

TOWN OF MCINTOSH, FLORIDA
Annual Financial Report
For the Fiscal Year Ended September 30, 2009

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 For the Fiscal Year Ended September 30, 2009

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INTRODUCTORY SECTION

TOWN OF MCINTOSH, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2009

MAYOR

Cary McCollum

PRESIDENT

Frank Ciotti

VICE PRESIDENT

Lee Deaderick

COUNCIL MEMBERS

Eva Jo Callahan

Willie Hamilton

Thurman Kingsley

FINANCIAL SECTION



Powell & Jones
Certified Public Accountants

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of McIntosh, Florida, (Town) as of and for the fiscal year ended September 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of McIntosh's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

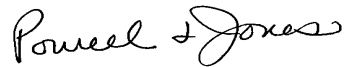
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of McIntosh, Florida as of September 30, 2009, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 4, 2009, our consideration of the Town of McIntosh's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

The Management's Discussion and Analysis on page 8 through 11, is also not a required part of the basic financial statements of the Town of McIntosh, Florida, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

POWELL & JONES
Certified Public Accountants
November 4, 2009

TOWN OF MCINTOSH, FLORIDA
Management's Discussion and Analysis

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

Report Layout

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

Basic Financial Statements

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

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

Town as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Assets follows:

Net Assets at September 30, 2009 and 2008

	Governmental Activities	
	2009	2008
Assets		
Cash and investments	\$ 562,545	\$ 548,199
Other assets	29,540	19,526
Capital assets	123,957	115,618
Total assets	<u>716,042</u>	<u>683,343</u>
Liabilities		
Current liabilities	<u>24,888</u>	<u>29,813</u>
Total liabilities	<u>24,888</u>	<u>29,813</u>
Net assets		
Invested in capital assets	123,957	115,618
Restricted for streets	403,098	412,140
Restricted for water system	12,000	-
Restricted for Civic Center	171	-
Restricted for computer/office	1,122	-
Unrestricted	<u>150,806</u>	<u>125,772</u>
Total net assets	<u>\$ 691,154</u>	<u>\$ 653,530</u>

18% of the Town's net assets reflect its investment in capital assets (land, buildings, infrastructure, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

The Town also has accumulated net assets of \$416,391 which are restricted for streets or other transportation purposes, water system, Civic Center, and for computer equipment in the office.

The balance of unrestricted net assets \$150,806 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net assets. The increase during the year through Governmental Activities net assets is due primarily to budgetary management.

The Town's net assets increased \$37,624 over the year.

A condensed version of the Statement of Activities follows:

Change in Net Assets
For the Fiscal Years Ended September 30, 2009 and 2008

	Governmental Activities	
	2009	2008
Revenues		
Program revenues		
Charges for services	\$ 90,078	\$ 83,603
General revenues		
Taxes	202,424	182,955
Licenses and permits	1,050	1,160
State shared revenues	40,959	45,230
Interest	9,245	10,930
Rents	8,561	12,277
Other miscellaneous revenue	240	5,010
Total revenues	<u>352,556</u>	<u>341,165</u>
Expenses		
General government	111,121	129,931
Public safety	18,815	-
Water system	93,041	90,927
Transportation	90,901	71,151
Culture/recreation	1,055	882
Total expenses	<u>314,933</u>	<u>292,891</u>
Change in net assets	37,624	48,274
Beginning net assets	653,530	605,256
Ending net assets	<u>\$ 691,154</u>	<u>\$ 653,530</u>

Governmental activities:

Taxes provide 56% of the revenues for Governmental Activities, while charges for services provide 25%. Most of the Governmental Activities resources are spent for General Government (35%), and Water Service (30%).

Budgetary Highlights

The Town operated within its budgetary limits during the current year. The increase in net assets of \$37,624 was primarily attributable to budgetary management during the year.

Capital Assets

At September 30, 2009, the Town had \$123,957 invested in capital assets, including the water system, park and recreation facilities, buildings, and streets.

Capital Assets at September 30, 2009 and 2008

	Governmental Activities	
	2009	2008
Land	\$ 43,366	\$ 43,366
Buildings and improvements	291,233	287,133
Water plant	521,911	521,911
Equipment	98,725	75,711
Street paving	38,415	38,415
Subtotal	993,650	966,536
Accumulated depreciation	(869,693)	(850,918)
Capital assets, net	\$ 123,957	\$ 115,618

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The estimated population for the Town in 2009 was 500 and is estimated to be approximately the same in 2010.

Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, other interested parties, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. In subsequent years comparison information will be provided in this analysis.

If you have questions about the report or need additional financial information, please contact the Town Clerk at P.O. Box 165, McIntosh, Florida 32664 or dmiller.mcintoshclerk@windstream.net.

BASIC FINANCIAL STATEMENTS

TOWN OF MCINTOSH, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2009

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 104,012
Accounts receivable	7,732
Prepaid expenses	3,907
Due from other governmental units	17,901
Investments	458,533
Total current assets	<u>592,085</u>
Noncurrent assets	
Capital assets	123,957
Total assets	<u>\$ 716,042</u>
LIABILITIES	
Current liabilities	
Accounts payable	\$ 2,759
Sales tax payable	97
Wages payable	10,562
Deposits	11,470
Total liabilities	<u>24,888</u>
NET ASSETS	
Invested in capital assets	123,957
Restricted for streets	403,098
Restricted for water system	12,000
Restricted for Civic Center	171
Restricted for comptner/office	1,122
Unrestricted	150,806
Total net assets	<u>\$ 691,154</u>

TOWN OF MCINTOSH, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2009

Functions/Programs	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenues, and Changes in Net Assets</u>
Governmental activities			
General government	\$ 111,121	\$ -	\$ (111,121)
Public safety	18,815	596	(18,219)
Physical environment	93,041	86,903	(6,138)
Transportation	90,901	2,579	(88,322)
Culture/recreation	1,055	-	(1,055)
	<u>\$ 314,933</u>	<u>\$ 90,078</u>	<u>(224,855)</u>
General revenues			
Property taxes			38,391
Sales taxes			100,701
Utility services taxes			34,627
Franchise taxes			28,705
Licenses and permits			1,050
State shared revenues			40,959
Rent and royalties			8,561
Interest			9,245
Miscellaneous			240
Total general revenues			<u>262,478</u>
Change in net assets			<u>37,624</u>
Net assets - beginning			<u>653,530</u>
Net assets - ending			<u>\$ 691,154</u>

TOWN OF MCINTOSH, FLORIDA

GOVERNMENTAL FUND
BALANCE SHEET

September 30, 2009

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 104,012
Accounts receivable	7,732
Prepaid expenses	3,907
Due from other governmental units	17,901
Investments	458,533
Total assets	<u>592,085</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	2,759
Sales tax payable	97
Wages payable	10,562
Deposits	11,470
Total liabilities	<u>24,888</u>
Fund balance	
Restricted for streets	403,098
Restricted for water system	12,000
Restricted for Civic Center	171
Restricted for computer/office	1,122
Unrestricted	150,806
Total fund balance	<u>567,197</u>
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	123,957
Net assets of governmental activities	<u>\$ 691,154</u>

TOWN OF MCINTOSH, FLORIDA

GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended September 30, 2009

	<u>General Fund</u>
REVENUES	
Taxes	\$ 202,424
Licenses and permits	1,050
Intergovernmental	40,959
Charges for services	89,482
Fines and forfeitures	596
Rents and royalties	8,561
Interest	9,245
Miscellaneous	240
Total revenues	<u>352,556</u>
EXPEDITURES	
Current expenditures	
General government	88,180
Public safety	18,815
Physical environment	91,528
Transportation	88,980
Culture/recreation	1,055
Capital outlay	
General government	20,090
Transportation	14,624
Total expenditures	<u>323,272</u>
Net change in fund balance	29,284
Fund balance at beginning of year	537,913
Fund balance at end of year	<u>\$ 567,197</u>

TOWN OF MCINTOSH, FLORIDA

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

Net change in fund balance - governmental fund	\$ 29,284
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds reported capital outlays as expenditures, However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	(26,375)
Capital outlays	<u>34,714</u>
Change in net assets of governmental activities	<u>\$ 37,624</u>

TOWN OF MCINTOSH, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

1. Government -wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

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

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

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

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

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

1. Governmental Major Funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund. For the year ended September 30, 2009, the Town utilized the General Fund to record all of its financial transactions.

2. Non-current Governmental Assets/Liabilities:

GASB Statement 34 requires non-current governmental assets, such as land and building, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net assets.

D. Assets, Liabilities and Net Assets or Equity

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

Investments consist of amounts placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund and the Fund B. Surplus Funds Trust Fund investment pools created by Sections 218.405 and 218.417, *Florida Statutes*, and those made locally. On December 4, 2007, the State Board of Administration restructured the Local Government Surplus Funds Trust Fund (Pool) to also establish the Fund B Surplus Funds Trust Fund. The local investments operate under the guidelines established by Section 218.415, *Florida Statutes*. The Town’s investments in the Pool, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of September 30, 2009, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

The Town’s investments in the Fund B. Surplus Trust Fund are accounted for as a fluctuating net asset value pool, with a fair value factor of 0.54915069 at September 30, 2009. The Fund B is not subject to participant withdrawal requests. Distributions from Fund B, as determined by the State Board Administration, are effected by transferring eligible cash or securities to the Local Government Surplus Funds Trust Fund, consistent with the pro rata allocation of Pool shareholders of record at the creation of Fund B. One hundred percent of such distributions from Fund B are available as a liquid balance within the Local Government Surplus Funds Trust Fund.

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

2. Inventories - The costs of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.
3. Fund Equity - As applicable in fiscal periods, reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. At September 30, 2009, the Town had a reserved fund balance for streets of \$412,140.
4. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.
5. Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded as historical costs. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

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

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

Property, plant, and equipment of the Town have not been depreciated as of September 30, 2009.

6. Capitalization of Interest - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the Town did not have any capitalized interest.
7. Deferred Revenues - Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. During the current period, the Town did not have any deferred revenues.
8. Accrued Compensated Absences - Compensated absences are absences for which employees will be paid vacation and sick leave. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and would represent a reconciling item between the fund and government-wide presentation. At September 30, 2009, the Town had no liability for compensated absences.

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

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

"Total fund balance" of the Town's governmental fund (\$567,197) differs from "net assets" of governmental activities (\$691,154) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

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

Cost of capital assets	\$ 993,650
Accumulated depreciation	<u>(869,693)</u>
Total	<u>\$ 123,957</u>

TOWN OF MCINTOSH, FLORIDA

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

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

	Total Governmental Fund	Capital Related Items	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 104,012	\$ -	\$ 104,012
Accounts receivable	7,732	-	7,732
Prepaid expenses	3,907	-	3,907
Due from other governmental units	17,901	-	17,901
Investments	458,533	-	458,533
Capital assets - net	-	123,957	123,957
Total assets	\$ 592,085	\$ 123,957	\$ 716,042
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Accounts payable	2,759	-	2,759
Accrued liabilities	10,659	-	10,659
Deposits	11,470	-	11,470
Total liabilities	24,888	-	24,888
Fund equity/net assets	567,197	123,957	691,154
Total liabilities and fund equity/net assets	\$ 592,085	\$ 123,957	\$ 716,042

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

The "net change in fund balances" for the governmental fund \$29,284 differs from the "change in net assets" for governmental activities \$37,624 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	\$ 34,714
Depreciation expense	<u>(26,375)</u>
Difference	<u>\$ 8,339</u>

TOWN OF MCINTOSH, FLORIDA

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

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

	Total Governmental Fund	Capital Related Items	Statement of Activities
REVENUES			
Taxes	\$ 202,424	\$ -	\$ 202,424
Licenses and permits	1,050	-	1,050
Intergovernmental	40,959	-	40,959
Charges for services	89,482	-	89,482
Fines and forfeitures	596	-	596
Rents and royalties	8,561	-	8,561
Miscellaneous	240	-	240
Interest	9,245	-	9,245
Total revenues	<u>352,556</u>	<u>-</u>	<u>352,556</u>
EXPENDITURES			
Current expenditures			
General government	88,180	22,941	111,121
Public safety	18,815	-	18,815
Physical environment	91,528	1,513	93,041
Transportation	88,980	1,921	90,901
Culture/recreation	1,055	-	1,055
Capital outlay			
General government	20,090	(20,090)	-
Transportation	14,624	(14,624)	-
Total expenditures	<u>323,272</u>	<u>(8,339)</u>	<u>314,933</u>
Net change in fund balance	29,284	8,339	37,624
Fund balance - beginning of year	537,913	115,618	653,530
Fund balance - end of year	<u>\$ 567,197</u>	<u>\$ 123,957</u>	<u>\$ 691,154</u>

NOTE 3. LEGAL COMPLIANCE --BUDGETS

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

1. Deposits

At September 30, 2009, the carrying amount of the Town's bank deposits was \$571,527. All deposits with financial institutions were 100% insured by federal depository insurance or by collateral provided by qualified public depositories to the State Treasurer pursuant to the Public Depository Security Act of the State of Florida. The Act established a Trust Fund, maintained by the State Treasurer, which is a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a member fails.

2. Investments

As of September 30, 2009, the Town had the following investments and maturities:

Investment	Maturities	Fair Value
State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool	33 Day Average	\$ 993
Fund B Surplus Funds Trust Fund Certificates of Deposit	6.69 Year Average October 2009, September 2010 and November 2010	10,982
		<u>446,558</u>
Total investments		<u>\$ 458,533</u>

Interest Rate Risk

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

- Ø The maturity of the State Board of Administration Local Government Investment Pool is based on the weighted average of days to maturity (WAM). A portfolio's WAM reflects the average maturity in days based on final maturity or reset date, in the case of floating rate instruments. WAM measures the sensitivity of the portfolio to interest rate changes. The maturity of the State Board of Administration Fund B Surplus Funds Trust Fund is based on the weighted average life (WAL). A portfolio's WAL is the dollar weighted average length of time until securities held reach maturity. WAL is based on legal final maturity dates as of September 30, 2009.

Credit Risk

- Ø Section 218.415(17), *Florida Statutes*, limits investments to the State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, *Florida Statutes*; Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits in qualified public depositories, as defined in Section 280.02, *Florida Statutes*, and direct obligations to the United States Treasury. The Town's investment policy limits investments to these types of securities.
- Ø As of September 30, 2009, the Town's investment in the Local Government Surplus Funds Trust Fund investment pool is AAAM by Standard & Poors. The Fund B Surplus Trust Fund is unrated.
- Ø The Town's investments in Certificates of Deposit are in a qualified public depository.

Custodial Credit Risk

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

NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2008-2009 fiscal year were levied in October 2008. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental activities:</u>				
Capital assets:				
Land	\$ 43,366	\$ -	\$ -	\$ 43,366
Water plant	521,911	-	-	521,911
Buildings and improvements	287,133	4,100	-	291,233
Street paving	38,415	-	-	38,415
Equipment and vehicles	75,711	30,614	(7,600)	98,725
Total capital assets	966,536	34,714	(7,600)	993,650
*Less accumulated depreciation	(850,918)	(26,375)	7,600	(869,693)
Governmental activities capital assets, net	<u>\$ 115,618</u>	<u>\$ 8,339</u>	<u>\$ -</u>	<u>\$ 123,957</u>

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

Governmental activities:	
General government	\$ 22,941
Physical environment	1,513
Highways and streets	1,921
	<u>\$ 26,375</u>

NOTE 7. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2009, were as follows:

	Accounts Receivable	Due from Other Governmental Units	Total Receivables
Governmental activities:			
General	<u>\$ 7,732</u>	<u>\$ 17,901</u>	<u>\$ 25,633</u>

Payables

Payables at September 30, 2009, were as follows:

	Vendors	Other Accrued Payables	Total Payables
Governmental activities:			
General	<u>\$ 2,759</u>	<u>\$ 22,129</u>	<u>\$ 24,888</u>

NOTE 8. RETIREMENT PLAN

The Town has adopted a tax sheltered retirement plan. This plan is a qualified defined contribution plan under Section 401(A) of the Internal Revenue Code. The Town makes contributions for eligible employees at 5.75% of earnings. Eligibility extends to all full-time employees. Current contributions for the year ended September 30, 2009, were \$4,312.

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

NOTE 9. CONTINGENT LIABILITIES

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

NOTE 10. RISK MANAGEMENT

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MCINTOSH, FLORIDA

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

For the Fiscal Year Ended September 30, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
REVENUES			
Taxes			
Ad valorem taxes	39,695	38,391	(1,304)
Sales and use taxes			
One-cent voted gas tax	15,000	13,880	(1,120)
Florida gas tax	72,000	78,659	6,659
Utility service taxes			
Electricity	29,160	30,708	1,548
Water	3,600	3,919	319
Franchise taxes			
Electricity	25,200	28,658	3,458
Cable television	40	47	7
Communications service tax	5,880	8,162	2,282
Total taxes	<u>190,575</u>	<u>202,424</u>	<u>11,849</u>
Licenses and permits	<u>1,200</u>	<u>1,050</u>	<u>(150)</u>
Intergovernmental			
State shared revenues			
State revenue sharing	16,620	16,494	(126)
Alcoholic beverage licenses	120	99	(21)
Half-cent sales tax	26,400	24,366	(2,034)
Total intergovernmental	<u>43,140</u>	<u>40,959</u>	<u>(2,181)</u>
Charges for services			
Physical environment			
Water supply system	37,800	42,472	4,672
Garbage and solid waste	41,760	44,431	2,671
Transportation			
Other charges for services	2,580	2,579	(1)
Total charges for services	<u>82,140</u>	<u>89,482</u>	<u>7,342</u>
Fines and forfeitures	<u>1,200</u>	<u>596</u>	<u>(604)</u>

TOWN OF MCINTOSH, FLORIDA

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

For the Fiscal Year Ended September 30, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Miscellaneous			
Interest	19,650	9,245	(10,405)
Rents	13,200	8,561	(4,639)
Other	10	240	230
Total miscellaneous	<u>32,860</u>	<u>18,046</u>	<u>(14,814)</u>
Total revenues	<u>351,115</u>	<u>352,556</u>	<u>1,441</u>
EXPENDITURES			
General government			
Other general government			
Personal services			
Salaries	32,475	33,928	(1,453)
FICA	2,485	2,500	(15)
Retirement	1,870	1,879	(9)
Insurance	5,580	5,664	(84)
Total personal services	<u>42,410</u>	<u>43,971</u>	<u>(1,561)</u>
Operating expenses			
Professional services	32,300	17,681	14,619
Legal ads	2,400	445	1,955
Communications	1,380	1,482	(102)
Utilities	2,400	3,008	(608)
Rents	2,400	2,400	-
Insurance	13,000	7,963	5,037
Repairs	3,000	1,062	1,938
Municipal codification	600	2,070	(1,470)
Citizen Board Committee	1,200	-	1,200
Other current charges and obligations	5,400	926	4,474
Taxes	1,800	1,800	0
Office supplies	6,570	5,372	1,198
Total operating expenses	<u>72,450</u>	<u>44,209</u>	<u>28,241</u>
Capital outlay			
Machinery and equipment	21,383	20,090	1,293
Total general government	<u>136,243</u>	<u>108,270</u>	<u>27,973</u>

See notes to financial statements.

TOWN OF MCINTOSH, FLORIDA

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

For the Fiscal Year Ended September 30, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Public safety			
Fire control			
Operating expenses			
Fire rescue services	17,347	17,340	7
Other current charges and obligations	1,700	1,475	225
Total operating expenses	<u>19,047</u>	<u>18,815</u>	<u>232</u>
Total public safety	<u>19,047</u>	<u>18,815</u>	<u>232</u>
Physical environment			
Water system			
Personal services			
Salaries	14,560	14,249	311
FICA	1,115	1,090	25
Retirement	765	742	23
Insurance	1,980	2,005	(25)
Total personal services	<u>18,420</u>	<u>18,086</u>	<u>334</u>
Operating expenses			
Professional expenses	6,900	7,210	(310)
Utilities	7,800	8,366	(566)
Insurance	3,740	2,261	1,479
Repairs	9,820	11,480	(1,660)
Supplies	3,500	4,182	(682)
Total operating expenses	<u>31,760</u>	<u>33,499</u>	<u>(1,739)</u>
Capital outlay	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Garbage/solid waste services			
Operating expenses			
Contractual services	39,960	39,943	17
Total physical environment	<u>102,140</u>	<u>91,528</u>	<u>10,612</u>
Transportation			
Roads and streets			
Personal services			
Salaries	46,370	42,123	4,247
FICA	3,550	3,257	293
Retirement	2,285	1,691	594

See notes to financial statements.

TOWN OF MCINTOSH, FLORIDA

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

For the Fiscal Year Ended September 30, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Insurance	<u>4,380</u>	<u>4,424</u>	<u>(44)</u>
Total personal services	<u>56,585</u>	<u>51,495</u>	<u>5,090</u>
Operating expenses			
Professional services			
Utilities	12,480	13,671	(1,191)
Insurance	5,000	4,462	538
Repairs and maintenance	8,400	8,490	(90)
Rent	2,400	2,400	-
Miscellaneous	4,520	8,462	(3,942)
Total operating expenses	<u>32,800</u>	<u>37,485</u>	<u>(4,685)</u>
Capital outlay	2,800	14,624	(11,824)
Total transportation	<u>92,185</u>	<u>103,604</u>	<u>(11,418)</u>
Culture/recreation			
Parks and recreation			
Operating expenses			
Other current obligations and expenses	1,500	1,055	445
Total culture/recreation	<u>1,500</u>	<u>1,055</u>	<u>445</u>
Total expenditures	<u>351,115</u>	<u>323,272</u>	<u>27,843</u>
Net change in fund balance	-	29,284	29,284
Fund balance at beginning of year	<u>405,589</u>	<u>537,913</u>	<u>132,324</u>
Fund balance at end of year	<u>\$ 405,589</u>	<u>\$ 567,197</u>	<u>\$ 161,608</u>

COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Town Council
Town of McIntosh, Florida

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of McIntosh, Florida, as of and for the year ended September 30, 2009, which collectively comprise the Town of McIntosh, Florida's basic financial statements, and have issued our report thereon dated November 4, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the Town of McIntosh, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of McIntosh, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

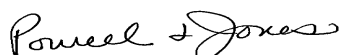
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

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

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

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



POWELL & JONES
November 4, 2009

MANAGEMENT LETTER

Honorable Mayor
and Council Members
Town of McIntosh, Florida

We have audited the financial statements of the Town of McIntosh, Florida, as of and for the year ended September 30, 2009, and have issued our report thereon dated November 4, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report which is dated November 4, 2009, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that the following items be addressed in this letter.

PRIOR YEAR FINDINGS

There were no reportable findings in the prior year.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report – The Financial Report filed with the Department Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the Town of McIntosh, Florida, for the fiscal year ended September 30, 2009.

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

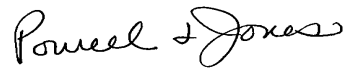
Financial Emergency Status – Nothing came to our attention that caused us to believe that the Town had met any of the conditions described in Section 218.503(1)(a), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment – As required by the *Rules of the Auditor General*, (Sections 10.554(7)(c), and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

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

CONCLUSION

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

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

POWELL & JONES
Certified Public Accountants
November 4, 2009