123,831—a 33% decline from 06-07. In 09-10, the City collected \$112,109 Building permits revenues. We are seeing renewed activity in Southern Hills Plantation and the Cascades. This has been an encouraging sign recently.

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 again experiencing a very likely decrease in property values due to the economic downturn and the added \$25,000 exemption as a result of Amendment One.

In the last 8 years, the City increased the size of the City from approximately 5 square miles to approximately 10 square miles through voluntary annexations. These annexations increased 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 should increase the City's future revenue streams that will assist economically for decades to come. The recent economic downturn has impacted the timing of the future revenue streams, however we believe in several years the economic cycle will improve and growth will begin again.

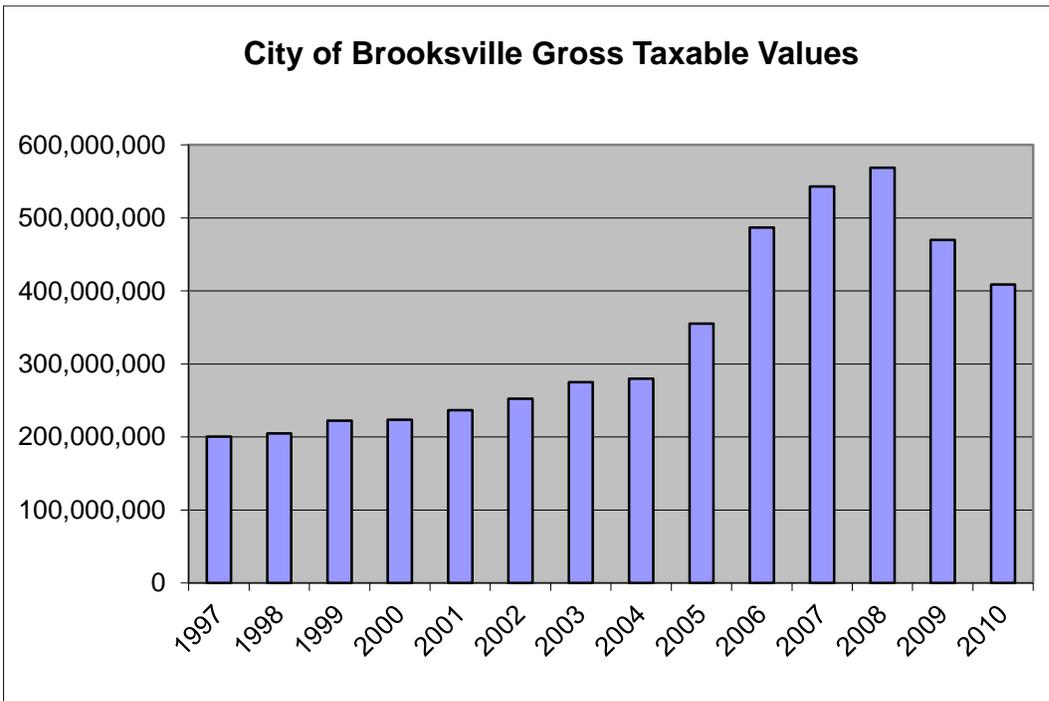
Nationally franchised retail chains are noticing Brooksville's changing demographics and have moved to the area. To assist in promoting business, the City Council repealed the City Occupational Business License Tax in 2008 and has been lowering the City millage rate. The list of national retailers who are in the City includes Wal-Mart, Lowe's Home Improvement, Tractor Supply, Applebee's, Dunkin Donuts and Baskin Robbins, McDonalds, Wendy's, Arby's, CVS, and Walgreen's. Countless other established retailers and small local businesses continue to do business in our City. In 2009, Beef O'Brady's Restaurant is a new addition to the City and an Express Lube was completed on Cortez Boulevard. Also, the beautiful renovation of the Old Brooksville Regional Hospital to the Grande (75 assisted living units) and commercial square footage space of the Oaks Towne Centre has become a great asset after the vacancy left by the new Hospital facility that was constructed on State Road 50 West. In 09-10 LRE Ground Services purchased the former Grubbs property on South Main Street for their operations.

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. The Developer and the City have made a direct purchase of equipment for the Wastewater Treatment Plant that is being stored until actual construction begins. There is likely to be a delay in the construction due to the bankruptcy of the Developer. 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.

Prominent businessman Dennis Wilfong is serving as Brooksville's Ambassador of Commerce and Employment to promote business and development in the City and Hernando County. His voluntary assistance along with Mrs. Michael Heard is encouraging businesses to look at Brooksville as a great place to live and work. This is part of the pro-active approach of the City Council and the City Manager to encourage growth in the City.

The City is also taking on significant “green initiatives” by retrofitting lighting in City facilities to save electricity (and taxpayer dollars). Also, the City has partnered with the Brooksville Wal-Mart Distribution center to provide curbside recycling to City residents which began September 2, 2009. There is no charge to the City residents for this program.

The table below shows the history of gross taxable values since 1997. The reader can see the decline from 2008 to 2009 and from 2009 to 2010. In 2011, we expect to see a decline in Gross Taxable Values. At this writing, we estimate the decline to be around 10%. The table on 3 J and 3 K highlight some of the more noteworthy development activity that has been planned in and around the City of Brooksville. The growth has slowed, but the City is optimistic that growth will come back with a City that is fiscally sound and offers many amenities to her residents.



Project Name	Acreage	Land Use	Units	Comments/Status
GGW, LLC/BTM, LLC	75	Single Family Residential	131 Units proposed	Annexed Land use and zoning approved
Brooksville Associates Wiscon Rd.	41.165	Townhouses	156 Units proposed	Zoning, Master Plan approved
Villa Rosa (Ty Underwood)North Avenue	9	Townhouse project changed to senior housing complex.	Proposing 100 units	Zoning approved Master Plan revision approved (2-13-08). Project on hold
Hometown America (Cloverleaf)	19	Manufactured Housing	Up to 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	City providing supporting water and sewer on SR50
Innovators Investment Group	7.71	Commercial & Professional Development	Undetermined at present time	Land use and zoning & CPA approved
Malouf Enterprises- Horse Lake Rd.	25	Commercial PDP	Beef O'Brady's and undetermined additional commercial units	Commercial PDP approved; Beef O'Brady's has opened and other shops have opened
Metro Bay Development (Old Hospital site redevelopment)	11	Residential & Commercial	75 units and 60,000 s.f. commercial, retail	Approved master plan/plat. Adult living units completed; commercial still under construction

Project	Acreeage	Land Use	Units	Comments/Status
Southern Hills Plantation	1,189	Residential w/associated Recreational and commercial uses	1,163 residences proposed in gated golf course community; 240,000 sq. feet retail/office	Annexed May 2003, infrastructure is complete in Phase I..Chapter 11 on 6/10/09 Purchased by Greenepointe October 2010.
The Cascades	414	Residential	925 residences proposed in a age-restricted (senior) gated community	Annexed. Phase I infrastructure nearly complete. Filed Chapter 11 Bankruptcy in November 2007. Property assumed by Key Bank. Key Bank sold property to CASHP2 LLC.
Majestic Oaks	428	Residential, Multi-family, Commercial and recreational	900 residences proposed	Annexed, CPA approved 2 12 07. Zoning approved 6/18/08.
Brooksville Country Club North end of Majestic Oaks	168 41	Residential Units Townhouse Units	53 SFR 80 MRF Units proposed	Annexed. CPA approved 2/12/07. Zoning approved 6/18/08
Southern Pines	31	Multi-family residential	240 Condominiums proposed	Annexed March 2004, partial first phase constructed
Southern Pines	9	Multi-family residential	64 Condominiums proposed	2 nd phase pending
Brook Haven Apartments	16	Multi-family residential with amenities	160 units	Project completed in 2006
SeaGate	77	Residential PDP	Vacant-proposed office with Multi-Family and Single Family	Annexed 1/3/11
Cornerstone Communities	9.7	Commercial; greater than 100,000 sq. feet.	Proposed Commercial PDP	Annexed 3/15/11; CPA 3/15/10

THE CITY AS A WHOLE

The City's combined net assets as of September 30, 2010 were \$40,822,387. The following Table 1 reflects the condensed Statement of Net Assets for the last two years:

Table 1						
City of Brooksville Net Assets						
	Governmental Activities		Business Type Activities		Primary Government	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	7,151,161	6,721,280	7,024,476	6,628,506	14,175,637	13,349,786
Capital Assets, net of deprec.	<u>9,423,660</u>	<u>9,064,948</u>	<u>34,722,318</u>	<u>34,291,165</u>	<u>44,145,978</u>	<u>43,356,113</u>
Unrestricted	<u>16,574,821</u>	<u>15,786,228</u>	<u>41,746,794</u>	<u>40,919,671</u>	<u>58,321,615</u>	<u>56,705,899</u>
Long-Term Liabilities	(780,793)	(935,151)	(13,920,564)	(14,105,454)	(14,701,357)	(15,040,605)
Other Liabilities	<u>(862,088)</u>	<u>(652,223)</u>	<u>(1,935,783)</u>	<u>(1,457,816)</u>	<u>(2,797,871)</u>	<u>(2,110,039)</u>
Total Liabilities	<u>(1,642,881)</u>	<u>(1,587,374)</u>	<u>(15,856,347)</u>	<u>(15,563,270)</u>	<u>(17,499,228)</u>	<u>(17,150,644)</u>
Net Assets:						
Invested in capital assets	8,639,703	8,145,973	21,423,110	20,799,811	30,062,813	28,945,784
Restricted			1,009,172	929,982	1,009,172	929,982
Unrestricted	<u>6,292,237</u>	<u>6,052,881</u>	<u>3,458,165</u>	<u>3,626,608</u>	<u>9,750,402</u>	<u>9,679,489</u>
Total Net Assets	<u>14,931,940</u>	<u>14,198,854</u>	<u>25,890,447</u>	<u>25,356,401</u>	<u>40,822,387</u>	<u>39,555,255</u>

The largest portion of the City's net assets (73.6%) 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 (2.5%) of total net assets, are subject to external restrictions on how they may be used. The remaining 23.9% are unrestricted net assets. The unrestricted net assets total \$9,750,402 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. The City's current assets (primarily cash) have increased from the previous year. In addition, the City's liabilities have decreased from the previous year. Liabilities have decreased primarily because of debt service payments.

Table 2 on Page 3M is the condensed Change in Net Assets for the fiscal year ended September 30, 2010. 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 \$8,212,329 going up 2.5% from last year. The City's total Governmental Activities Revenues increased primarily due to increased Grant activity. Property tax collections went down \$537,190 primarily due to the loss in property values and sluggish collections. Also, all State revenues increased in the 09-10 fiscal year from the previous year.

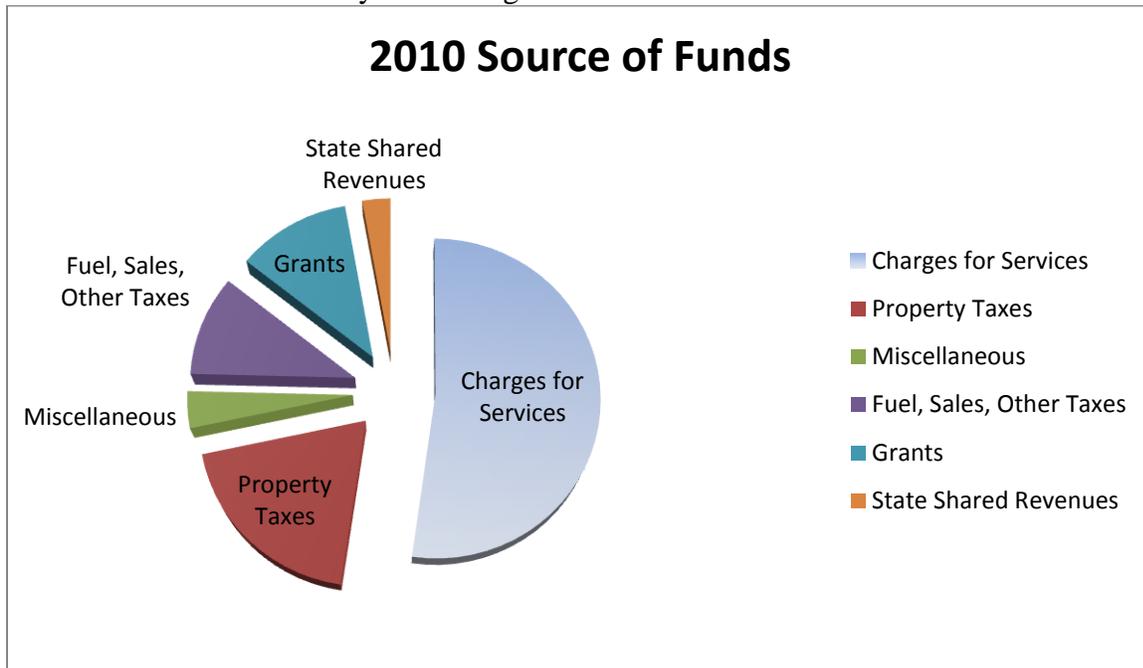
The cost of Business-type activities was \$4,574,698 (decrease of 2.9% over last year). The Business-type accounts Revenues decreased from 2010 to 2009; this was due to the capital grants and contributions. Business-type charges for services declined.

The total Primary Government Expenses were \$12,787,027 which was up only slightly by \$62,378 from 2009. Charges for Services Government wide were up about 6% from the previous fiscal year. Operating and Capital grants totaled \$1,618,326. Taxes brought in to the City totaled \$4,161,585. Approximately 19.4% of the City's total revenues came from property taxes.

Table 2 City of Brooksville, Florida's Change in Net Assets						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Charges for Services	2,694,257	1,989,441	4,656,783	4,941,467	7,351,040	6,930,908
Operating Grants & Contributions	706,358	461,707			706,358	461,707
Capital Grants & Contributions	86,247	154,044	825,721	1,318,514	911,968	1,472,558
Property Taxes	2,720,591	3,257,781			2,720,591	3,257,781
Fuel Taxes	283,452	270,676			283,452	270,676
Sales Taxes	337,566	326,568			337,566	326,568
Other Taxes	819,976	701,897			819,976	701,897
Impact Fees	13,550	16,425			13,550	16,425
State Shared Revenues	400,091	399,882			400,091	399,882
Investment Earning	74,318	64,740	42,224	68,006	116,542	132,746
Miscellaneous	306,722	325,473	58,780	(10,224)	365,502	315,249
Sale of Capital Assets	19,487	(10,526)	8,036	2,823	27,523	-7,703
Interfund Transfers	<u>482,800</u>	<u>481,261</u>	<u>(482,800)</u>	<u>(481,261)</u>		
Total Revenues	<u>8,945,415</u>	<u>8,439,369</u>	<u>5,108,744</u>	<u>5,839,325</u>	<u>14,054,159</u>	<u>14,278,694</u>
Expenses						
General Government	2,213,274	2,159,461			2,213,274	2,159,461
Public Safety	3,853,011	3,523,662			3,853,011	3,523,662
Physical Environment	230,999	354,852			230,999	354,852
Transportation	731,518	729,618			731,518	729,618
Culture & Education	1,145,496	1,200,737			1,145,496	1,200,737
Interest on long-term debt	38,031	43,406			38,031	43,406
Utility Fund			3,576,622	3,751,068	3,576,622	3,751,068
Sanitation Fund			<u>998,076</u>	<u>961,845</u>	<u>998,076</u>	<u>961,845</u>
Total Expenses	<u>8,212,329</u>	<u>8,011,736</u>	<u>4,574,698</u>	<u>4,712,913</u>	<u>12,787,027</u>	<u>12,724,649</u>
Change in Net Assets	733,086	427,633	534,046	1,126,412	1,267,132	1,554,045
Net Assets, Beginning of Year	<u>14,198,854</u>	<u>13,771,221</u>	<u>25,356,401</u>	<u>24,229,989</u>	<u>39,555,255</u>	<u>38,001,210</u>
Net Assets, End of Year	<u>14,931,940</u>	<u>14,198,854</u>	<u>25,890,447</u>	<u>25,356,401</u>	<u>40,822,387</u>	<u>39,555,255</u>

The Pie Chart on the next page shows the 2010 Sources of Funds Government-wide with the data obtained from Table 2 above. Charges for Services provide 52% of our Revenues. Property Taxes provide 20% and Fuel, Sales, and Other Taxes provide 10%. State Shared Revenues and

Miscellaneous provide 6%. Grants this year provided 12% of the City’s revenues. 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. Also, the dependence on property taxes and State revenues create issues if the City’s property values drop and if the State revenue collections drop due to the economic downturn. Also, there are concerns on how long the economic downturn will continue especially in the State of Florida. One bright spot is Charges for Services which increased from 2009. This indicates more dependence on revenue streams that the City can manage versus State revenues that are outside our control.



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, permanent fund, 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.

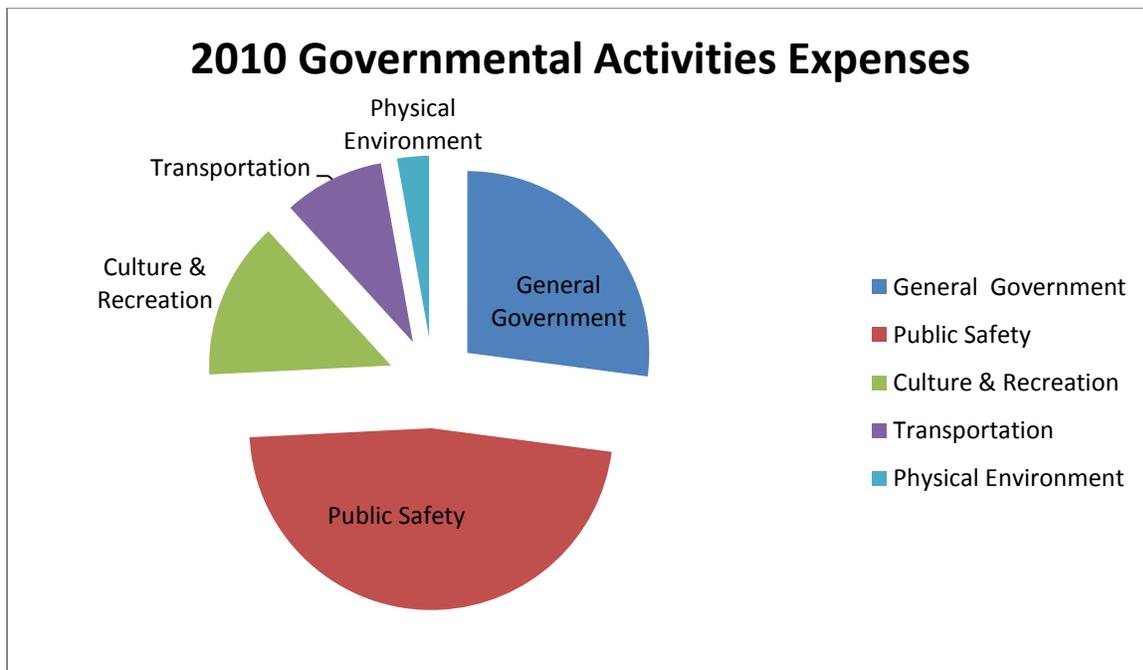
There are two major Funds in the Governmental Fund group. The two are General Fund and Brooksville Community Redevelopment Agency. To determine a Major Fund, GASB 34 requires a two-step process based on 10% and 5% criteria. The General Fund is the chief operating fund of the City. It is used to account 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 \$504,268. The fund balance has declined due to decreased property values and lower

property taxes. Also, property tax collections are down due to the economic situation. In addition, the forgiveness of \$191,927 in debt forgiveness to the Brooksville CRA by the governmental funds lowered the General Fund balance.

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 Brooksville CRA Fund Balance was \$412,394 at 09/30/10.

The non-major Governmental Funds consist of Special Revenue Funds, Capital Projects Funds, and a Permanent Fund. The non-major Government Funds had a year-end Fund Balance of \$4,120,687. Please see page 6 for the Governmental Funds Balance Sheet. Together the City had approximately \$5.04 million in Fund Balance Reserves as opposed to \$4.98 million in the previous year.

The pie chart below indicates the percentage of dollars spent on governmental activities. Public Safety makes up 47% of the City's Governmental Activities. General Government is 27% of the total Governmental Activities. General Government includes City Manager's Office, Finance, Human Resources, Community Development, and Management Information Services. Streets are 9% and Culture and Recreation activities are 14%. The information is obtained from Table 2 on page 3M.



Proprietary Funds

The City's proprietary funds are comprised of enterprise funds and internal service funds. 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 Internal Service Funds, 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 \$262,100. Capital Grants and Contributions were the primary reason for the increase. Current Assets increased by \$380,476 from the previous fiscal year. Total liabilities increased by \$390,510 from the previous fiscal year. Charges for services dropped \$257,661 from the previous year. Operating expenses were down by \$152,164 from the previous year.

The Sanitation Fund sustained change in net assets of \$212,914. In the previous year the change in net assets was \$278,844. The change in net assets indicates a continued positive increase in the Sanitation Fund net assets. In 05-06, the City had (\$77,157) change in net assets. The Fund also purchased a Sanitation Truck out of Sanitation Cash Reserves without taking on additional debt in 09-10.

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

VEHICLE REPLACEMENT RESERVES

Administration & Finance	76,558
Police	121,088
Fire	578,130
Streets	126,994
Parks	46,262
General Fund Total	949,032
Utility Fund	120,775
Sanitation Fund	292,448
Proprietary Funds Total	413,223
Grand Total	1,362,255

Capital Assets

The City's capital assets (net of accumulated depreciation) as of September 30, 2010 reflect an investment of \$44,145,978 on Statement of Net Assets. Please refer to Note H beginning on pages 41 and 42 to review detail of the Capital Asset activity for the fiscal year ended 9/30/10.

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:

- The City booked an addition (2,714 square feet) to the City Fire Station at a value of \$394,000. Hernando County contributed the funds. The Station serves both the City and Hernando County Fire Rescue.
- Improvements and modernization to the City Hall elevator at a cost of \$52,915 were capitalized in 09-10.
- Parks and Facilities purchased a bunker and field rake and two utility work vehicles at a total cost of \$23,262. A Ford F-150 truck was purchased for the Street Department at a cost of \$15,982.
- Police interview room remodeling at the City's Police Station totaling \$7,255 were paid for out of the Law Enforcement Trust Fund. The Fund also paid for a fence for the Police Department parking lot at a cost of \$5,900.
- The U.S. Department of Justice Patrol Vehicle Replacement Grant funded 5 Ford Crown Victoria patrol cars. The grant totaled \$150,956.
- In the Good Neighbor Trail Fund, the City funded professional design services in the amount of \$19,000 for the Good Neighbor Trail Phase 2B. This is in anticipation of future grant funding to expand the trail. In addition 4.14 acres of easement were donated to the City by Majestic Oaks Partners LLC at a value of \$60,236.
- The Florida Department of Transportation Landscape Grant funded \$56,046. This funded the purchase and installation of landscaping materials in the medians in the vicinity of U.S. 41 and U.S. 98 and near the Broad Street (U.S.41) and S.R. 50 intersection.
- The City's Capital Projects Funds provided the funds for a retaining wall project at the City Hall parking lot. This cost was \$52,229. In addition an irrigation well and system at the City's Quarry Golf Course was installed at a cost of \$20,179.
- Contract work on the Sewer Rehabilitation, Phase III project was not completed in 09-10, but much work was accomplished. The total budget is \$2,409,827 and was completed in February 2011. The grant portion is \$1,370,200 and the loan amount is \$1,039,627. The source of the funds for the grant is the Federal American Recovery and Reinvestment Act (ARRA) and the loans are from ARRA and the Florida Department of Environmental Protection, State Revolving Fund.
- The Federal grant portion of the Sewer Rehabilitation Phase III project expended \$801,534 out of expected funding of \$1,370,200. Federal financial assistance through the pass through agency of the Florida Department of Environmental Protection funded \$7,688 out of a \$440,000 total expected grant. The loan portion of the project totaled \$531,717 at 9/30/2010.

- The Sewer Rehabilitation Phase III project at completion accomplished a total of 33.9 miles of sewer lines being cleaned and videotaped. A total of 101 manholes were rehabilitated and numerous other sewer improvements to the City's older system.
- The Water and Sewer Fund expended \$62,100 on the Hope Hill Well replacement project and \$10,503 on an emergency generator. The downtown fire flow project was capitalized at a total cost of \$120,333. The South Brooksville Phase I engineering costs were \$26,287. Lift station telemetry equipment was capitalized valued at \$40,217.
- The Solid Waste Fund purchased a 2010 Peterbilt Garbage Truck at a cost of \$178,857. This was purchased from Solid Waste reserves with no debt attached. . The Solid Waste Fund also purchased a Ford 2011 F-210 truck for their operations in the amount of \$15,982.
- The City purchased through cash reserves of the Vehicle Replacement Fund two 2010 Dodge Charger patrol cars a cost of \$43,146. In addition, the Internal Service Fund donated a metal building to Hernando County Schools at a value of \$37,722.

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 \$82,979 at 9/30/10 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. In order to save interest expense, an early payment of the loan was made in October 2010.

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, 2010 is \$492,978 with an interest rate of 4.23% maturing May 10, 2021. See Note G page 39 for further details.

The City obtained a \$258,800 (at 4.125%) Capital Improvement Revenue Bond in November 2006 with a maturity of 30 years. The loan was financed through USDA and included a grant portion of \$286,000. The loan/grant was to purchase emergency generators and retrofit the City Hall and Police Department windows. Refer to Note G on page 37 and 38. The balance as of 9/30/2010 is \$208,000. In addition to the regular debt service payment, an additional \$15,000 principal payment was made on this Bond in 09-10. Mobile Home licenses are the assigned collateral for this USDA Bond Payable.

The Utility Fund has two Revenue Bonds. Refer to Note D beginning on page 27:

- The 1999 Water and Sewer Revenue Bond have a principal balance due of \$5,740,000 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 as of 9/30/10 is \$4,205,000.

The Hancock Bank City of Brooksville, Florida Subordinated Water & Sewer Revenue Notes in the amount of \$1,558,656 were issued July 23, 2008. The loan has quarterly installments with 3.49% interest rate maturing August 15, 2018. The balance as of 9/30/10 is \$1,291,516. This loan financed certain improvements to the City-owned water and sewer system primarily along the State Road 50 West corridor. The Hancock Note paid out a SunTrust line of credit that was utilized during the construction phase from 2005 thru 2008. See Note D page 30 for information on the Hancock Bank Notes Payable.

The Sanitation Fund had a 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. The City Council on 8/01/10 approved an early payoff of the Sanitation Truck. The payoff was \$94,695 on principal and \$712 interest. Refer to Note G on page 40 for further details. At the close of the 9/30/10 fiscal year, the Sanitation Fund had no external debt.

Performance Measured Against Expectations (Budget)

General Fund Revenues were above the final budget by \$31,398. The major difference was Intergovernmental revenues when comparing budget to actual. The Intergovernmental revenues were higher due to the City budgeting 95% of State estimates.

General Fund Expenditures were under budget by \$296,671 (including Transfers Out).

2010 Millage Rate

The City's elected and appointed officials considered many factors when adopting the 2010/11 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. By majority vote, the tax authority could levy a maximum millage equal to their rolled-back rate adjusted for the change in per capita Florida personal income (.9811% for 2010). The City of Brooksville's maximum rate by majority vote was 9.3474 mills. A two-thirds vote maximum millage allowed by law exceed was 10.2821 mills which exceeds the maximum millage allowed of 10 mills. The City of Brooksville complied with the requirements and did not lose their half-cent sales tax distribution. In 2010, the City raised the millage rate from 6.0690 mills to 6.3700. However, the current year rolled-back rate was 7.0202 which was .6502 lower than the adopted rate. The rolled-back rate is a tax rate the county property appraiser determines is necessary to give a governmental agency the same amount of property tax dollars it received during the previous budget year. The 2010 millage rate of 6.3700 was 2.9744 mills lower than required by the State of Florida with a majority vote. This is a testament to the City's elected officials and management by maintaining the same millage rate with property values that dropped over 12.2% from 2009 to 2010.

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
SEPTEMBER 30, 2010

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
ASSETS			
POOLED CASH AND INVESTMENTS	\$ 6,559,344	\$ 3,828,008	\$ 10,387,352
ACCOUNTS RECEIVABLE	215,914	352,853	568,767
ALLOWANCE FOR UNCOLLECTIBLES	0	(35,153)	(35,153)
INTEREST RECEIVABLE	14,491	5,863	20,354
INTERNAL BALANCES	114,630	(114,630)	0
DUE FROM OTHER GOVERNMENTS	156,086	698,372	854,458
INVENTORIES	4,118	134,459	138,577
PREPAID ITEMS	74,666	53,094	127,760
RESTRICTED ASSETS			
CASH AND INVESTMENTS	11,912	1,954,181	1,966,093
CAPITAL ASSETS			
LAND	1,510,979	1,195,933	2,706,912
CONSTRUCTION IN PROGRESS	2,506,873	5,172,062	7,678,935
PROPERTY, PLANT & EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	5,405,808	28,354,323	33,760,131
BOND ISSUE COSTS, NET	0	147,429	147,429
TOTAL ASSETS	\$ 16,574,821	\$ 41,746,794	\$ 58,321,615
LIABILITIES			
ACCOUNTS PAYABLE	\$ 345,059	\$ 772,871	\$ 1,117,930
ACCRUED INTEREST PAYABLE	0	6,121	6,121
ACCRUED WAGES PAYABLE	85,972	20,477	106,449
ACCRUED PAYROLL LIABILITIES	340	4,423	4,763
DEPOSITS	39,392	0	39,392
UNEARNED REVENUE	46,193	0	46,193
OTHER CURRENT LIABILITIES	191,084	418	191,502
PAYABLE FROM RESTRICTED ASSETS			
METER DEPOSITS	0	371,705	371,705
REVENUE BONDS PAYABLE	0	506,000	506,000
ACCRUED INTEREST PAYABLE	0	106,128	106,128
NON-CURRENT LIABILITIES			
DUE WITHIN ONE YEAR			
ACCRUED COMPENSATED ABSENCES	28,071	5,140	33,211
NOTES PAYABLE	119,977	142,500	262,477
BONDS PAYABLE	6,000	0	6,000
DUE IN MORE THAN ONE YEAR			
ACCRUED COMPENSATED ABSENCES	122,813	19,433	142,246
NOTES PAYABLE	455,980	1,149,016	1,604,996
REVENUE BONDS PAYABLE	202,000	9,377,459	9,579,459
OTHER LONG-TERM LIABILITIES	0	3,374,656	3,374,656
TOTAL LIABILITIES	\$ 1,642,881	\$ 15,856,347	\$ 17,499,228
NET ASSETS			
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT RESTRICTED	8,639,703	21,423,110	30,062,813
RESTRICTED FOR DEBT RETIREMENT	0	0	0
RESTRICTED FOR RENEWAL & REPLACEMENT	0	1,009,172	1,009,172
UNRESTRICTED	6,292,237	3,458,165	9,750,402
TOTAL NET ASSETS	\$ 14,931,940	\$ 25,890,447	\$ 40,822,387

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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	\$ 2,213,274	\$ 2,402,696	\$ 394,127	\$ 56,046	\$ 639,595	\$ 0	\$ 639,595
PUBLIC SAFETY	3,853,011	4,930	312,231	0	(3,535,850)	0	(3,535,850)
PHYSICAL ENVIRONMENT	230,999	875	0	0	(230,124)	0	(230,124)
TRANSPORTATION	731,518	150,302	0	26,701	(554,515)	0	(554,515)
CULTURE & RECREATION	1,145,496	135,454	0	3,500	(1,006,542)	0	(1,006,542)
INTEREST ON LONG-TERM DEBT	38,031	0	0	0	(38,031)	0	(38,031)
TOTAL GOVERNMENTAL ACTIVITIES	8,212,329	2,694,257	706,358	86,247	(4,725,467)	0	(4,725,467)
BUSINESS-TYPE ACTIVITIES							
UTILITY	3,576,622	3,333,104	0	825,721	0	582,203	582,203
SANITATION	998,076	1,323,679	0	0	0	325,603	325,603
TOTAL BUSINESS-TYPE ACTIVITIES	4,574,698	4,656,783	0	825,721	0	907,806	907,806
TOTALS	\$ 12,787,027	\$ 7,351,040	\$ 706,358	\$ 911,968	(4,725,467)	907,806	(3,817,661)
GENERAL REVENUES							
PROPERTY TAXES					2,720,591	0	2,720,591
FUEL TAXES					283,452	0	283,452
SALES TAXES					337,566	0	337,566
OTHER TAXES					819,976	0	819,976
IMPACT FEES					13,550	0	13,550
STATE SHARED REVENUE					400,091	0	400,091
INVESTMENT EARNINGS					74,318	42,224	116,542
MISCELLANEOUS					344,443	58,780	403,223
GAIN ON SALE OF CAPITAL ASSETS					19,487	8,036	27,523
CONTRIBUTION OF CONSTRUCTION IN PROGRESS					(37,721)	0	(37,721)
TRANSFERS					482,800	(482,800)	0
TOTAL GENERAL REVENUES, CONTRIBUTION OF CIP AND TRANSFERS					5,458,553	(373,760)	5,084,793
CHANGE IN NET ASSETS					733,086	534,046	1,267,132
NET ASSETS, BEGINNING OF YEAR					14,198,854	25,356,401	39,555,255
NET ASSETS, END OF YEAR					\$ 14,931,940	\$ 25,890,447	\$ 40,822,387

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	<u>MAJOR FUNDS</u>			
	<u>GENERAL FUND</u>	<u>CITY OF BROOKSVILLE COMMUNITY REDEVELOPMENT AGENCY</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
POOLED CASH AND INVESTMENTS	\$ 451,336	\$ 412,387	\$ 4,295,590	\$ 5,159,313
RESTRICTED POOLED CASH AND INVESTMENTS	0	0	11,912	11,912
ACCOUNTS RECEIVABLE	215,914	0	0	215,914
INTEREST RECEIVABLE	3,993	7	7,406	11,406
DUE FROM OTHER FUNDS	27,019	0	21,369	48,388
ADVANCE TO OTHER FUNDS	114,054	0	0	114,054
DUE FROM OTHER GOVERNMENTS	103,673	0	52,413	156,086
INVENTORIES	450	0	0	450
PREPAID ITEMS	72,914	0	0	72,914
TOTAL ASSETS	<u>\$ 989,353</u>	<u>\$ 412,394</u>	<u>\$ 4,388,690</u>	<u>\$ 5,790,437</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
ACCOUNTS PAYABLE	\$ 322,036	\$ 0	\$ 21,740	\$ 343,776
DUE TO OTHER FUNDS	21,369	0	27,019	48,388
ACCRUED WAGES PAYABLE	84,255	0	0	84,255
DEPOSITS	39,392	0	0	39,392
UNEARNED REVENUE	0	0	46,193	46,193
OTHER CURRENT LIABILITIES	18,033	0	173,051	191,084
TOTAL LIABILITIES	<u>485,085</u>	<u>0</u>	<u>268,003</u>	<u>753,088</u>
FUND BALANCE				
RESERVED FOR ENCUMBRANCES	52,694	0	0	52,694
RESERVED FOR PREPAID ITEMS	72,914	0	0	72,914
RESERVED FOR ADVANCES	114,054	0	0	114,054
RESERVED FOR DEBT RETIREMENT	0	0	11,912	11,912
UNRESERVED: UNDESIGNATED				
GENERAL FUND	264,606	0	0	264,606
SPECIAL REVENUE FUNDS	0	412,394	3,182,665	3,595,059
CAPITAL PROJECT FUNDS	0	0	596,432	596,432
PERMANENT FUNDS	0	0	329,678	329,678
TOTAL FUND BALANCE	<u>504,268</u>	<u>412,394</u>	<u>4,120,687</u>	<u>5,037,349</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 989,353</u>	<u>\$ 412,394</u>	<u>\$ 4,388,690</u>	<u>\$ 5,790,437</u>

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2010

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 5,037,349

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	\$ 13,433,781	
LESS: ACCUMULATED DEPRECIATION	<u>(4,424,601)</u>	9,009,180

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

ACCRUED COMPENSATED ABSENCES	(149,217)	
NOTES PAYABLE	(575,957)	
BOND PAYABLE	<u>(208,000)</u>	(933,174)

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

ASSETS AND LIABILITIES OF THE INTERNAL SERVICE FUNDS THAT ARE REPORTED IN THE GOVERNMENTAL ACTIVITIES PORTION OF THE STATEMENT OF NET ASSETS.		1,818,009
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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.

576

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 14,931,940

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, 2010

	MAJOR FUNDS			
	GENERAL FUND	CITY OF BROOKSVILLE COMMUNITY REDEVELOPMENT AGENCY	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
TAXES	\$ 3,436,106	\$ 104,461	\$ 283,452	\$ 3,824,019
LICENSES & PERMITS	1,346,448	0	1,960	1,348,408
INTERGOVERNMENTAL REVENUE	1,203,400	0	276,813	1,480,213
CHARGES FOR SERVICES	143,664	0	0	143,664
FINES & FORFEITS	59,405	0	937,250	996,655
MISCELLANEOUS REVENUES	293,391	1,431	228,037	522,859
TOTAL REVENUES	6,482,414	105,892	1,727,512	8,315,818
EXPENDITURES				
CURRENT				
CULTURE & RECREATION	1,009,710	0	3,600	1,013,310
GENERAL GOVERNMENT	2,091,837	0	0	2,091,837
PUBLIC SAFETY	3,325,622	0	341,190	3,666,812
PHYSICAL ENVIRONMENT	101,814	33,363	0	135,177
TRANSPORTATION	693,826	0	12,611	706,437
CAPITAL OUTLAY	529,485	0	428,972	958,457
DEBT SERVICE				
PRINCIPAL	115,017	0	20,000	135,017
INTEREST	28,598	0	9,433	38,031
TOTAL EXPENDITURES	7,895,909	33,363	815,806	8,745,078
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,413,495)	72,529	911,706	(429,260)
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	865,563	0	465,411	1,330,974
TRANSFERS OUT	(141,660)	0	(706,514)	(848,174)
TOTAL OTHER FINANCING SOURCES (USES)	723,903	0	(241,103)	482,800
NET CHANGE IN FUND BALANCES	(689,592)	72,529	670,603	53,540
FUND BALANCES, BEGINNING OF YEAR	1,193,860	339,865	3,450,084	4,983,809
FUND BALANCES, END OF YEAR	\$ 504,268	\$ 412,394	\$ 4,120,687	\$ 5,037,349

SEE ACCOMPANYING NOTES

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, 2010

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$	53,540
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	\$	826,926	
LESS: CURRENT YEAR DEPRECIATION		<u>(382,667)</u>	444,259
REALIZED GAIN ON DISPOSITION OF CAPITAL ASSETS			19,487
REPAYMENT OF PRINCIPAL IS AN EXPENDITURE IN THE GOVERNMENTAL FUNDS, HOWEVER THE REPAYMENT REDUCES LONG-TERM LIABILITIES IN THE STATEMENT OF NET ASSETS.			135,017
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 COMPENSATED ABSENCES			13,196
REVENUES IN THE STATEMENT OF ACTIVITIES THAT DO NOT PROVIDE CURRENT FINANCIAL RESOURCES ARE NOT REPORTED AS REVENUES IN THE FUNDS.			26,701
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.			40,886
TRANSFERS BETWEEN GOVERNMENTAL FUNDS INCLUDING INTERNAL SERVICE FUNDS MUST BE ELIMINATED FOR PRESENTATION IN THE STATEMENT OF ACTIVITIES.			<u>0</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$		<u>733,086</u>

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, 2010

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
REVENUES				
TAXES	\$ 3,434,542	\$ 3,434,542	\$ 3,436,106	\$ 1,564
LICENSES & PERMITS	1,414,854	1,414,854	1,346,448	(68,406)
INTERGOVERNMENTAL REVENUE	737,345	1,131,345	1,203,400	72,055
CHARGES FOR SERVICES	187,475	187,475	143,664	(43,811)
FINES & FORFEITS	35,250	35,250	59,405	24,155
MISCELLANEOUS REVENUES	<u>220,450</u>	<u>247,550</u>	<u>293,391</u>	<u>45,841</u>
TOTAL REVENUES	<u>6,029,916</u>	<u>6,451,016</u>	<u>6,482,414</u>	<u>31,398</u>
EXPENDITURES				
CURRENT				
CULTURE & RECREATION	1,063,707	1,063,707	1,009,710	53,997
GENERAL GOVERNMENT	2,058,008	2,254,808	2,091,837	162,971
PUBLIC SAFETY	3,185,969	3,185,969	3,325,622	(139,653)
PHYSICAL ENVIRONMENT	98,493	98,493	101,814	(3,321)
TRANSPORTATION	662,040	662,040	693,826	(31,786)
CAPITAL OUTLAY	109,873	519,855	529,485	(9,630)
DEBT SERVICE				
PRINCIPAL	115,322	115,322	115,017	305
INTEREST	<u>28,197</u>	<u>28,197</u>	<u>28,598</u>	<u>(401)</u>
TOTAL EXPENDITURES	<u>7,321,609</u>	<u>7,928,391</u>	<u>7,895,909</u>	<u>32,482</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,291,693)</u>	<u>(1,477,375)</u>	<u>(1,413,495)</u>	<u>63,880</u>
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	841,324	841,324	865,563	24,239
TRANSFERS OUT	<u>(389,867)</u>	<u>(405,849)</u>	<u>(141,660)</u>	<u>264,189</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>451,457</u>	<u>435,475</u>	<u>723,903</u>	<u>288,428</u>
NET CHANGE IN FUND BALANCE	(840,236)	(1,041,900)	(689,592)	352,308
FUND BALANCES, BEGINNING OF YEAR	<u>840,236</u>	<u>1,041,900</u>	<u>1,193,860</u>	<u>151,960</u>
FUND BALANCES, END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 504,268</u>	<u>\$ 504,268</u>

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 CITY OF BROOKSVILLE COMMUNITY REDEVELOPMENT AGENCY (CRA) FUND
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>POSITIVE (NEGATIVE)</u>
REVENUES				
TAXES	\$ 108,740	\$ 108,740	\$ 104,461	\$ (4,279)
INTERGOVERNMENTAL REVENUE	0	0	0	0
MISCELLANEOUS REVENUES	1,920	1,920	1,431	(489)
TOTAL REVENUES	<u>110,660</u>	<u>110,660</u>	<u>105,892</u>	<u>(4,768)</u>
EXPENDITURES				
CURRENT				
PHYSICAL ENVIRONMENT	129,450	129,450	33,363	96,087
CAPITAL OUTLAY	100,000	100,000	0	100,000
TOTAL EXPENDITURES	<u>229,450</u>	<u>229,450</u>	<u>33,363</u>	<u>196,087</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(118,790)</u>	<u>(118,790)</u>	<u>72,529</u>	<u>191,319</u>
NET CHANGE IN FUND BALANCES	(118,790)	(118,790)	72,529	191,319
FUND BALANCES, BEGINNING OF YEAR	<u>118,790</u>	<u>118,790</u>	<u>339,865</u>	<u>221,075</u>
FUND BALANCES, END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 412,394</u>	<u>\$ 412,394</u>

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	<u>BUSINESS-TYPE ACTIVITIES</u>			<u>GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND</u>
	<u>UTILITY FUND</u>	<u>SANITATION FUND</u>	<u>TOTAL</u>	
ASSETS				
CURRENT ASSETS				
POOLED CASH AND INVESTMENTS	\$ 3,021,786	\$ 806,222	\$ 3,828,008	\$ 1,400,031
ACCOUNTS RECEIVABLE	352,853	0	352,853	0
ALLOWANCE FOR UNCOLLECTIBLES	(35,153)	0	(35,153)	0
INTEREST RECEIVABLE	4,628	1,235	5,863	3,085
DUE FROM OTHER GOVERNMENTS	697,554	818	698,372	0
INVENTORIES	134,459	0	134,459	3,668
PREPAID ITEMS	44,430	8,664	53,094	1,752
TOTAL CURRENT ASSETS	<u>4,220,557</u>	<u>816,939</u>	<u>5,037,496</u>	<u>1,408,536</u>
NON-CURRENT ASSETS				
RESTRICTED ASSETS				
CASH AND INVESTMENTS	1,954,181	0	1,954,181	0
CAPITAL ASSETS, NET				
LAND	1,148,913	47,020	1,195,933	0
PROPERTY PLANT & EQUIPMENT	27,734,672	619,651	28,354,323	414,480
CONSTRUCTION IN PROGRESS	5,172,062	0	5,172,062	0
BOND ISSUE COSTS, NET	147,429	0	147,429	0
TOTAL NON-CURRENT ASSETS	<u>36,157,257</u>	<u>666,671</u>	<u>36,823,928</u>	<u>414,480</u>
TOTAL ASSETS	<u>\$ 40,377,814</u>	<u>\$ 1,483,610</u>	<u>\$ 41,861,424</u>	<u>\$ 1,823,016</u>

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
	UTILITY FUND	SANITATION FUND	TOTAL	ACTIVITIES - INTERNAL SERVICE FUND
LIABILITIES				
CURRENT LIABILITIES				
ACCOUNTS PAYABLE	\$ 710,664	\$ 62,207	\$ 772,871	\$ 1,283
ACCRUED INTEREST PAYABLE	6,121	0	6,121	0
ACCRUED WAGES PAYABLE	15,907	4,570	20,477	1,717
ACCRUED PAYROLL LIABILITIES	3,511	912	4,423	340
NOTES PAYABLE - CURRENT	142,500	0	142,500	0
OTHER CURRENT LIABILITIES	418	0	418	0
TOTAL CURRENT LIABILITIES	<u>879,121</u>	<u>67,689</u>	<u>946,810</u>	<u>3,340</u>
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)				
METER DEPOSITS	371,705	0	371,705	0
REVENUE BONDS PAYABLE	506,000	0	506,000	0
ACCRUED INTEREST PAYABLE	106,128	0	106,128	0
TOTAL CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)	<u>983,833</u>	<u>0</u>	<u>983,833</u>	<u>0</u>
NON-CURRENT LIABILITIES				
ACCRUED COMPENSATED ABSENCES	18,066	6,507	24,573	1,667
ADVANCE FROM OTHER FUNDS	114,054	0	114,054	0
NOTES PAYABLE	1,149,016	0	1,149,016	0
REVENUE BONDS PAYABLE	9,377,459	0	9,377,459	0
OTHER LONG-TERM LIABILITIES	3,374,656	0	3,374,656	0
TOTAL NON-CURRENT LIABILITIES	<u>14,033,251</u>	<u>6,507</u>	<u>14,039,758</u>	<u>1,667</u>
TOTAL LIABILITIES	<u>\$ 15,896,205</u>	<u>\$ 74,196</u>	<u>\$ 15,970,401</u>	<u>\$ 5,007</u>
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	20,756,439	666,671	21,423,110	414,480
RESTRICTED:				
RESERVED FOR DEBT RETIREMENT	0	0	0	0
RESERVED FOR RENEWAL & REPLACEMENT	1,009,172	0	1,009,172	0
UNRESTRICTED	<u>2,715,998</u>	<u>742,743</u>	<u>3,458,741</u>	<u>1,403,529</u>
TOTAL NET ASSETS	<u>\$ 24,481,609</u>	<u>\$ 1,409,414</u>	<u>25,891,023</u>	<u>\$ 1,818,009</u>
ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS			<u>(576)</u>	
NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u>\$ 25,890,447</u>	

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUSINESS-TYPE ACTIVITIES		TOTAL	GOVERNMENTAL
	UTILITY FUND	SANITATION FUND		ACTIVITIES - INTERNAL SERVICE FUND
OPERATING REVENUE				
CHARGES FOR SERVICES	\$ 3,316,932	\$ 1,280,819	\$ 4,597,751	\$ 368,049
MISCELLANEOUS REVENUES	47,625	11,155	58,780	17,513
TOTAL OPERATING REVENUES	<u>3,364,557</u>	<u>1,291,974</u>	<u>4,656,531</u>	<u>385,562</u>
OPERATING EXPENSES				
PERSONAL SERVICES	1,008,435	322,722	1,331,157	92,868
OTHER SERVICES & CHARGES	874,298	594,841	1,469,139	29,965
DEPRECIATION	1,240,034	76,818	1,316,852	100,662
TOTAL OPERATING EXPENSES	<u>3,122,767</u>	<u>994,381</u>	<u>4,117,148</u>	<u>223,495</u>
OPERATING INCOME	<u>241,790</u>	<u>297,593</u>	<u>539,383</u>	<u>162,067</u>
NONOPERATING REVENUES (EXPENSES)				
CONTRIBUTION EXPENSE	0	0	0	(37,721)
INTEREST EARNINGS	40,152	2,072	42,224	11,858
INTEREST EXPENSE	(453,855)	(3,695)	(457,550)	0
GAIN ON SALE OF FIXED ASSETS	2,092	5,944	8,036	0
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(411,611)</u>	<u>4,321</u>	<u>(407,290)</u>	<u>(25,863)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(169,821)</u>	<u>301,914</u>	<u>132,093</u>	<u>136,204</u>
CONTRIBUTIONS AND TRANSFERS				
CAPITAL GRANTS AND CONTRIBUTIONS	825,721	0	825,721	0
TRANSFERS IN	0	0	0	0
TRANSFERS OUT	(393,800)	(89,000)	(482,800)	0
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>431,921</u>	<u>(89,000)</u>	<u>342,921</u>	<u>0</u>
CHANGE IN NET ASSETS	262,100	212,914	475,014	136,204
NET ASSETS, BEGINNING OF YEAR	<u>24,219,509</u>	<u>1,196,500</u>		<u>1,681,805</u>
NET ASSETS, END OF YEAR	<u>\$ 24,481,609</u>	<u>\$ 1,409,414</u>		<u>\$ 1,818,009</u>
ADJUSTMENT TO REFLECT CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUNDS.			<u>59,032</u>	
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES			<u>\$ 534,046</u>	

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
	UTILITY	SANITATION	TOTAL	ACTIVITIES -
	FUND	FUND		INTERNAL
			SERVICE FUND	
CASH FLOWS FROM OPERATING ACTIVITIES				
RECEIPTS FROM CUSTOMERS	\$ 3,802,092	\$ 1,280,819	\$ 5,082,911	\$ 368,049
PAYMENTS TO SUPPLIERS	(560,770)	(698,940)	(1,259,710)	(64,468)
PAYMENTS TO EMPLOYEES	(703,485)	(211,853)	(915,338)	(64,894)
OTHER RECEIPTS (PAYMENTS)	47,625	11,181	58,806	17,513
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,585,462</u>	<u>381,207</u>	<u>2,966,669</u>	<u>256,200</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
TRANSFERS FROM OTHER FUNDS	0	0	0	0
TRANSFERS TO OTHER FUNDS	(393,800)	(89,000)	(482,800)	0
NET CASH PROVIDED (USED BY) NONCAPITAL FINANCING ACTIVITIES	<u>(393,800)</u>	<u>(89,000)</u>	<u>(482,800)</u>	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
PURCHASES OF PROPERTY, PLANT & EQUIPMENT	(1,535,543)	(194,840)	(1,730,383)	(43,146)
PROCEEDS FROM SALE OF FIXED ASSETS	2,092	5,944	8,036	0
CAPITAL GRANT RECEIPTS	264,382	0	264,382	0
PROCEEDS OF LONG-TERM DEBT	0	0	0	0
PRINCIPAL PAYMENTS ON LONG-TERM DEBT	(625,633)	(109,813)	(735,446)	0
INTEREST PAYMENTS ON LONG-TERM DEBT	(446,361)	(3,841)	(450,202)	0
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,341,063)</u>	<u>(302,550)</u>	<u>(2,643,613)</u>	<u>(43,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
RECEIPT OF INTEREST AND DIVIDENDS	36,387	837	37,224	9,420
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>36,387</u>	<u>837</u>	<u>37,224</u>	<u>9,420</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(113,014)	(9,506)	(122,520)	222,474
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>5,088,981</u>	<u>815,728</u>	<u>5,904,709</u>	<u>1,177,557</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,975,967</u>	<u>\$ 806,222</u>	<u>\$ 5,782,189</u>	<u>\$ 1,400,031</u>
CLASSIFIED AS:				
UNRESTRICTED	\$ 3,021,786	\$ 806,222	\$ 3,828,008	\$ 1,400,031
RESTRICTED	1,954,181	0	1,954,181	0
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 4,975,967</u>	<u>\$ 806,222</u>	<u>\$ 5,782,189</u>	<u>\$ 1,400,031</u>

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	BUSINESS-TYPE ACTIVITIES			GOVERNMENTAL
	UTILITY FUND	SANITATION FUND	TOTAL	ACTIVITIES - INTERNAL SERVICE FUND
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING INCOME (LOSS)	\$ 241,790	\$ 297,593	\$ 539,383	\$ 162,067
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
DEPRECIATION EXPENSE	1,240,034	76,818	1,316,852	100,662
(INCREASE) DECREASE IN				
ACCOUNTS RECEIVABLE	74,103	0	74,103	0
DUE FROM OTHER GOVERNMENTS	0	26	26	0
INVENTORIES	15,834	0	15,834	(1,519)
PREPAID ITEMS	(7,013)	247	(6,766)	0
INCREASE (DECREASE) IN				
ACCOUNTS PAYABLE	628,545	5,019	633,564	(5,392)
ADVANCE FROM OTHER FUNDS	(6,003)	0	(6,003)	0
ACCRUED WAGES PAYABLE	3,234	1,135	4,369	491
ACCRUED PAYROLL LIABILITIES	903	215	1,118	97
OTHER CURRENT LIABILITIES	(20,301)	0	(20,301)	0
METER DEPOSITS	(120,660)	0	(120,660)	0
ACCRUED COMPENSATED ABSENCES	3,279	154	3,433	(206)
OTHER LONG-TERM LIABILITIES	531,717	0	531,717	0
TOTAL ADJUSTMENTS	2,343,672	83,614	2,427,286	94,133
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,585,462	\$ 381,207	\$ 2,966,669	\$ 256,200

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
 STATEMENT OF FIDUCIARY NET ASSETS
 SEPTEMBER 30, 2010

	PRIVATE PURPOSE TRUST FUNDS	PENSION TRUST FUNDS	AGENCY FUNDS
ASSETS			
POOLED CASH	\$ 18,525	\$ 178,493	\$ 37,105
INVESTMENT IN DEBT SECURITIES	9,352	2,976,625	0
INVESTMENT IN MARKETABLE EQUITY SECURITIES	0	4,009,795	0
ACCOUNTS RECEIVABLE	<u>0</u>	<u>47,099</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 27,877</u>	<u>\$ 7,212,012</u>	<u>\$ 37,105</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
ACCOUNTS PAYABLE	\$ 0	\$ 0	\$ 864
OTHER CURRENT LIABILITIES	<u>5,000</u>	<u>0</u>	<u>36,241</u>
TOTAL LIABILITIES	<u>5,000</u>	<u>0</u>	<u>\$ 37,105</u>
NET ASSETS			
HELD IN TRUST FOR RETIREMENT AND OTHER PURPOSES	<u>22,877</u>	<u>7,212,012</u>	
TOTAL NET ASSETS	<u>\$ 22,877</u>	<u>\$ 7,212,012</u>	

SEE ACCOMPANYING NOTES

CITY OF BROOKSVILLE, FLORIDA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	PRIVATE PURPOSE <u>TRUST FUNDS</u>	PENSION TRUST <u>FUNDS</u>
ADDITIONS		
CONTRIBUTIONS		
EMPLOYER	\$ 0	\$ 196,222
PLAN MEMBERS	0	35,024
OTHER	<u>0</u>	<u>221,715</u>
TOTAL CONTRIBUTIONS	<u>0</u>	<u>452,961</u>
INVESTMENT EARNINGS		
NET INCREASE (DECREASE) IN FAIR VALUE	65	301,805
GAIN (LOSS) ON SALE OF INVESTMENTS	0	136,147
INTEREST/DIVIDENDS	<u>25</u>	<u>229,285</u>
TOTAL INVESTMENT EARNINGS	<u>90</u>	<u>667,237</u>
CHARGES FOR SERVICES	<u>34,721</u>	<u>0</u>
MISCELLANEOUS REVENUES	<u>0</u>	<u>869</u>
TOTAL ADDITIONS	<u>34,811</u>	<u>1,121,067</u>
DEDUCTIONS		
BENEFIT PAYMENTS	25,417	257,084
ADMINISTRATIVE EXPENSES	<u>0</u>	<u>119,804</u>
TOTAL DEDUCTIONS	<u>25,417</u>	<u>376,888</u>
CHANGE IN NET ASSETS	9,394	744,179
NET ASSETS, BEGINNING OF YEAR	<u>13,483</u>	<u>6,467,833</u>
NET ASSETS, END OF YEAR	<u>\$ 22,877</u>	<u>\$ 7,212,012</u>

SEE ACCOMPANYING NOTES

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

PAGE

NOTE A	REPORTING ENTITY	19
NOTE B	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	20
NOTE C	CASH AND INVESTMENTS	24
NOTE D	UTILITY FUND	27
NOTE E	TRUST FUNDS	30
NOTE F	RETIREMENT SYSTEM	35
NOTE G	LONG-TERM LIABILITIES	36
NOTE H	CAPITAL ASSETS	41
NOTE I	INTERFUND TRANSACTIONS	43
NOTE J	CURRENT YEAR DEFICITS	44
NOTE K	PROPERTY TAXES	44
NOTE L	SEGMENT INFORMATION FOR ENTERPRISE FUNDS	45
NOTE M	RESTRICTED ASSETS	45
NOTE N	FRANCHISE FEES	45
NOTE O	RISK MANAGEMENT	45
NOTE P	WATER & SEWER FUND OPERATIONS	46
NOTE Q	IMPACT FEES	46
NOTE R	INTERNAL SERVICE FUNDS	46
NOTE S	PRIOR YEAR COMPARISON INFORMATION	47
NOTE T	COMMITMENTS AND CONTINGENCIES	48
NOTE U	SUBSEQUENT EVENTS	51

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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 Major 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 assessing 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, 2010**

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 fund. 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, 2010**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements (Continued)

Government Funds (Continued)

- The **City of Brooksville Community Redevelopment Agency**, a major 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, 2010**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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, 2010**

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' connection to alleged illegal activity.

Prepaid Items

Payments made to vendors in the governmental funds for services that will benefit periods beyond September 30th 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, 2010**

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, with the exception of members of the Brooksville Professional Firefighters' Local #4661, 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 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 by City employees, with the exception of the Brooksville Professional Firefighters' Local #4661, has no value.

Based on the Labor Agreement between the City of Brooksville and the Brooksville Professional Firefighters' Local #4461, members of the Local #4461 are allowed a payment of sick leave upon termination unless an employee is terminated for gross misconduct. Members are paid 25% of their sick leave balance with three (3) years but not including seven (7) years of service; members are paid 35% of their sick leave balance with seven (7) years but not including fifteen (15) years of service; and members are paid 50% of their sick leave balance with fifteen (15) or more years of service.

The cost of accumulated vacation and sick leave pay expected to be paid in the future is 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 those with 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, 2010, 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.

**CITY OF BROOKSVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010**

NOTE C – CASH AND INVESTMENTS (CONTINUED)

Restricted Cash

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

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, 2010, pension trust fund investments totaled \$7,164,913.

The following schedule reflects cash, demand deposits and investments on hand at September 30, 2010:

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Unrestricted			
Cash	\$ 4,527	\$ 0	\$ 4,527
Checking Accounts	840,571	55,630	896,201
Certificate of Deposit	3,529,452	0	3,529,452
Local Government Surplus Trust Fund	2,832,212	9,352	2,841,564
Federated	122,385	0	122,385
Savings Account	11,378	0	11,378
	<u>7,340,525</u>	<u>64,982</u>	<u>7,405,507</u>
U.S. Governmental Agencies	<u>3,046,827</u>	<u>0</u>	<u>3,046,827</u>
Total	<u>\$10,387,352</u>	<u>\$64,982</u>	<u>\$10,452,334</u>

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE C – CASH AND INVESTMENTS (CONTINUED)

	Statement of Net Assets	Statement of Fiduciary Net Assets	Total
Restricted			
Checking Accounts	\$ 475,582	\$ 0	\$ 475,582
Local Government Surplus Trust Fund	<u>526,915</u>	<u>0</u>	<u>526,915</u>
	1,002,497	0	1,002,497
U.S. Government Agencies	<u>963,596</u>	<u>0</u>	<u>963,596</u>
Total	<u>\$1,966,093</u>	<u>\$ 0</u>	<u>\$1,966,093</u>

Investments listed above as U.S. Government Agencies consist of variable rate bonds held with the Florida Municipal Investment Trust. As of September 30, 2010, the fair value and maturities of these securities are as follows:

	Fair Value	Maturity 0 - 2 Years	Maturity 1 - 3 Years	Intermediate High Quality Bond Fund
U.S. Government Agencies	<u>\$4,010,422</u>	<u>\$2,747,317</u>	<u>\$868,016</u>	<u>\$395,089</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 33% of the City’s investments are in Florida Municipal Investment Trust. The 0-2 Year High Quality Bond Fund is currently rated AAf/S1 by Standard & Poor’s (S&P), the 1-3 Year High Quality Bond Fund is currently rated AA/V2 by Fitch’s, and the Intermediate High Quality Bond Fund is currently rated AA/V3 by Fitch’s. Approximately 1% of the City’s investments are in Federated Investors, Inc., which are currently rated AAaM by S&P’s, AA by Fitch’s, and Aaa by Moody’s Rating Agency.

Approximately 27% of the City’s Investments are in the Local Government Surplus Trust Fund Investment Pools. The Local Government Surplus Trust Fund Investment Pools (“LGIP”) are currently rated as AAaM by the S&P rating agency and the Local Government Surplus Trust Fund “Fund B” was not rated by a nationally recognized statistical rating agency as of September 30, 2010. Within Fund B, an AAaM rated money market fund is utilized as a cash reservoir to hold principal and interest payments from the Fund B securities and to earn interest on those monies prior to monthly sweeps from participants’ Fund B balances into their LGIP (formerly Fund A) accounts.

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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.

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 1, 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, 2010**

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>	
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>\$5,740,000</u>	<u>\$3,208,081</u>	<u>\$8,948,081</u>

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE D – UTILITY FUND (CONTINUED)

Revenue Bonds Payable (Continued)

	<u>2002 Issue</u>		<u>Amortization of Deferred Loss</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2011	\$ 385,000	\$173,464	\$19,632	\$ 578,096
2012	410,000	157,564	19,632	587,196
2013	425,000	140,439	19,632	585,071
2014	440,000	122,164	1,634	563,798
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>\$4,205,000</u>	<u>\$890,482</u>	<u>\$ 60,530</u>	<u>\$5,156,012</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, 2010, amortization of \$19,632 has been charged to interest expense, leaving an unamortized balance of \$60,530.

The following is a reconciliation of total principal due on the Utility Revenue fund's bonds as of September 30, 2010 per the balance sheet and the preceding amortization schedule.

1999 Bonds – Principal Per Amortization Schedule	\$5,740,000
2002 Bonds – Principal Per Amortization Schedule	4,205,000
Unamortized Discount as of September 30, 2010	(1,011)
Unamortized Deferred Loss on Early Retirement of Debt as of September 30, 2010	<u>(60,530)</u>
Total Principal	9,883,459
Current Portion	<u>(506,000)</u>
Long-Term Portion	<u>\$9,377,459</u>

Bond debt activity for the fiscal year ended September 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds payable	\$10,433,000	\$ 0	\$488,000	\$9,945,000	\$506,000
Less: deferred amounts:					
For issuance discounts (premiums)	(1,135)	0	(124)	(1,011)	0
On refunding – gain (loss)	<u>(80,162)</u>	<u>0</u>	<u>(19,632)</u>	<u>(60,530)</u>	<u>0</u>
Total bonds payable	<u>\$10,351,703</u>	<u>\$ 0</u>	<u>\$468,244</u>	<u>\$9,883,459</u>	<u>\$506,000</u>

**CITY OF BROOKSVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010**

NOTE D – UTILITY FUND (CONTINUED)

Hancock Bank Notes Payable

The notes payable included in Note G - Long-Term Liabilities as of September 30, consist of the following:

	<u>2010</u>
3.49% note payable to Hancock Bank; secured by and payable from the pledged funds; principal and interest payable in quarterly installments beginning November 15, 2008 until August 15, 2018	<u>\$1,291,516</u>

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

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 142,500	\$ 43,223	\$ 185,723
2012	147,539	38,184	185,723
2013	152,756	32,967	185,723
2014	158,157	27,566	185,723
2015	163,750	21,973	185,723
2016 and Thereafter	<u>526,814</u>	<u>30,350</u>	<u>557,164</u>
	<u>\$1,291,516</u>	<u>\$194,263</u>	<u>\$1,485,779</u>

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 754-D, adopted by City Council on August 2, 2010. The plan is a defined benefit plan with actuarial valuations performed annually. The most recent valuation was done as of October 1, 2009.

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

Active employees	23
Service retirees	11
Beneficiaries	0
DROP retirees	0
Terminated Vested	8
Disability retirees	<u>1</u>
Total participants	<u>43</u>

**CITY OF BROOKSVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010**

NOTE E – TRUST FUNDS (CONTINUED)

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

<u>Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
2009	\$279,598	\$187,821	\$103,671*	104.25%
2008	245,722	165,511	98,795*	107.56%
2007	225,402	136,406	95,088*	102.70%
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.

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	3.14% of salary effective 10/1/2009
Contribution rates as of plan year ended September 30, 2010	
City	28.51%
Employee	3.14%
State	12.47%
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*	6.5%
*Includes inflation at	3.0%
Post retirement cost of living adjustment (age 55 to 65)	3.0%
Administrative expenses	\$22,211 annually

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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 2009	September 30 2008	September 30 2007
Annual required contribution:	\$175,927	\$146,927	\$130,314
Interest on net pension obligation (asset)	(6,284)	(4,805)	(4,238)
Adjustment to annual required contribution	<u>4,793</u>	<u>4,907</u>	<u>3,232</u>
Annual pension cost	174,436	147,029	129,308
Contributions made	<u>187,821</u>	<u>165,511</u>	<u>136,406</u>
Change in net pension obligation (asset)	(13,385)	(18,482)	(7,098)
Net pension obligation (asset)			
Beginning of year	<u>(78,549)</u>	<u>(60,067)</u>	<u>(52,969)</u>
Net pension obligation (asset) end of year	<u><u>\$(91,934)</u></u>	<u><u>\$(78,549)</u></u>	<u><u>\$(60,067)</u></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
10/01/09	\$4,421,906	\$5,732,264	\$1,310,358	77.14%	\$831,397	157.61%
10/01/08	4,330,318	5,486,712	1,156,394	78.92%	805,384	143.58%
10/01/07	4,335,385	5,071,858	736,473	85.48%	721,491	102.08%
10/01/06	4,029,916	4,672,236	642,320	86.25%	676,103	95.00%

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 and restated by Ordinance No. 770-A, adopted by City Council on May 3, 2010. The plan is a defined benefit plan.

Membership of the plan consisted of the following at October 1, 2010 the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	0
Terminated Vested	6
Active plan members	<u>21</u>
Total	<u>27</u>

**CITY OF BROOKSVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010**

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
2010	\$340,473	100% (a)
2009	292,030	100% (a)
2008	188,896	100% (a)
2007	180,894	100% (a)
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. As of September 30, 2010, the Accumulated Funding Credit was \$1,156,325.

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

Eligibility: Employees who are classified as full-time Police Officers hired after January 1, 1996, shall participate in the system as a condition of employment

Vesting Schedule: 100% after 6 years of credited service

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

Contribution rates as
 of plan year ended
 September 30, 2010:

City	22.0%*
Plan Members	1.0%
State	12.4%

*The City has access to a contribution surplus account to assist in meeting the plan's minimum funding requirements. As a result, no contribution was made by the City during the year ended September 30, 2010.

Normal Retirement

Date Earlier of age 55 and 6 years of credited service or 20 years of credited service regardless of age

Benefit 4% of average final compensation times credited service

Form of Benefit Ten year certain and life annuity (options available)

Early Retirement

Date Age 50 and 6 years of credited service

Benefit Accrued benefit, reduced by 3% per year

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, 2010**

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*	Graduated
*Includes inflation at	3.75%
Post retirement cost of living adjustment (age 55 to 65)	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>
9/30/10	\$221,129	100%	0
9/30/09	142,846	100%	0
9/30/08	8,596	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.

Health Reimbursement Account (HRA) Fund

Effective October 1, 2008, the City established a HRA Fund in the Trust and Agency Funds in order to pay the annual HRA reimbursement to eligible employees. The annual maximum reimbursement is \$500 for each eligible employee; however, the employee must provide receipts of out of pocket medical expenses in order to receive reimbursement. The City has been providing an HRA benefit for a number of years; however, the HRA benefit was charged to an expense account in each Department. Based on the 2009 - 10 budget, monies are being transferred from each Department to the HRA Fund to reimburse employees directly out of the HRA Fund. In 2009 - 10, the City Funds (General Fund, Water & Sewer, and Solid Waste) transferred \$34,721 to the HRA Fund and the HRA Fund paid out to employees \$25,417. Reserve funds as accumulated will likely be used for health related initiatives for City employees based on direction from the City Manager and the City Council. Future budgets will likely have expenditures budgeted for those initiatives. Carryover reserves in the HRA Fund from the 2009-10 year are \$13,526.

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, 2010, no money was collected for construction and engraving, nor was any money expended.

Cemetery Perpetual Care Fund

This Fund is used for the future maintenance and improvement of the Brooksville Cemetery. Since 2000 the City has budgeted an annual \$10,000 Transfer from our Cemetery Department to the Cemetery Perpetual Care Fund. In 2006 – 07, the general Fund borrowed \$29,460 to construct a Columbarium at the Cemetery. As of September 30, 2010, the balance remaining is \$21,369. The borrowed funds were paid back via Columbarium sales.

**CITY OF BROOKSVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010**

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 of 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; and (2) 5.85% projected salary increases.

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, 2008	130,720,547	124,087,214	(6,633,333)	105.35%	26,891,340	(24.67%)
July 1, 2009	118,764,692	136,375,597	17,610,905	87.09%	26,573,196	66.27%
July 1, 2010	120,929,666	139,652,377	18,722,711	86.59%	25,765,362	72.67%

The City is required to contribute the following percentages of covered employees' gross earnings: 10.77% for regular employees; 23.25% for special risk employees; 18.64% for elected officials; 14.57% senior management service; and 12.25% for participants in the deferred retirement option ("DROP") program. These rates are established on a statewide basis and reflect changes effective July 1, 2010. 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.

2009-10	\$304,552
2008-09	\$306,075
2007-08	\$330,492

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE G –LONG-TERM LIABILITIES

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

Governmental Activities:

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010	Amounts Due Within One Year
Notes Payable	\$ 690,975	\$ 0	\$115,018	\$575,957	\$119,977
Bonds Payable	228,000	0	20,000	208,000	6,000
Accrued Compensated Absences	<u>164,497</u>	<u>14,599</u>	<u>28,212</u>	<u>150,884</u>	<u>28,071</u>
TOTAL	<u>\$1,083,472</u>	<u>\$14,599</u>	<u>\$163,230</u>	<u>\$934,841</u>	<u>\$154,048</u>

Included as part of the above totals for governmental activities are compensated absences for the internal service fund in the amount of \$1,667. For governmental activities, claims and judgments are typically liquidated by the general fund.

Business-Type Activities:

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010	Amounts Due Within One Year
Notes Payable	\$ 1,429,150	\$ 0	\$137,634	\$ 1,291,516	\$142,500
Bonds Payable	10,433,000	0	488,000	9,945,000	506,000
Capital Leases	109,813	0	109,813	0	0
Other Long-Term Liabilities	2,842,939	531,717	0	3,374,656	0
Accrued Compensated Absences	<u>21,140</u>	<u>7,619</u>	<u>4,186</u>	<u>24,573</u>	<u>5,140</u>
TOTAL	<u>\$14,836,042</u>	<u>\$539,336</u>	<u>\$739,633</u>	<u>\$14,635,745</u>	<u>\$653,640</u>

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE G –LONG-TERM LIABILITIES (CONTINUED)

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, 2010 was \$114,054.

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, 2010**

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>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 6,000	\$ 8,580	\$ 14,580
2012	6,000	8,333	14,333
2013	6,000	8,085	14,085
2014	6,000	7,838	13,838
2015	7,000	7,590	14,590
2016	7,000	7,301	14,301
2017	7,000	7,013	14,013
2018	7,000	6,724	13,724
2019	8,000	6,435	14,435
2020	8,000	6,105	14,105
2021	8,000	5,775	13,775
2022	9,000	5,445	14,445
2023	9,000	5,074	14,074
2024	9,000	4,703	13,703
2025	10,000	4,331	14,331
2026	10,000	3,919	13,919
2027	11,000	3,506	14,506
2028	11,000	3,053	14,053
2029	12,000	2,599	14,599
2030	12,000	2,104	14,104
2031	13,000	1,609	14,609
2032	13,000	1,073	14,073
2033	<u>13,000</u>	<u>536</u>	<u>13,536</u>
Totals	<u>\$208,000</u>	<u>\$117,731</u>	<u>\$325,731</u>

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

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>2010</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.	\$82,979
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; used to purchase a 2007 Sutphan Fire Aerial Platform Truck with a book value of \$619,577.	<u>492,978</u>
TOTAL	<u>\$575,957</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>
2011	\$119,977	\$ 23,514	\$143,491
2012	38,616	18,653	57,269
2013	40,276	16,993	57,269
2014	42,006	15,263	57,269
2015	43,812	13,457	57,269
2016 and Thereafter	<u>291,270</u>	<u>38,254</u>	<u>329,524</u>
	<u>\$575,957</u>	<u>\$126,134</u>	<u>\$702,091</u>

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE G –LONG-TERM LIABILITIES (CONTINUED)

LEASE PAYABLE

Business-Type Activities – Sanitation Fund

The following is a summary of Capital Lease Payable at September 30, 2010:

3.98% lease for a Peterbilt sanitation truck with cost basis of \$148,470 and accumulated depreciation of \$45,778;
lease expires September 2014; quarterly payments are \$6,082.

Capital Lease Payable has been paid off as of September 30, 2010.

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE H – CAPITAL ASSETS

Capital Asset activity for the year ended September 30, 2010 is as follows:

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2010</u>
Governmental Activities:				
Non-Depreciable:				
Land	\$1,468,193	\$ 60,236	\$ 17,450	\$ 1,510,979
Construction in Progress	2,480,432	26,441	0	2,506,873
Construction in Progress (I/S Fund)	<u>37,722</u>	<u>0</u>	<u>37,722</u>	<u>0</u>
Total Non-Depreciable	<u>3,986,347</u>	<u>86,677</u>	<u>55,172</u>	<u>4,017,852</u>
Depreciable:				
Buildings	2,660,574	454,170	0	3,114,744
Improvements Other Than Buildings	3,805,521	137,154	0	3,942,675
Machinery & Equipment	2,333,019	180,471	154,980	2,358,510
Machinery & Equipment (I/S Fund)	<u>1,149,241</u>	<u>43,146</u>	<u>16,255</u>	<u>1,176,132</u>
Total Machinery & Equipment	3,482,260	223,617	171,235	3,534,642
Total Depreciable	<u>9,948,355</u>	<u>814,941</u>	<u>171,235</u>	<u>10,592,061</u>
Less Accumulated Depreciation				
Buildings	1,099,504	85,306	0	1,184,810
Improvements Other Than Buildings	1,545,839	164,864	0	1,710,703
Machinery & Equipment	1,547,165	131,529	149,606	1,529,088
Machinery & Equipment (I/S Fund)	<u>677,246</u>	<u>127,102</u>	<u>42,696</u>	<u>761,652</u>
Total Machinery & Equipment	2,224,411	258,631	192,302	2,290,740
Total Accumulated Depreciation	<u>4,869,754</u>	<u>508,801</u>	<u>192,302</u>	<u>5,186,253</u>
Net Book Value	<u>5,078,601</u>	<u>306,140</u>	<u>(21,067)</u>	<u>5,405,808</u>
Governmental Activities Capital Assets, Net	<u>\$9,064,948</u>	<u>\$392,817</u>	<u>\$ 34,105</u>	<u>\$9,423,660</u>

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE H – CAPITAL ASSETS (CONTINUED)

	<u>Balance October 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30, 2010</u>
Business-type Activities (includes Utility & Sanitation)				
Non-Depreciable				
Land	\$ 1,195,933	\$ 0	\$ 0	\$ 1,195,933
Construction in Progress	<u>5,759,574</u>	<u>1,521,824</u>	<u>2,109,336</u>	<u>5,172,062</u>
Total Non-Depreciable	<u>6,955,507</u>	<u>1,521,824</u>	<u>2,109,336</u>	<u>6,367,995</u>
Depreciable				
Buildings	256,002	0	0	256,002
Improvements Other Than Buildings	38,246,446	2,058,616	0	40,305,062
Machinery & Equipment	<u>2,702,254</u>	<u>276,900</u>	<u>127,527</u>	<u>2,851,627</u>
Total Depreciable	<u>41,204,702</u>	<u>2,335,516</u>	<u>127,527</u>	<u>43,412,691</u>
Less Accumulated Depreciation				
Buildings	150,011	5,729	0	155,740
Improvements Other Than Buildings	11,809,052	1,175,228	0	12,984,280
Machinery & Equipment	<u>1,909,981</u>	<u>135,894</u>	<u>127,527</u>	<u>1,918,348</u>
Total Accumulated Depreciation	<u>13,869,044</u>	<u>1,316,851</u>	<u>127,527</u>	<u>15,058,368</u>
Net Book Value	<u>27,335,658</u>	<u>1,018,665</u>	<u>0</u>	<u>28,354,323</u>
Business-Type Activities Capital Assets, Net	<u>\$34,291,165</u>	<u>\$2,540,489</u>	<u>\$2,109,336</u>	<u>\$34,722,318</u>

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

General Government	\$ 52,933
Public Safety	214,678
Physical Environment	63,745
Culture and Recreation	126,211
Transportation	<u>25,762</u>

Total depreciation for governmental activities \$ 483,329

Business-type activities:

Utility Fund	\$1,240,034
Sanitation Fund	<u>76,818</u>
Physical Environment	<u>\$1,316,852</u>

**CITY OF BROOKSVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010**

NOTE I – INTERFUND TRANSACTIONS

Due from Other Funds

The balances due from other funds were as follows at September 30, 2010:

General Fund	\$ 27,019
Nonmajor Governmental Funds	<u>21,369</u>
TOTAL	<u>\$ 48,388</u>

Due to Other Funds

The balances due to other funds were as follows at September 30, 2010:

General Fund	\$ 21,369
Nonmajor Governmental Funds	<u>27,019</u>
Total	<u>\$ 48,388</u>

The balance advanced to other funds was as follows at September 30, 2010:

Advance to Other Funds	
General	<u>\$114,054</u>

The balance advanced from other funds was as follows at September 30, 2010:

Advance from Other Funds	
Utilities	<u>\$114,054</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 advance due between the General and Utility Fund.

Interfund Transfers In/Transfers Out

Individual interfund transfers were as follows for the fiscal year ended September 30, 2010:

	<u>Transfer In</u>	<u>Transfers Out</u>
General Fund	\$ 865,563	\$ 141,660
Utility Fund	0	393,800
Sanitation Fund	0	89,000
Nonmajor Governmental Funds	<u>465,411</u>	<u>706,514</u>
Total Transfers In/Transfers Out	<u>\$1,330,974</u>	<u>\$1,330,974</u>

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, 2010**

NOTE J – CURRENT YEAR DEFICITS

OPERATING DEFICITS

For the year ended September 30, 2010, expenditures and other financing uses exceeded revenues and other financing sources in the following funds:

	<u>Amount of Excess</u>
<u>General Fund</u>	\$689,592
<u>Special Revenue</u>	
Police Special Education Fund	8,863
Fire Impact Fees	3,556
Major Storm Readiness	2,097
Treescaping	13,703
<u>Capital Project Fund</u>	
McKethan Park	19,254
<u>Internal Service Fund</u>	
Fleet Maintenance Fund	48,413

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. It is a Florida Constitutional Benefit that reduces a taxpayer’s Assessed Value up to \$50,000. The \$50,000 is divided into two parts. The original \$25,000 Homestead applies to the first \$25,000 of Assessed Value and is deducted from all applicable Tax Authorities. The additional \$25,000 applies to the Assessed Value between \$50,000 and \$75,000 and is deducted from all applicable Taxing Authorities except the School District. There are also added exemptions if a taxpayer is a widow or disabled.

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.

**CITY OF BROOKSVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010**

NOTE K – PROPERTY TAXES (CONTINUED)

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 G provide details of the bonds and other long-term liabilities of the Enterprise Funds.

NOTE M – RESTRICTED ASSETS

As of September 30, 2010 restricted assets in the enterprise funds were held for the following purposes:

Utility Fund	
Debt Retirement	\$ 573,304
Renewal and Replacement	1,009,172
Customers' Meter Deposits	<u>371,705</u>
Total Utility Fund	<u>\$1,954,181</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, 2010 were as follows:

Electricity: Florida Power	\$739,233
Telephone: Florida Telecommunication Franchise	\$457,234

NOTE O – RISK MANAGEMENT

The City's risk management activities are spread through several funds including the General, Utility, and Sanitation funds. Significant losses are covered by commercial insurance, workers' compensation, unemployment, and disability insurance. Settlement amounts have not exceeded insurance coverage for the current year or prior three years.

**CITY OF BROOKSVILLE, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2010**

NOTE P – WATER AND SEWER FUND OPERATIONS

As of September 30, 2010, the Utility Fund had 7,476 residential and commercial water connections including 706 that were inactive. They also had 5,738 residential and commercial sewer connections including 647 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 were given until June 2, 2008 to obtain a building permit. If a building permit was not pulled by June 2, 2008, the increased impact fees will be charged. Through Interlocal Agreement, the City opted to assess the same impact fees for roads, public buildings, police, fire, parks, and schools as Hernando County. As of September 30, 2010, the City has the following in prepaid impact fees: Road Impact Fees \$4,779; Public Building Impact Fees \$525; Police Impact Fees \$341; Fire Impact Fees \$230; and Parks Impact Fees \$318. The amounts are reflected as unearned revenues in the accompanying financial statements.

NOTE R – INTERNAL SERVICE FUNDS

The three Internal Service Funds are used for two purposes: maintenance and replacement. The Fleet Maintenance Fund provides maintenance and repairs to the City’s vehicles and equipment. The Vehicle Replacement Fund and the Equipment Replacement Fund are used to accumulate funds in advance for the purchase of vehicles and equipment. The Vehicle Replacement Fund sets aside cash to purchase a portion of the City’s future vehicles. These vehicles are also depreciated within this Fund. The Equipment Replacement Fund reserves cash to purchase equipment for the four General Fund departments or divisions which are Cemetery, Parks, Streets, and the Quarry Golf Course. As of September 30, 2010, the reserves for Fleet Maintenance, Vehicle Replacement and Equipment Replacement Funds are \$4,913, \$1,362,255, and \$32,863, respectively. If necessary, the annual payments for services transfers are adjusted to maintain adequate, but not excessive cash reserves in the Fleet Maintenance Fund.

The cash reserves are allocated among the City as follows:

	<u>Fleet Maintenance</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>	<u>Total</u>
General Fund	\$2,217	\$ 949,032	\$32,863	\$ 984,112
Utility Fund	921	120,775	0	121,696
Sanitation Fund	<u>1,775</u>	<u>292,448</u>	<u>0</u>	<u>294,223</u>
Total	<u>\$4,913</u>	<u>\$1,362,255</u>	<u>\$32,863</u>	<u>\$1,400,031</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, 2010**

NOTE R – INTERNAL SERVICE FUNDS (CONTINUED)

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

	<u>Fleet Maintenance</u>	<u>Vehicle Replacement</u>	<u>Equipment Replacement</u>	<u>Total</u>
Administration and Finance	\$ 56	\$ 76,558	\$ 0	\$ 76,614
Police	752	121,088	0	121,840
Fire	192	578,130	0	578,322
Streets	789	126,994	7,629	135,412
Parks	393	46,262	5,282	51,937
Cemetery	35	0	9,976	10,011
Quarry	<u>0</u>	<u>0</u>	<u>9,976</u>	<u>9,976</u>
Total	<u>\$2,217</u>	<u>\$949,032</u>	<u>\$32,863</u>	<u>\$984,112</u>

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>2010</u>	<u>2009</u>
<u>General Fund</u>		
Total Assets	\$989,353	\$1,505,605
Total Liabilities	485,085	311,745
Total Fund Balance	504,268	1,193,860
Total Revenues	6,482,414	6,490,483
Total Expenditures	7,895,909	7,414,671
Excess (Deficiency) of Revenues over Expenditures	(1,413,495)	(924,188)
Total Other Financing Sources/(Uses)	723,903	539,216
Net Change in Fund Balance	(689,592)	(384,972)

Proprietary Funds

Enterprise Funds

Includes Utility and Sanitation Funds

	<u>2010</u>	<u>2009</u>
Total Current Assets	\$5,037,496	\$ 4,665,564
Total Non-Current Assets	36,823,928	36,433,772
Total Assets	41,861,424	41,099,336
Total Current Liabilities	946,810	359,880
Total Current Liabilities (Payable from Restricted Assets)	983,833	1,093,750
Total Non-Current Liabilities	14,039,758	14,229,697
Total Liabilities	15,970,401	15,683,327
Total Net Assets	25,891,023	25,416,009
Total Operating Revenues	4,656,531	4,889,141
Total Operating Expenses	4,117,148	4,231,771
Operating Income	539,383	657,370
Total Nonoperating Revenues (Expenses)	(407,290)	(410,313)
Income before Contributions and Transfers	132,093	247,057
Total Contributions and Transfers	342,921	837,253
Change in Net Assets	475,014	1,084,310

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE S – PRIOR YEAR COMPARISON INFORMATION (CONTINUED)

Internal Service Funds

	2010	2009
Total Current Assets	\$1,408,536	\$1,182,105
Total Non-Current Assets	414,480	509,717
Total Assets	1,823,016	1,691,822
Total Current Liabilities	3,340	8,144
Total Non-Current Liabilities	1,667	1,873
Total Liabilities	5,007	10,017
Total Net Assets	1,818,009	1,681,805
Total Operating Revenues	385,562	346,800
Total Operating Expenses	223,495	222,391
Operating Income	162,067	124,409
Total Nonoperating Revenues (Expenses)	(25,863)	10,955
Income before Contributions and Transfers	136,204	135,364
Total Contributions and Transfers	0	0
Change in Net Assets	136,204	135,364

NOTE T – COMMITMENTS AND CONTINGENCIES

Crescent Resources, LLC Bankruptcy and Affiliates (Hampton Ridge Developers, LLC and Landmar Group, LLC) and GreenPointe Communities, LLC Assumption of Certain Portions of the Southern Hills Project Agreements

On June 10, 2009, Crescent Resources, LLC and certain affiliates (Hampton Ridge Developers, LLC and Landmar Group, LLC) filed a petition for protection under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Western District of Texas. The developer of the Southern Hills Plantation subdivision is Hampton Ridge Developers. The City has various agreements with Hampton Ridge Developers including a Development Agreement, Water Reuse Facility Agreement, Utility Infrastructure Agreement and other related agreements, which provide for the construction of the development, construction of Governor Boulevard to connect SR 50 with Southern Hills Boulevard, and expansion and retrofit of the Wastewater Treatment Plant to provide reuse service and capacity.

On February 1, 2010, the City Council authorized the Florida law firm of Volpe Bajala Wickes Rogerson and Wachs and the Texas law firm of Graves Dougherty Hearon and Moody to represent its interests in the Crescent Resources bankruptcy matters involving Hampton Ridge Developers and its affiliates.

In the bankruptcy proceedings, Crescent Resources, et al, Southern Hills Plantation Debtors filed a plan of reorganization that included seeking permission from the Bankruptcy Court to assume portions of the Development Agreement and to assign the same to a potential buyer, GreenPointe Communities, LLC. The City initially objected to the proposed assignment, but the parties subsequently entered into a joint stipulation agreement to resolve the objection. On September 8, 2010, the City Council approved an Amended and Restated Development Agreement for Southern Hills Plantation with GreenPointe Communities, LLC. The Agreement assumed certain obligations of Hampton Ridge Developers, LLC and rejected other obligations of Hampton Ridge Developers, LLC, leaving the City with certain rejection damages which are being claimed through the bankruptcy court in the amount of \$24,057,784. This claim includes bonded obligations in which bond proceeds are being sought in the *City of Brooksville v. Traveler's Casualty and Surety Insurance Company and Chubb Group Insurance Companies* matter noted herein.

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE T – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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, also known as the Water Reclamation Facility (WRF) 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's Cobb Road Plant from 1.5 to 3.0 mgd. The Development Agreement amendments revised the original plan to build a 0.5 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 \$2,575,000 to the Developer by April 2012 when the Plant upgrade is expected to be completed. The Developer and the City have made direct purchases of equipment for the Wastewater Treatment Plant that will be stored until actual construction begins. At this time, the agreement has not been modified, but modifications may be necessary due to the Bankruptcy of the Developer.

Agreement between the Southwest Florida Water Management District and the City of Brooksville for Reuse

On November 19, 2007, the Council authorized staff to request a three year extension of the construction completion date in our Reuse Cooperative Funding Agreement with the Southwest Florida Water Management District and the City of Brooksville for the Construction of the US 41 South Service Area Reuse System. The 4th Amendment to the Reuse Cooperative Agreement changed the completion date for construction to April 30, 2012 and was approved by City Council on April 21, 2008. The 4th Amendment allowed for the completion of the expansion of the Cobb Road wastewater treatment plant for reuse to April 30, 2012. The City's ability to meet its obligations under this agreement are impeded by the bankruptcy of Hampton Ridge Developers, LLC and the surety bond litigation. The amount of potential loss to the City is \$2,730,225 which is included in the \$24,057,784 claim for rejection damages listed in paragraph one above.

City of Brooksville v. Traveler's Casualty and Surety Insurance Company and Chubb Group Insurance Companies (Federal Insurance Company)

The City has filed suit against Traveler's Casualty and Surety Insurance Company and Chubb Group Insurance Companies (Federal Insurance Company) to collect on surety bonds which secure the various public works improvements Hampton Ridge Developers, LLC and LandMar Group, LLC were obligated to complete in connection with the Southern Hills Plantation planned multi-use development project including, but not limited to, certain road, water and sewer improvements, acquisition of right-of-way and construction of Governors Boulevard, and expansion and retrofit of the wastewater treatment plant for reuse service and capacity. The complaint was filed in the Circuit Court of the Fifth Judicial Court in and for Hernando County, Florida, but was subsequently removed to U.S. District Court for the Middle District of Florida and is styled, *City of Brooksville v. Traveler's Casualty and Surety Insurance Company and Chubb Group Insurance Companies (Federal Insurance Company)*, Case No. 8:10-cv-02326-JDW-EAJ. The City's claim for damages is in the amount of \$20,140,499.

Levitt & Sons of Hernando County, LLC

Levitt & Sons of Hernando County, LLC, the Developer for the Cascades projects, filed for Chapter 11 Bankruptcy in November 2007 and abandoned the projects. Key Bank, N.A., the lien holder of the property, foreclosed on the lien and held the title to the Cascades property under its real estate holding company, OREO Corp. of Ohio. The project is currently subject to litigation in the matters styled *Westchester Fire Insurance Company v. City of Brooksville* and *City of Brooksville v. Bond Safeguard Insurance Company*. This relates to the performance and payment bonds which secure the various public works improvements required for final plat approval including roads and water and sewer lines. On July 31, 2009, the property was purchased by CaSHP 1, LLC, CaSHP 2, LLC, CaSHP 3, LLC and CaSHP 4, LLC, and other affiliated corporate entities. The amount of potential loss to the City is \$5,617,646, which is the sum of the damages in the Westchester and Bond Safeguard matters.

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE T – COMMITMENTS AND CONTINGENCIES (CONTINUED)

City of Brooksville v. Westchester Fire Insurance Company

There is the matter of *City of Brooksville v. Westchester Fire Insurance Company*, U.S. District Court of Appeals, 11th Circuit, Case No. 10-14075-CC which is an appeal of the U.S. District Court for the Middle District ruling denying on summary judgment the City's counterclaim for recovery on \$5.3 million in surety bonds issued by Westchester to the City, and granting Westchester summary judgment on its claim for declaratory judgment that it has no obligation to pay under the bonds.

On October 4, 2010, City Council approved the law firm of Barnes & Thornburg in Atlanta as appellate co-counsel for the Westchester appeal in the U.S. 11th Circuit Court of Appeal.

The \$5.3 million in surety bonds were to be used by the City to complete various public works improvements required for final plat approval including roads and water and sewer lines within the Cascades property. Levitt & Sons of Hernando County, LLC, the Developer of the Cascades projects, filed for Chapter 11 Bankruptcy in November 2007 and abandoned the projects. The amount of potential loss to the City is \$5,366,455 plus attorney fees and costs in an unknown amount.

Southern Hills Plantation Impact Fee Credits

The City has approximately \$2.8 million booked as water and sewer impact fee credits in the Southern Hill Plantation developments.

Small Community Wastewater Facility Grant/Loan Phase III Construction Project

The Florida Department of Environmental Protection (FDEP) has awarded \$2,409,827 to the City of Brooksville for rehabilitation of the City's sewer system. A total of \$1,039,627 is a loan estimated at 2.43% (rate may vary slightly at closing) over 20 years and \$1,370,200 is a grant with loan forgiveness. The loan and grant are through the stimulus funding from the American Recovery and Reinvestment Act of 2009.

The project was not completed as of the close of the fiscal year. As of March 2011, the Phase III Construction Project was completed. The City used all of the available funding and the final FDEP audit and site visit was remaining to be scheduled. The first semi-annual loan payment is due August 15, 2011.

Construction and Occupancy Agreement for Special Needs Emergency Shelter at Brooksville Quarry

The City of Brooksville in collaboration with the Enrichment Centers Inc. of Hernando County are restoring and constructing an addition to a Building located at the Brooksville Quarry for a Special Needs Emergency Shelter. The Enrichment Center Inc. of Hernando County has received grants from the Florida Legislature of \$600,000, the Federal Government in the amount of \$600,000 and Hernando County of \$100,000 for a Special Needs Emergency Shelter. When the Building is not in use as a shelter, it will be used by the City for recreational programming and also by the Enrichment Center for various health and recreational programs for senior citizens. When the Building is remodeled, the City will provide utility services and exterior and interior maintenance. As of this writing, the Enrichment Center construction began in the fall of 2010 and is expected to be completed by April 30, 2011.

Public Service Tax Audit

The City initiated an audit of records for both Progress Energy and Withlacoochee River Electric Cooperative to audit the assessment, collection and payment of the public service tax beginning in the fall of 2007. The City staff worked with both utilities to review parcel information identifying those parcels which have not been assessed the public service tax.

The City served official note to Progress Energy of its intent to conduct a public service audit. The City retained Oliver & Company, P.A. in August 2009 to conduct a formal public service audit of Progress Energy accounts corresponding to those parcels identified as not having been assessed the tax. The records necessary to complete the audit were provided by Progress Energy as of September 3, 2010.

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE T – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Public Service Tax Audit (Continued)

The preliminary report from November 2004 to October 2007 from Oliver & Company, P.A. indicates that the amount of tax owed for the specified period is \$128,722 with interest due of \$94,425 for a total amount due of \$223,147. In November 2010, the City advised Progress Energy of the \$223,147 amount due in a demand letter. In December 2010, Progress Energy disputed the amount owed and set forth a request for additional information. On February 3, 2011, the City Attorney responded to the request of additional information to the Progress Energy's legal counsel.

Sather v. City of Brooksville and American Traffic Solutions, LLC

The City was served with a Class Action complaint on November 16, 2009 which was brought by a vehicle owner who received a Florida Uniform Traffic Citation on September 19, 2009 for his violation of City of Brooksville Code of Ordinances No. 758. Attorneys by Public Risk Management are defending the City in regard to this matter. Public Risk Management (PRM) is the City's public entity pool for property, casualty and workers' compensation coverage. This civil rights lawsuit is currently pending in the Hernando County Circuit Court. PRM has stated that they have a duty to defend this claim. However, PRM has reserved their rights as to coverage defenses to certain counts of the complaint. The PRM Coverage document has exclusion against the Member gaining in fact any personal profit or advantage to which they are not legally entitled including remuneration paid in violation of law as determined by the Courts.

NOTE U – SUBSEQUENT EVENTS

Sale of Southern Hills Development to Greenpointe Communities, LLC.

On October 25, 2010, Hampton Ridge Developers sold the Southern Hills Development to Greenpointe Communities, LLC and subsidiaries. The sale included the golf club, the amenity center, the platted lots not owned by private individuals, and the undeveloped parcels outside of the Southern Hills Plantation development.

Settlement Agreement: Bond Safeguard Insurance Company

The City served a Summons and Complaint on Bond Safeguard Insurance Company to collect on surety performance bonds posted for the Cascades at Southern Hills PH 1 subdivision as a condition of final plat approval. The parties negotiated a mediated settlement to the City's claims. The agreement was approved by the City Council on November 1, 2010. The approval of the mediated Settlement Agreement resolved pending litigation with Bond Safeguard Insurance Company and the City and provided for completion of infrastructure inside the PH1 development.. The obligations under the Agreement are currently being performed.

Professional Services-Retainer Agreement

At the December 6, 2010 City Council Meeting, the City authorized a Retainer Agreement with the Hogan Law Firm, LLC providing for a contingency fee arrangement for the Firm to pursue on behalf of the City the collection of any and all recoverable monies from Travelers Casualty and Surety Company of America and Chubb Group Insurance Companies pursuant to the bonds issued for the Hampton Ridge Project, also known as Southern Hills Plantation.

Property Values Expected to Decline

Due to the anticipated drop in City property values, the City expects a decline in 2011 in taxable values for the City of Brooksville. As of this writing, 2011 official projections have not been received from the Hernando County Property Appraiser. City staff expects the City's taxable values to drop as much as 10%. If taxable values drop 10% from 2010 to 2011, the City would have approximately \$251,000 less in Ad Valorem Revenues than the previous year. This revenue estimate drop is based on the 2010 millage rate of 6.3700 at 95%.

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE U – SUBSEQUENT EVENTS (CONTINUED)

Selection of Energy System Group

At the February 7, 2011 City Council Meeting, the City Manager requested authorization for the City to enter into negotiations with Energy Systems Group to perform work associated with the energy savings/efficiency project that had been undertaken over the previous year. This authorization was granted with the terms to be finalized over the next several months.

SUPPLEMENTARY INFORMATION

CITY OF BROOKSVILLE, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	SPECIAL REVENUE FUNDS							
	POLICE SPECIAL EDUCATION FUND	LAW ENFORCEMENT TRUST FUND	LOCAL OPTION GAS TAX	LAW ENFORCEMENT INVESTIGATIVE TRUST	LAW ENFORCEMENT IMPACT FEE	PUBLIC BUILDING IMPACT FEES	FIRE IMPACT FEES	PARKS IMPACT FEES
ASSETS								
POOLED CASH AND INVESTMENTS	\$ 9,481	\$ 14,180	\$ 1,906	\$ 116,801	\$ 21,106	\$ 258,371	\$ 91,133	\$ 108,265
RESTRICTED POOLED CASH AND INVESTMENTS	0	0	0	0	0	0	0	0
ACCOUNTS RECEIVABLE	0	0	0	0	0	0	0	0
INTEREST RECEIVABLE	0	0	0	0	0	617	309	309
DUE FROM OTHER FUNDS	0	0	0	0	0	0	0	0
DUE FROM OTHER GOVERNMENTS	474	0	23,308	0	0	0	0	0
INVENTORY - CONFISCATED PROPERTY	0	0	0	0	0	0	0	0
TOTAL ASSETS	\$ 9,955	\$ 14,180	\$ 25,214	\$ 116,801	\$ 21,106	\$ 258,988	\$ 91,442	\$ 108,574
LIABILITIES AND FUND BALANCE								
LIABILITIES								
ACCOUNTS PAYABLE	\$ 0	\$ 0	\$ 0	\$ 3,555	\$ 0	\$ 0	\$ 3,998	\$ 0
UNEARNED REVENUE	0	0	0	0	341	525	230	318
DUE TO OTHER FUNDS	0	0	0	0	0	0	0	0
OTHER CURRENT LIABILITIES	0	0	0	0	0	0	0	0
TOTAL LIABILITIES	0	0	0	3,555	341	525	4,228	318
FUND BALANCE								
RESERVED FOR DEBT RETIREMENT	0	0	0	0	0	0	0	0
UNRESERVED	9,955	14,180	25,214	113,246	20,765	258,463	87,214	108,256
TOTAL FUND BALANCE	9,955	14,180	25,214	113,246	20,765	258,463	87,214	108,256
TOTAL LIABILITIES AND FUND BALANCE	\$ 9,955	\$ 14,180	\$ 25,214	\$ 116,801	\$ 21,106	\$ 258,988	\$ 91,442	\$ 108,574

CITY OF BROOKSVILLE, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

SPECIAL REVENUE FUNDS								
	JUSTICE ASSISTANCE GRANT	ROAD IMPACT FEES	GOOD NEIGHBOR TRAIL PROJECT	MAJOR STORM READINESS	FIRE GRANTS AND DONATIONS	POLICE GRANTS AND DONATIONS	COST RECOVERY	TRAFFIC CAMERA
ASSETS								
POOLED CASH AND INVESTMENTS	\$ 0	\$ 2,083,337	\$ 6,388	\$ 71,913	\$ 7,100	\$ 20,714	\$ 10,654	\$ 419,539
RESTRICTED POOLED CASH AND INVESTMENTS	0	0	0	0	0	0	0	0
ACCOUNTS RECEIVABLE	0	0	0	0	0	0	0	0
INTEREST RECEIVABLE	0	4,936	0	309	0	0	0	0
DUE FROM OTHER FUNDS	0	0	0	0	0	0	0	0
DUE FROM OTHER GOVERNMENTS	28,599	0	0	0	0	0	0	0
INVENTORY - CONFISCATED PROPERTY	0	0	0	0	0	0	0	0
TOTAL ASSETS	\$ 28,599	\$ 2,088,273	\$ 6,388	\$ 72,222	\$ 7,100	\$ 20,714	\$ 10,654	\$ 419,539
LIABILITIES AND FUND BALANCE								
LIABILITIES								
ACCOUNTS PAYABLE	\$ 1,580	\$ 0	\$ 0	\$ 0	\$ 117	\$ 0	\$ 0	\$ 1,655
UNEARNED REVENUE	0	4,779	0	0	0	0	0	0
DUE TO OTHER FUNDS	27,019	0	0	0	0	0	0	0
OTHER CURRENT LIABILITIES	0	173,051	0	0	0	0	0	0
TOTAL LIABILITIES	28,599	177,830	0	0	117	0	0	1,655
FUND BALANCE								
RESERVED FOR DEBT RETIREMENT	0	0	0	0	0	0	0	0
UNRESERVED	0	1,910,443	6,388	72,222	6,983	20,714	10,654	417,884
TOTAL FUND BALANCE	0	1,910,443	6,388	72,222	6,983	20,714	10,654	417,884
TOTAL LIABILITIES AND FUND BALANCE	\$ 28,599	\$ 2,088,273	\$ 6,388	\$ 72,222	\$ 7,100	\$ 20,714	\$ 10,654	\$ 419,539

CITY OF BROOKSVILLE, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJORGVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

<u>SPECIAL REVENUE FUNDS</u>				
	FIRST TEE	TREESCAPING	FDOT US41/SR50 LANDSCAPING	TOTAL SPECIAL REVENUE FUNDS
ASSETS				
POOLED CASH AND INVESTMENTS	\$ 45,225	\$ 74,859	\$ 0	\$ 3,360,972
RESTRICTED POOLED CASH AND INVESTMENTS	0	0	0	0
ACCOUNTS RECEIVABLE	0	0	0	0
INTEREST RECEIVABLE	0	0	0	6,480
DUE FROM OTHER FUNDS	0	0	0	0
DUE FROM OTHER GOVERNMENTS	0	0	0	52,381
INVENTORY - CONFISCATED PROPERTY	0	0	0	0
TOTAL ASSETS	\$ 45,225	\$ 74,859	\$ 0	\$ 3,419,833
LIABILITIES AND FUND BALANCE				
LIABILITIES				
ACCOUNTS PAYABLE	\$ 0	\$ 0	\$ 0	10,905
UNEARNED REVENUE	20,000	0	0	26,193
DUE TO OTHER FUNDS	0	0	0	27,019
OTHER CURRENT LIABILITIES	0	0	0	173,051
TOTAL LIABILITIES	20,000	0	0	237,168
FUND BALANCE				
RESERVED FOR DEBT RETIREMENT	0	0	0	0
UNRESERVED	25,225	74,859	0	3,182,665
TOTAL FUND BALANCE	25,225	74,859	0	3,182,665
TOTAL LIABILITIES AND FUND BALANCE	\$ 45,225	\$ 74,859	\$ 0	\$ 3,419,833

CITY OF BROOKSVILLE, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	CAPITAL PROJECT FUNDS					TOTAL CAPITAL PROJECT FUNDS
	MCKETHAN PARK	MULTI-YEAR CAPITAL PROJECT ACCUMULATION	CAPITAL IMPROVEMENT REVENUE BOND FUND	CAPITAL IMPROVEMENT BOND AND INTEREST SINKING FUND		
ASSETS						
POOLED CASH AND INVESTMENTS	\$ 52,888	\$ 542,211	\$ 21,522	\$ 9,997		626,618
RESTRICTED POOLED CASH AND INVESTMENTS	0	0	0	11,912		11,912
ACCOUNTS RECEIVABLE	0	0	0	0		0
INTEREST RECEIVABLE	0	617	0	0		617
DUE FROM OTHER FUNDS	0	0	0	0		0
DUE FROM OTHER GOVERNMENTS	0	0	32	0		32
INVENTORY - CONFISCATED PROPERTY	0	0	0	0		0
TOTAL ASSETS	\$ 52,888	\$ 542,828	\$ 21,554	\$ 21,909		\$ 639,179
LIABILITIES AND FUND BALANCE						
LIABILITIES						
ACCOUNTS PAYABLE	\$ 0	\$ 10,835	\$ 0	\$ 0		10,835
UNEARNED REVENUE	20,000	0	0	0		20,000
DUE TO OTHER FUNDS	0	0	0	0		0
OTHER CURRENT LIABILITIES	0	0	0	0		0
TOTAL LIABILITIES	20,000	10,835	0	0		30,835
FUND BALANCE						
RESERVED FOR DEBT RETIREMENT	0	0	0	11,912		11,912
UNRESERVED	32,888	531,993	21,554	9,997		596,432
TOTAL FUND BALANCE	32,888	531,993	21,554	21,909		608,344
TOTAL LIABILITIES AND FUND BALANCE	\$ 52,888	\$ 542,828	\$ 21,554	\$ 21,909		\$ 639,179

CITY OF BROOKSVILLE, FLORIDA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2010

	<u>PERMANENT FUND</u>		TOTAL
	CEMETERY PERPETUAL CARE	TOTAL PERMANENT FUNDS	NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
POOLED CASH AND INVESTMENTS	\$ 308,000	\$ 308,000	\$ 4,295,590
RESTRICTED POOLED CASH AND INVESTMENTS	0	0	11,912
ACCOUNTS RECEIVABLE	0	0	0
INTEREST RECEIVABLE	309	309	7,406
DUE FROM OTHER FUNDS	21,369	21,369	21,369
DUE FROM OTHER GOVERNMENTS	0	0	52,413
INVENTORY - CONFISCATED PROPERTY	0	0	0
TOTAL ASSETS	<u>\$ 329,678</u>	<u>\$ 329,678</u>	<u>\$ 4,388,690</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
ACCOUNTS PAYABLE	\$ 0	\$ 0	\$ 21,740
UNEARNED REVENUE	0	0	46,193
DUE TO OTHER FUNDS	0	0	27,019
OTHER CURRENT LIABILITIES	0	0	173,051
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>268,003</u>
FUND BALANCE			
RESERVED FOR DEBT RETIREMENT	0	0	11,912
UNRESERVED	329,678	329,678	4,108,775
TOTAL FUND BALANCE	<u>329,678</u>	<u>329,678</u>	<u>4,120,687</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 329,678</u>	<u>\$ 329,678</u>	<u>\$ 4,388,690</u>

CITY OF BROOKSVILLE, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	SPECIAL REVENUE FUNDS						
	POLICE SPECIAL EDUCATION FUND	LAW ENFORCEMENT TRUST FUND	LOCAL OPTION GAS TAX	LAW ENFORCEMENT INVESTIGATIVE TRUST	LAW ENFORCEMENT IMPACT FEES	PUBLIC BUILDING IMPACT FEES	FIRE IMPACT FEES
REVENUES							
TAXES	\$ 0	\$ 0	\$ 283,452	\$ 0	\$ 0	\$ 0	\$ 0
LICENSES & PERMITS	0	0	0	0	0	0	0
INTERGOVERNMENTAL REVENUE	0	0	0	0	0	0	0
CHARGES FOR SERVICES	0	0	0	0	0	0	0
FINES & FORFEITS	4,930	0	0	0	0	0	0
MISCELLANEOUS REVENUES	104	2,816	0	82,302	1,413	7,000	3,666
TOTAL REVENUES	5,034	2,816	283,452	82,302	1,413	7,000	3,666
EXPENDITURES							
CURRENT							
CULTURE & RECREATION	0	0	0	0	0	0	0
GENERAL GOVERNMENT	0	0	0	0	0	0	0
PUBLIC SAFETY	6,229	345	0	18,020	0	0	0
PHYSICAL ENVIRONMENT	0	0	0	0	0	0	0
TRANSPORTATION	0	0	0	0	0	0	0
DEBT SERVICE							
PRINCIPAL	0	0	0	0	0	0	0
INTEREST AND FISCAL CHARGES	0	0	0	0	0	0	0
CAPITAL OUTLAY	7,668	0	0	26,770	0	0	7,222
TOTAL EXPENDITURES	13,897	345	0	44,790	0	0	7,222
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,863)	2,471	283,452	37,512	1,413	7,000	(3,556)
OTHER FINANCING SOURCES (USES)							
TRANSFERS IN	0	0	0	0	0	0	0
TRANSFERS OUT	0	0	(282,763)	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	(282,763)	0	0	0	0
NET CHANGE IN FUND BALANCES	(8,863)	2,471	689	37,512	1,413	7,000	(3,556)
FUND BALANCES, BEGINNING OF YEAR	18,818	11,709	24,525	75,734	19,352	251,463	90,770
FUND BALANCES, END OF YEAR	\$ 9,955	\$ 14,180	\$ 25,214	\$ 113,246	\$ 20,765	\$ 258,463	\$ 87,214

CITY OF BROOKSVILLE, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	SPECIAL REVENUE FUNDS						
	PARKS IMPACT FEES	JUSTICE ASSISTANCE GRANT	ROAD IMPACT FEES	GOOD NEIGHBOR TRAIL PROJECT	MAJOR STORM READINESS	FIRE GRANTS AND DONATIONS	POLICE GRANTS AND DONATIONS
REVENUES							
TAXES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
LICENSES & PERMITS	0	0	0	0	0	0	0
INTERGOVERNMENTAL REVENUE	0	187,840	0	0	0	0	0
CHARGES FOR SERVICES	0	0	0	0	0	0	0
FINES & FORFEITS	0	0	0	0	0	0	0
MISCELLANEOUS REVENUES	3,053	0	40,280	60,236	1,740	3,663	9,020
TOTAL REVENUES	3,053	187,840	40,280	60,236	1,740	3,663	9,020
EXPENDITURES							
CURRENT							
CULTURE & RECREATION	0	0	0	0	0	0	0
GENERAL GOVERNMENT	0	0	0	0	0	0	0
PUBLIC SAFETY	0	10,709	0	0	3,837	690	0
PHYSICAL ENVIRONMENT	0	0	0	0	0	0	0
TRANSPORTATION	0	0	0	0	0	0	0
DEBT SERVICE							
PRINCIPAL	0	0	0	0	0	0	0
INTEREST AND FISCAL CHARGES	0	0	0	0	0	0	0
CAPITAL OUTLAY	0	177,131	0	81,107	0	0	0
TOTAL EXPENDITURES	0	187,840	0	81,107	3,837	690	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,053	0	40,280	(20,871)	(2,097)	2,973	9,020
OTHER FINANCING SOURCES (USES)							
TRANSFERS IN	0	0	0	23,250	0	0	0
TRANSFERS OUT	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	23,250	0	0	0
NET CHANGE IN FUND BALANCES	3,053	0	40,280	2,379	(2,097)	2,973	9,020
FUND BALANCES, BEGINNING OF YEAR	105,203	0	1,870,163	4,009	74,319	4,010	11,694
FUND BALANCES, END OF YEAR	\$ 108,256	\$ 0	\$ 1,910,443	\$ 6,388	\$ 72,222	\$ 6,983	\$ 20,714

CITY OF BROOKSVILLE, FL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	SPECIAL REVENUE FUNDS					
	COST RECOVERY	TRAFFIC CAMERA	FIRST TEE	TREESCAPING	FDOT US41/SR50 LANDSCAPING	TOTAL SPECIAL REVENUE FUNDS
REVENUES						
TAXES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	283,452
LICENSES & PERMITS	0	0	0	1,960	0	1,960
INTERGOVERNMENTAL REVENUE	0	0	0	0	56,046	243,886
CHARGES FOR SERVICES	0	0	0	0	0	0
FINES & FORFEITS	0	932,320	0	0	0	937,250
MISCELLANEOUS REVENUES	68	0	5,225	548	0	221,134
TOTAL REVENUES	68	932,320	5,225	2,508	56,046	1,687,682
EXPENDITURES						
CURRENT						
CULTURE & RECREATION	0	0	0	3,600	0	3,600
GENERAL GOVERNMENT	0	0	0	0	0	0
PUBLIC SAFETY	0	301,360	0	0	0	341,190
PHYSICAL ENVIRONMENT	0	0	0	0	0	0
TRANSPORTATION	0	0	0	12,611	0	12,611
DEBT SERVICE						
PRINCIPAL	0	0	0	0	0	0
INTEREST AND FISCAL CHARGES	0	0	0	0	0	0
CAPITAL OUTLAY	0	0	0	0	56,046	355,944
TOTAL EXPENDITURES	0	301,360	0	16,211	56,046	713,345
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	68	630,960	5,225	(13,703)	0	974,337
OTHER FINANCING SOURCES (USES)						
TRANSFERS IN	0	0	20,000	0	0	43,250
TRANSFERS OUT	0	(350,000)	0	0	0	(632,763)
TOTAL OTHER FINANCING SOURCES (USES)	0	(350,000)	20,000	0	0	(589,513)
NET CHANGE IN FUND BALANCES	68	280,960	25,225	(13,703)	0	384,824
FUND BALANCES, BEGINNING OF YEAR	10,586	136,924	0	88,562	0	2,797,841
FUND BALANCES, END OF YEAR	\$ 10,654	\$ 417,884	\$ 25,225	\$ 74,859	\$ 0	\$ 3,182,665

CITY OF BROOKSVILLE, FL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	CAPITAL PROJECT FUNDS				
	MCKETHAN	MULTI-YEAR	CAPITAL	CAPITAL	TOTAL
	PARK	CAPITAL	IMPROVEMENT	IMPROVEMENT	CAPITAL
	ACCUMULATION	REVENUE	BOND AND	INTEREST	PROJECT
			SINKING FUND		FUNDS
REVENUES					
TAXES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
LICENSES & PERMITS	0	0	0	0	0
INTERGOVERNMENTAL REVENUE	0	0	32,927	0	32,927
CHARGES FOR SERVICES	0	0	0	0	0
FINES & FORFEITS	0	0	0	0	0
MISCELLANEOUS REVENUES	746	3,620	23	83	4,472
TOTAL REVENUES	746	3,620	32,950	83	37,399
EXPENDITURES					
CURRENT					
CULTURE & RECREATION	0	0	0	0	0
GENERAL GOVERNMENT	0	0	0	0	0
PUBLIC SAFETY	0	0	0	0	0
PHYSICAL ENVIRONMENT	0	0	0	0	0
TRANSPORTATION	0	0	0	0	0
DEBT SERVICE					
PRINCIPAL	0	0	0	20,000	20,000
INTEREST AND FISCAL CHARGES	0	0	0	9,433	9,433
CAPITAL OUTLAY	0	73,028	0	0	73,028
TOTAL EXPENDITURES	0	73,028	0	29,433	102,461
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	746	(69,408)	32,950	(29,350)	(65,062)
OTHER FINANCING SOURCES (USES)					
TRANSFERS IN	0	381,660	0	30,501	412,161
TRANSFERS OUT	(20,000)	(23,250)	(30,501)	0	(73,751)
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	358,410	(30,501)	30,501	338,410
NET CHANGE IN FUND BALANCES	(19,254)	289,002	2,449	1,151	273,348
FUND BALANCES, BEGINNING OF YEAR	52,142	242,991	19,105	20,758	334,996
FUND BALANCES, END OF YEAR	\$ 32,888	\$ 531,993	\$ 21,554	\$ 21,909	\$ 608,344

CITY OF BROOKSVILLE, FL
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>PERMANENT FUND</u>		TOTAL
	CEMETERY PERPETUAL CARE	TOTAL PERMANENT FUNDS	NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
TAXES	\$ 0	\$ 0	\$ 283,452
LICENSES & PERMITS	0	0	1,960
INTERGOVERNMENTAL REVENUE	0	0	276,813
CHARGES FOR SERVICES	0	0	0
FINES & FORFEITS	0	0	937,250
MISCELLANEOUS REVENUES	2,431	2,431	228,037
TOTAL REVENUES	<u>2,431</u>	<u>2,431</u>	<u>1,727,512</u>
EXPENDITURES			
CURRENT			
CULTURE & RECREATION	0	0	3,600
GENERAL GOVERNMENT	0	0	0
PUBLIC SAFETY	0	0	341,190
PHYSICAL ENVIRONMENT	0	0	0
TRANSPORTATION	0	0	12,611
DEBT SERVICE			
PRINCIPAL	0	0	20,000
INTEREST AND FISCAL CHARGES	0	0	9,433
CAPITAL OUTLAY	0	0	428,972
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>815,806</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,431</u>	<u>2,431</u>	<u>911,706</u>
OTHER FINANCING SOURCES (USES)			
TRANSFERS IN	10,000	10,000	465,411
TRANSFERS OUT	0	0	(706,514)
TOTAL OTHER FINANCING SOURCES (USES)	<u>10,000</u>	<u>10,000</u>	<u>(241,103)</u>
NET CHANGE IN FUND BALANCES	12,431	12,431	670,603
FUND BALANCES, BEGINNING OF YEAR	<u>317,247</u>	<u>317,247</u>	<u>3,450,084</u>
FUND BALANCES, END OF YEAR	<u>\$ 329,678</u>	<u>\$ 329,678</u>	<u>\$ 4,120,687</u>

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, 2010

	SPECIAL REVENUE FUNDS							
	POLICE SPECIAL EDUCATION FUND				LAW ENFORCEMENT TRUST FUND			
	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								
FINES & FORFEITS	\$ 4,000	\$ 4,000	\$ 4,930	\$ 930	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	161	161	104	(57)	94	94	2,816	2,722
TOTAL REVENUES	4,161	4,161	5,034	873	94	94	2,816	2,722
EXPENDITURES								
CURRENT								
PUBLIC SAFETY	0	0	6,229	(6,229)	0	0	345	(345)
CAPITAL OUTLAY	15,000	15,000	7,668	7,332	5,000	5,000	0	5,000
TOTAL EXPENDITURES	15,000	15,000	13,897	1,103	5,000	5,000	345	4,655
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,839)	(10,839)	(8,863)	1,976	(4,906)	(4,906)	2,471	7,377
OTHER FINANCING SOURCES (USES)								
TRANSFERS IN	0	0	0	0	0	0	0	0
TRANSFERS OUT	0	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0	0	0
NET CHANGE IN FUND BALANCES	(10,839)	(10,839)	(8,863)	1,976	(4,906)	(4,906)	2,471	7,377
FUND BALANCES, BEGINNING OF YEAR	10,839	10,839	18,818	7,979	4,906	4,906	11,709	6,803
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 9,955	\$ 9,955	\$ 0	\$ 0	\$ 14,180	\$ 14,180

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, 2010

	SPECIAL REVENUE FUNDS							
	LOCAL OPTION GAS TAX				LAW ENFORCEMENT INVESTIGATIVE TRUST			
	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								
TAXES	\$ 258,524	\$ 258,524	\$ 283,452	\$ 24,928	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	0	0	0	0	10,260	82,479	82,302	(177)
TOTAL REVENUES	258,524	258,524	283,452	24,928	10,260	82,479	82,302	(177)
EXPENDITURES								
CURRENT								
PUBLIC SAFETY	0	0	0	0	0	14,901	18,020	(3,119)
CAPITAL OUTLAY	0	0	0	0	20,000	31,899	26,770	5,129
TOTAL EXPENDITURES	0	0	0	0	20,000	46,800	44,790	2,010
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	258,524	258,524	283,452	24,928	30,260	35,679	37,512	1,833
OTHER FINANCING SOURCES (USES)								
TRANSFERS IN	0	0	0	0	0	0	0	0
TRANSFERS OUT	(258,524)	(258,524)	(282,763)	(24,239)	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(258,524)	(258,524)	(282,763)	(24,239)	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	689	689	30,260	35,679	37,512	1,833
FUND BALANCES, BEGINNING OF YEAR	0	0	24,525	24,525	(30,260)	(35,679)	75,734	111,413
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 25,214	\$ 25,214	\$ 0	\$ 0	\$ 113,246	\$ 113,246

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, 2010

	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)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
MISCELLANEOUS REVENUES	\$ 644	\$ 644	\$ 1,413	\$ 769	\$ 2,414	\$ 2,414	\$ 7,000	\$ 4,586
TOTAL REVENUES	644	644	1,413	769	2,414	2,414	7,000	4,586
EXPENDITURES								
CAPITAL OUTLAY	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0	0	0	0	0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	644	644	1,413	769	2,414	2,414	7,000	4,586
NET CHANGE IN FUND BALANCES	644	644	1,413	769	2,414	2,414	7,000	4,586
FUND BALANCES, BEGINNING OF YEAR	(644)	(644)	19,352	19,996	(2,414)	(2,414)	251,463	253,877
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 20,765	\$ 20,765	\$ 0	\$ 0	\$ 258,463	\$ 258,463

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, 2010

	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		
REVENUES								
MISCELLANEOUS REVENUES	\$ 1,189	\$ 1,189	\$ 3,666	\$ 2,477	\$ 1,209	\$ 1,209	\$ 3,053	\$ 1,844
TOTAL REVENUES	1,189	1,189	3,666	2,477	1,209	1,209	3,053	1,844
EXPENDITURES								
CAPITAL OUTLAY	0	7,498	7,222	276	15,000	15,000	0	15,000
TOTAL EXPENDITURES	0	7,498	7,222	276	15,000	15,000	0	15,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,189	(6,309)	(3,556)	2,753	(13,791)	(13,791)	3,053	16,844
NET CHANGE IN FUND BALANCES	1,189	(6,309)	(3,556)	2,753	(13,791)	(13,791)	3,053	16,844
FUND BALANCES, BEGINNING OF YEAR	(1,189)	6,309	90,770	84,461	13,791	13,791	105,203	91,412
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 87,214	\$ 87,214	\$ 0	\$ 0	\$ 108,256	\$ 108,256

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, 2010

	SPECIAL REVENUE FUNDS							
	JUSTICE ASSISTANCE GRANT				ROAD 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		
REVENUES								
INTERGOVERNMENTAL REVENUE	\$ 193,190	\$ 197,457	\$ 187,840	\$ (9,617)	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	0	0	0	0	28,962	28,962	40,280	11,318
TOTAL REVENUES	193,190	197,457	187,840	(9,617)	28,962	28,962	40,280	11,318
EXPENDITURES								
CURRENT								
PUBLIC SAFETY	42,234	42,234	10,709	31,525	0	0	0	0
CAPITAL OUTLAY	150,956	155,223	177,131	(21,908)	1,000,000	1,000,000	0	1,000,000
TOTAL EXPENDITURES	193,190	197,457	187,840	9,617	1,000,000	1,000,000	0	1,000,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	0	0	(971,038)	(971,038)	40,280	1,011,318
OTHER FINANCING (USES)								
TRANSFERS OUT	0	0	0	0	0	0	0	0
TOTAL OTHER FINANCING (USES)	0	0	0	0	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	0	0	(971,038)	(971,038)	40,280	1,011,318
FUND BALANCES, BEGINNING OF YEAR	0	0	0	0	971,038	971,038	1,870,163	899,125
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,910,443	\$ 1,910,443

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, 2010

	SPECIAL REVENUE FUNDS							
	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	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	0	60,236	60,236	0	568	568	1,740	1,172
TOTAL REVENUES	0	60,236	60,236	0	568	568	1,740	1,172
EXPENDITURES								
CURRENT								
PUBLIC SAFETY	0	0	0	0	0	3,836	3,837	(1)
CAPITAL OUTLAY	0	83,486	81,107	2,379	0	0	0	0
TOTAL EXPENDITURES	0	83,486	81,107	2,379	0	3,836	3,837	(1)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	(23,250)	(20,871)	2,379	568	(3,268)	(2,097)	1,171
OTHER FINANCING SOURCES								
TRANSFERS IN	0	23,250	23,250	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	0	23,250	23,250	0	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	2,379	2,379	568	(3,268)	(2,097)	1,171
FUND BALANCES, BEGINNING OF YEAR	0	0	4,009	4,009	(568)	3,268	74,319	71,051
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 6,388	\$ 6,388	\$ 0	\$ 0	\$ 72,222	\$ 72,222

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, 2010

	SPECIAL REVENUE FUNDS							
	FIRE GRANTS AND DONATIONS				POLICE GRANTS AND DONATIONS			
	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								
MISCELLANEOUS REVENUES	\$ 432	\$ 432	\$ 3,663	\$ 3,231	\$ 2,000	\$ 2,000	\$ 9,020	\$ 7,020
TOTAL REVENUES	432	432	3,663	3,231	2,000	2,000	9,020	7,020
EXPENDITURES								
CURRENT								
PUBLIC SAFETY	1,000	1,000	690	310	5,000	5,000	0	5,000
CAPITAL OUTLAY	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	1,000	1,000	690	310	5,000	5,000	0	5,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(568)	(568)	2,973	3,541	(3,000)	(3,000)	9,020	12,020
OTHER FINANCING SOURCES (USES)								
TRANSFERS IN	0	0	0	0	0	0	0	0
TRANSFERS OUT	0	0	0	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	0	0	0	0	0	0	0	0
NET CHANGE IN FUND BALANCES	(568)	(568)	2,973	3,541	(3,000)	(3,000)	9,020	12,020
FUND BALANCES, BEGINNING OF YEAR	568	568	4,010	3,442	3,000	3,000	11,694	8,694
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 6,983	\$ 6,983	\$ 0	\$ 0	\$ 20,714	\$ 20,714

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, 2010

	SPECIAL REVENUE FUNDS							
	COST RECOVERY				TRAFFIC CAMERA			
	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								
FINES AND FORFEITS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 697,500	\$ 931,500	\$ 932,320	\$ 820
MISCELLANEOUS REVENUE	0	0	68	68	0	0	0	0
TOTAL REVENUES	0	0	68	68	697,500	931,500	932,320	820
EXPENDITURES								
CURRENT								
PUBLIC SAFETY	0	0	0	0	257,372	311,372	301,360	10,012
CAPITAL OUTLAY	0	0	0	0	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0	257,372	311,372	301,360	10,012
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	0	0	68	68	440,128	620,128	630,960	10,832
OTHER FINANCING (USES)								
TRANSFERS OUT	0	0	0	0	(350,000)	(350,000)	(350,000)	0
TOTAL OTHER FINANCING (USES)	0	0	0	0	(350,000)	(350,000)	(350,000)	0
NET CHANGE IN FUND BALANCES	0	0	68	68	90,128	270,128	280,960	10,832
FUND BALANCES, BEGINNING OF YEAR	0	0	10,586	10,586	(90,128)	(270,128)	136,924	407,052
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 10,654	\$ 10,654	\$ 0	\$ 0	\$ 417,884	\$ 417,884

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, 2010

	SPECIAL REVENUE FUNDS							
	FIRST TEE				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		
REVENUES								
LICENSES & PERMITS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 900	\$ 900	\$ 1,960	\$ 1,060
MISCELLANEOUS REVENUES	28,000	28,000	5,225	(22,775)	667	667	548	(119)
TOTAL REVENUES	28,000	28,000	5,225	(22,775)	1,567	1,567	2,508	941
EXPENDITURES								
CURRENT								
CULTURE AND RECREATION	10,000	10,000	0	10,000	0	0	3,600	(3,600)
TRANSPORTATION	0	0	0	0	30,000	30,000	12,611	17,389
TOTAL EXPENDITURES	10,000	10,000	0	10,000	30,000	30,000	16,211	13,789
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	18,000	18,000	5,225	(12,775)	(28,433)	(28,433)	(13,703)	14,730
OTHER FINANCING SOURCES								
TRANSFERS IN	20,000	20,000	20,000	0	0	0	0	0
TOTAL OTHER FINANCING SOURCES	20,000	20,000	20,000	0	0	0	0	0
NET CHANGE IN FUND BALANCES	38,000	38,000	25,225	(12,775)	(28,433)	(28,433)	(13,703)	14,730
FUND BALANCES, BEGINNING OF YEAR	(38,000)	(38,000)	0	38,000	28,433	28,433	88,562	60,129
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 25,225	\$ 25,225	\$ 0	\$ 0	\$ 74,859	\$ 74,859

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, 2010

	SPECIAL REVENUE FUNDS			
	FDOT US 41/SR 50 LANDSCAPING			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
INTERGOVERNMENTAL REVENUE	\$ 139,000	\$ 139,000	\$ 56,046	\$ (82,954)
TOTAL REVENUES	<u>139,000</u>	<u>139,000</u>	<u>56,046</u>	<u>(82,954)</u>
EXPENDITURES				
CAPITAL OUTLAY	139,000	139,000	56,046	82,954
TOTAL EXPENDITURES	<u>139,000</u>	<u>139,000</u>	<u>56,046</u>	<u>82,954</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	0	0	0	0
FUND BALANCES, BEGINNING OF YEAR	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES, END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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, 2010

	CAPITAL PROJECT FUNDS								
	MCKETHAN PARK				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)	
	ORIGINAL	FINAL			ORIGINAL	FINAL			
REVENUES									
CHARGES FOR SERVICES	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
MISCELLANEOUS REVENUES	591	591	746	155	2,834	2,834	3,620	786	
TOTAL REVENUES	591	591	746	155	2,834	2,834	3,620	786	
EXPENDITURES									
CURRENT									
CULTURE & RECREATION	0	0	0	0	0	0	0	0	
CAPITAL OUTLAY	30,000	30,000	0	30,000	530,794	530,794	73,028	457,766	
TOTAL EXPENDITURES	30,000	30,000	0	30,000	530,794	530,794	73,028	457,766	
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(29,409)	(29,409)	746	30,155	(527,960)	(527,960)	(69,408)	458,552	
OTHER FINANCING SOURCES (USES)									
TRANSFERS IN	0	0	0	0	381,660	381,660	381,660	0	
TRANSFERS OUT	(20,000)	(20,000)	(20,000)	0	0	(23,250)	(23,250)	0	
TOTAL OTHER FINANCING SOURCES (USES)	(20,000)	(20,000)	(20,000)	0	381,660	358,410	358,410	0	
NET CHANGE IN FUND BALANCES	(49,409)	(49,409)	(19,254)	30,155	(146,300)	(169,550)	289,002	458,552	
FUND BALANCES, BEGINNING OF YEAR	49,409	49,409	52,142	2,733	146,300	169,550	242,991	73,441	
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 32,888	\$ 32,888	\$ 0	\$ 0	\$ 531,993	\$ 531,993	

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, 2010

	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)
	ORIGINAL	FINAL			ORIGINAL	FINAL		
REVENUES								
INTERGOVERNMENTAL REVENUES	\$ 31,000	\$ 31,000	\$ 32,927	\$ 1,927	\$ 0	\$ 0	\$ 0	\$ 0
MISCELLANEOUS REVENUES	20	20	23	3	0	0	83	83
TOTAL REVENUES	31,020	31,020	32,950	1,930	0	0	83	83
EXPENDITURES								
DEBT SERVICE								
PRINCIPAL	0	0	0	0	20,831	20,831	20,000	831
INTEREST AND FISCAL CHARGES	0	0	0	0	9,605	9,605	9,433	172
TOTAL EXPENDITURES	0	0	0	0	30,436	30,436	29,433	1,003
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	31,020	31,020	32,950	1,930	(30,436)	(30,436)	(29,350)	1,086
OTHER FINANCING SOURCES (USES)								
TRANSFERS IN	0	0	0	0	30,436	30,436	30,501	65
TRANSFERS OUT	(30,436)	(30,436)	(30,501)	(65)	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES)	(30,436)	(30,436)	(30,501)	(65)	30,436	30,436	30,501	65
NET CHANGE IN FUND BALANCES	584	584	2,449	1,865	0	0	1,151	1,151
FUND BALANCES, BEGINNING OF YEAR	(584)	(584)	19,105	19,689	0	0	20,758	20,758
FUND BALANCES, END OF YEAR	\$ 0	\$ 0	\$ 21,554	\$ 21,554	\$ 0	\$ 0	\$ 21,909	\$ 21,909

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, 2010

	PERMANENT FUND			
	CEMETERY PERPETUAL CARE			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
MISCELLANEOUS REVENUES	\$ 2,465	\$ 2,465	\$ 2,431	\$ (34)
TOTAL REVENUES	<u>2,465</u>	<u>2,465</u>	<u>2,431</u>	<u>(34)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,465</u>	<u>2,465</u>	<u>2,431</u>	<u>(34)</u>
OTHER FINANCING SOURCES				
TRANSFERS IN	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
TOTAL OTHER FINANCING SOURCES	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	12,465	12,465	12,431	(34)
FUND BALANCES, BEGINNING OF YEAR	<u>(12,465)</u>	<u>(12,465)</u>	<u>317,247</u>	<u>329,712</u>
FUND BALANCES, END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 329,678</u>	<u>\$ 329,678</u>

CITY OF BROOKSVILLE, FLORIDA
STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2010

	INTERNAL SERVICE FUNDS			TOTAL INTERNAL SERVICE FUNDS
	FLEET MAINTENANCE FUND	VEHICLE REPLACEMENT FUND	EQUIPMENT REPLACEMENT FUND	
ASSETS				
CURRENT ASSETS				
POOLED CASH AND INVESTMENTS	\$ 4,913	\$ 1,362,255	\$ 32,863	\$ 1,400,031
INTEREST RECEIVABLE	0	3,085	0	3,085
INVENTORIES	3,668	0	0	3,668
PREPAID ITEMS	1,752	0	0	1,752
TOTAL CURRENT ASSETS	<u>10,333</u>	<u>1,365,340</u>	<u>32,863</u>	<u>1,408,536</u>
NON-CURRENT ASSETS				
CAPITAL ASSETS, NET				
MACHINERY & EQUIPMENT	1,753	412,727	0	414,480
CONSTRUCTION IN PROGRESS	0	0	0	0
TOTAL CAPITAL ASSETS, NET	<u>1,753</u>	<u>412,727</u>	<u>0</u>	<u>414,480</u>
TOTAL ASSETS	<u>\$ 12,086</u>	<u>\$ 1,778,067</u>	<u>\$ 32,863</u>	<u>\$ 1,823,016</u>
LIABILITIES AND FUND EQUITY				
CURRENT LIABILITIES				
ACCOUNTS PAYABLE	\$ 1,283	\$ 0	\$ 0	\$ 1,283
ACCRUED WAGES PAYABLE	1,717	0	0	1,717
ACCRUED PAYROLL LIABILITIES	340	0	0	340
TOTAL CURRENT LIABILITIES	<u>3,340</u>	<u>0</u>	<u>0</u>	<u>3,340</u>
NON-CURRENT LIABILITIES				
ACCRUED COMPENSATED ABSENCES	1,667	0	0	1,667
TOTAL LIABILITIES	<u>5,007</u>	<u>0</u>	<u>0</u>	<u>5,007</u>
NET ASSETS				
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT UNRESTRICTED	1,753	412,727	0	414,480
	<u>5,326</u>	<u>1,365,340</u>	<u>32,863</u>	<u>1,403,529</u>
TOTAL NET ASSETS	<u>7,079</u>	<u>1,778,067</u>	<u>32,863</u>	<u>1,818,009</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,086</u>	<u>\$ 1,778,067</u>	<u>\$ 32,863</u>	<u>\$ 1,823,016</u>

CITY OF BROOKSVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	<u>INTERNAL SERVICE FUNDS</u>			
	<u>FLEET MAINTENANCE FUND</u>	<u>VEHICLE REPLACEMENT FUND</u>	<u>EQUIPMENT REPLACEMENT FUND</u>	<u>TOTAL INTERNAL SERVICE FUNDS</u>
OPERATING REVENUE				
CHARGES FOR SERVICES	\$ 109,272	\$ 238,777	\$ 20,000	\$ 368,049
MISCELLANEOUS REVENUES	<u>28</u>	<u>17,430</u>	<u>55</u>	<u>17,513</u>
TOTAL OPERATING REVENUES	<u>109,300</u>	<u>256,207</u>	<u>20,055</u>	<u>385,562</u>
OPERATING EXPENSES				
PERSONAL SERVICES	92,868	0	0	92,868
OTHER SERVICES & CHARGES	22,924	0	7,041	29,965
DEPRECIATION	<u>4,210</u>	<u>96,452</u>	<u>0</u>	<u>100,662</u>
TOTAL OPERATING EXPENSES	<u>120,002</u>	<u>96,452</u>	<u>7,041</u>	<u>223,495</u>
OPERATING INCOME (LOSS)	<u>(10,702)</u>	<u>159,755</u>	<u>13,014</u>	<u>162,067</u>
NONOPERATING REVENUES (EXPENSES)				
CONTRIBUTION EXPENSE	(37,721)	0	0	(37,721)
INTEREST EARNINGS	<u>10</u>	<u>11,827</u>	<u>21</u>	<u>11,858</u>
TOTAL NONOPERATING REVENUES	<u>(37,711)</u>	<u>11,827</u>	<u>21</u>	<u>(25,863)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(48,413)</u>	<u>171,582</u>	<u>13,035</u>	<u>136,204</u>
TRANSFERS IN (OUT)				
TRANSFERS IN	0	0	0	0
TRANSFERS OUT	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL TRANSFERS IN (OUT)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
CHANGE IN NET ASSETS	(48,413)	171,582	13,035	136,204
NET ASSETS, BEGINNING OF YEAR	<u>55,492</u>	<u>1,606,485</u>	<u>19,828</u>	<u>1,681,805</u>
NET ASSETS, END OF YEAR	<u>\$ 7,079</u>	<u>\$ 1,778,067</u>	<u>\$ 32,863</u>	<u>\$ 1,818,009</u>

CITY OF BROOKSVILLE, FLORIDA
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
RECEIPTS FROM CUSTOMERS	\$ 368,049
PAYMENTS TO SUPPLIERS	(64,468)
PAYMENTS TO EMPLOYEES	(64,894)
OTHER RECEIPTS (PAYMENTS)	<u>17,513</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>256,200</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
TRANSFERS FROM OTHER FUNDS	0
TRANSFERS TO OTHER FUNDS	<u>0</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>0</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
PURCHASES OF MACHINERY & EQUIPMENT	<u>(43,146)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(43,146)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
RECEIPT OF INTEREST AND DIVIDENDS	<u>9,420</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>9,420</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	222,474
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,177,557</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,400,031</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
OPERATING INCOME (LOSS)	\$ 162,067
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
DEPRECIATION EXPENSE	100,662
(INCREASE) DECREASE IN INVENTORIES	(1,519)
INCREASE (DECREASE) IN ACCOUNTS PAYABLE	(5,392)
ACCRUED WAGES PAYABLE	491
ACCRUED PAYROLL LIABILITIES	97
ACCRUED COMPENSATED ABSENCES	<u>(206)</u>
TOTAL ADJUSTMENTS	<u>94,133</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 256,200</u>

CITY OF BROOKSVILLE, FLORIDA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 SEPTEMBER 30, 2010

	PRIVATE PURPOSE TRUST FUNDS				PENSION TRUST FUNDS		
	BUTTERWECK		DONOR	TOTAL	FIREMAN'S	POLICE	TOTAL
	BOND	HRA	MEMORIAL	PRIVATE	FIREMAN'S	POLICE	PENSION
	FUND	FUND	WALL FUND	TRUST FUNDS	RETIREMENT	RETIREMENT	TRUST
	FUND	FUND	WALL FUND	TRUST FUNDS	FUND	FUND	FUNDS
ASSETS							
POOLED CASH	\$ 0	\$ 18,525	\$ 0	\$ 18,525	\$ 116,487	\$ 62,006	\$ 178,493
INVESTMENT IN DEBT SECURITIES	2,175	0	7,177	9,352	1,872,793	1,103,832	2,976,625
INVESTMENT IN MARKETABLE EQUITY SECURITIES	0	0	0	0	2,180,450	1,829,345	4,009,795
ACCOUNTS RECEIVABLE	0	0	0	0	28,651	18,448	47,099
TOTAL ASSETS	\$ 2,175	\$ 18,525	\$ 7,177	\$ 27,877	\$ 4,198,381	\$ 3,013,631	\$ 7,212,012
LIABILITIES AND FUND BALANCE							
LIABILITIES							
OTHER CURRENT LIABILITIES	\$ 0	\$ 5,000	\$ 0	\$ 5,000	\$ 0	\$ 0	\$ 0
TOTAL LIABILITIES	0	5,000	0	5,000	0	0	0
NET ASSETS							
HELD IN TRUST FOR RETIRMENT AND OTHER PURPOSES	2,175	13,525	7,177	22,877	4,198,381	3,013,631	7,212,012
TOTAL NET ASSETS	\$ 2,175	\$ 13,525	\$ 7,177	\$ 22,877	\$ 4,198,381	\$ 3,013,631	\$ 7,212,012

CITY OF BROOKSVILLE, FLORIDA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 SEPTEMBER 30, 2010

	<u>AGENCY FUND</u>	
	<u>PAYROLL ACCOUNT</u>	<u>TOTAL AGENCY FUNDS</u>
ASSETS		
POOLED CASH AND INVESTMENTS	\$ 37,105	\$ 37,105
TOTAL ASSETS	<u>\$ 37,105</u>	<u>\$ 37,105</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
ACCOUNTS PAYABLE	\$ 864	\$ 864
OTHER CURRENT LIABILITIES	<u>36,241</u>	<u>36,241</u>
TOTAL LIABILITIES	<u>\$ 37,105</u>	<u>\$ 37,105</u>

CITY OF BROOKSVILLE, FLORIDA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	BUTTERWECK BOND FUND	HRA FUND	DONOR MEMORIAL WALL FUND	TOTAL PRIVATE PURPOSE TRUST FUNDS	FIREMAN'S RETIREMENT	POLICE RETIREMENT	TOTAL PENSION TRUST FUNDS
ADDITIONS							
CONTRIBUTIONS							
EMPLOYER	\$ 0	\$ 0	\$ 0	0	\$ 196,222	\$ 0	196,222
PLAN MEMBERS	0	0	0	0	25,128	9,896	35,024
OTHER	0	0	0	0	102,371	119,344	221,715
TOTAL CONTRIBUTIONS	0	0	0	0	323,721	129,240	452,961
INVESTMENT EARNINGS							
NET INCREASE IN FAIR VALUE	15	0	50	65	200,531	101,274	301,805
GAIN ON SALE OF INVESTMENTS	0	0	0	0	52,053	84,094	136,147
INTEREST/DIVIDENDS	6	0	19	25	135,805	93,480	229,285
TOTAL INVESTMENT EARNINGS	21	0	69	90	388,389	278,848	667,237
CHARGES FOR SERVICES	0	34,721	0	34,721	0	0	0
MISCELLANEOUS REVENUES	0	0	0	0	543	326	869
TOTAL ADDITIONS	21	34,721	69	34,811	712,653	408,414	1,121,067
DEDUCTIONS							
BENEFIT PAYMENTS	0	25,417	0	25,417	257,084	0	257,084
ADMINISTRATIVE EXPENSES	0	0	0	0	77,702	42,102	119,804
TRANSFERS OUT	0	0	0	0	0	0	0
TOTAL DEDUCTIONS	0	25,417	0	25,417	334,786	42,102	376,888
CHANGE IN NET ASSETS	21	9,304	69	9,394	377,867	366,312	744,179
NET ASSETS, BEGINNING OF YEAR	2,154	4,221	7,108	13,483	3,820,514	2,647,319	6,467,833
NET ASSETS, END OF YEAR	\$ 2,175	\$ 13,525	\$ 7,177	\$ 22,877	\$ 4,198,381	\$ 3,013,631	\$ 7,212,012

CITY OF BROOKSVILLE, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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						
Patrol Vehicle Replacement Grant	2010-ARRC-HERN-2-W7-031	16.804	\$ 150,956	\$ -	\$ 150,956	\$ -
Light for Life Grant	2010-JAGD-HERN-1-4Y-090	16.738	4,267	-	4,267	-
Narcotics and Prostitution Enforcement Program	2010-JAGC-HERN-2-4X-048	16.738	42,334	-	42,334	-
COPS Hiring Recovery Program	2009-RK-WX-0221	16.710	134,122	-	41,811	-
Total U.S. Department of Justice			331,679	-	239,368	-
U.S. Department of Health and Human Services						
Florida Department of Health						
Fluoridation Grant	COH4D	93.991	16,300	-	16,300	-
U.S. Department of Environmental Protection						
Florida Department of Environmental Protection						
Clean Water State Revolving Fund	WW270200	66.458	1,370,200	-	801,534	-
Total Federal Awards			\$ 1,718,179	\$ -	\$ 1,057,202	\$ -

CITY OF BROOKSVILLE, FLORIDA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

GRANTOR PASS-THROUGH GRANTOR PROGRAM/PROJECT TITLE	CONTRACT #	CFDA/ CSFA #	AWARD AMOUNT	LOCAL MATCH	GRANT FUNDS EXPENDED	LOCAL MATCH EXPENDED
<u>STATE FINANCIAL ASSISTANCE</u>						
Florida Department of Transportation Landscape		55.003	\$ 150,000	\$ -	\$ 56,046	\$ -
Department of Environmental Protection Brooksville Water System Improvement Project	LP6815	37.039	440,000	-	7,688	-
Total State Financial Assistance			\$ 590,000	\$ -	\$ 63,734	\$ -

**CITY OF BROOKSVILLE, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2010**

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, 2010.

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, 2010.

NOTE C – MAJOR FEDERAL AWARDS

<u>Name of Program</u>	<u>CFDA Number</u>
Clean Water State Revolving Fund	66.458

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING 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, 2010, and have issued our report thereon dated March 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 10-1 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 & COMPANY, P.A.

Oliver & Company, P.A.

March 28, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH CIRCULAR A-133**

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 U.S. Office of Management and Budget Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2010. The City of Brooksville's major federal program is 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 its major federal program 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 U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Brooksville's compliance with those requirements and performing other procedures 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 its major federal program for the year ended September 30, 2010.

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 as a basis for designing 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 deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees in their normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Auditor General of the State of Florida, and Federal 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 & COMPANY, P.A.

Oliver & Company, P.A.

March 28, 2011

**CITY OF BROOKSVILLE, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Any material weakness(es) identified?	No
Any significant deficiencies identified not considered to be material weaknesses?	None Reported
Any noncompliance material to financial statements noted?	No

Federal Awards

Type of auditors’ report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Any material weakness(es) identified?	No
Any significant deficiencies identified not considered to be material weaknesses?	None Reported
Any audit findings disclosed that are required to be Reported in accordance with U.S. Office of Management And Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)?	No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Program</u>
66.458	Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**CITY OF BROOKSVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010**

Section II – Financial Statement Findings

10-1

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.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Council Members
Brooksville, Florida

We have audited the 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 (the "City"), as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated March 28, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget Circular A-133. We have issued our Report on Compliance and Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with Circular A-133 and the Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 28, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' report or schedule.

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

Prior Year Audit Finding and Recommendation

In conjunction with our audit of the City's financial statements for the year ended September 30, 2009, we commented on an audit finding and a recommendation relating to the City's accounting system and internal controls. The finding is repeated as item 10-1 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 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 the City's financial management. The preceding Schedule of Findings and Questioned Costs included current year findings and recommendations, which are addressed under the caption "Section II – Financial Statement Findings".

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 occurred, or are likely to have occurred, 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, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. 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 disclosed in the notes to the financial statements. Such disclosure is included in the attached.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the City 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, the results of our tests did not indicate that the City met any of the conditions described in Section 218.503(1).

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, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City'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 management.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of 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 & COMPANY, P.A.



March 28, 2011

**CITY OF BROOKSVILLE, FLORIDA
GOVERNMENTAL OFFICIALS**

ATTACHMENT TO INDEPENDENT AUDITORS' MANAGEMENT LETTER

CITY COUNCIL

MAYOR

FRANKIE BURNETT

VICE MAYOR

JOE JOHNSTON

COUNCIL MEMBER

LARA BRADBURN

COUNCIL MEMBER

EMORY PIERCE

COUNCIL MEMBER

JOE BERNARDINI

CITY MANAGER

T. JENNENE NORMAN-VACHA

DIRECTOR OF FINANCE

STEPHEN J. BAUMGARTNER

CITY CLERK

JANICE L. PETERS

CITY ATTORNEY

THE HOGAN LAW FIRM



March 28, 2011

Mr. David W. Martin, CPA
Auditor General
Local Government Audits/342
State of Florida
Claude Denson Pepper Building, Room 401
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, 2010

Dear Mr. Martin:

The financial statements of the City of Brooksville for the fiscal year ended September 30, 2010, have been audited by the City's independent auditing firm of Certified Public Accountants (Oliver & Company, 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, 2011. In compliance with their audit tasking, Oliver & Company, 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 auditor's management letter comments.

Financial Statement Finding 10-1.

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: We believe we are recording our liabilities in the appropriate periods and checks are issued by their due dates with rare exceptions. With respect to establishing a centralized accounts payable system, additional finance staff would have to be hired to accomplish this recommendation. Approvals and coding are done by the various departments. Our Microix software was implemented in January 2009. Microix provides electronic purchase orders and requisitions that can easily be tracked by the finance staff and the departments alike. Plus management can enforce specific requirements to reduce errors. The requests are approved through a multi-level approval process and then are automatically converted to a purchase order or accounts payable transaction. The new software has increased efficiencies and decreased unnecessary paperwork. We disagree that this is not a centralized system since the information is entered and available to the finance department at all times. The departments enter their invoices or purchase orders and those transactions go through the proper

March 28, 2011

Mr. David Martin W. Martin, CPA, Auditor General State of Florida
Financial Audit of Brooksville, FY end 2010

approval levels to the finance department. In addition, approvals are recorded electronically.

Completion date: City will consider the recommendation of the Auditors; however there are costs to implement their recommendation.

Mr. Martin, 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 ending September 30, 2010. The City of Brooksville finance staff was very pleased that only one minor audit adjusting entry pertaining to a \$6,235 Grant receivable was adjusted this fiscal year. Should you have any questions or suggestions, please feel free to contact me at (352) 540-3810, extension 37408.

Yours very truly,


Stephen J Baumgartner
Finance Director

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