

# **Case Study**

**Introduction to Management's Discussion and  
Analysis**

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Milestone Professional Services**

**FGFOA School of Governmental Finance 2007**

**FGFOA School of Governmental Finance  
Introduction to MD&A  
CASE STUDY**

**Additional Facts:**

Sample City is a Central Florida City with a population of 26316. Economic conditions within the City have been strong. Unemployment is low at 3.3% and the tax base continues to expand from a combination of new construction and increases in value.

The City has maintains a general fund, 6 special revenue funds, a debt service fund, capital projects fund, enterprise fund and internal service fund. Major funds for the 2006 year were determined to be: the general fund, Local Option Gas Tax Fund, Infrastructure Surtax Fund, Road Impact Fee Fund and Utility Fund.

During the year the City was able to upgrade their entire fleet of vehicles. Although most of the vehicles were only a year old, new safety requirements and fuel efficiency standards adopted by the City Council mandated the purchases.

During 2006, the Council approved a significant increase in the utility rate being charged to customers. This increase was necessary to fund the building of a new sewer plant. Contracts will be let for this plant during 2007.

**CITY OF SAMPLE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2006

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The City of Sample, Florida's (the "City") Management Discussion and Analysis (the "MD&A") presents an overview of the City's financial activities for the fiscal year ended September 30, 2005. Please read it in conjunction with the letter of transmittal in the introductory section, and the City's financial statements following the MD&A.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of fiscal year 2006 by \$65.1 million (net assets). Of this amount, \$25.5 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- At September 30, 2006, the City's governmental funds reported combined ending fund balances of \$16.8 million, an increase of \$1 million in comparison with the prior year's restated combined ending fund balances.
- At September 30, 2006, unreserved fund balance for the General Fund was \$5.9 million or 29.6% of total General Fund expenditures and transfers out.
- Governmental funds revenues decreased \$940 thousand or 4.2% from the prior fiscal year. This was largely due to a decrease of \$2.6 million in intergovernmental revenues, mostly grants.
- Governmental funds expenditures increased \$4.7 million due primarily to a decrease in hurricane recovery related expenditures and from the completion of major City projects in 2005.
- Business-type funds net assets increased \$2.1 million or 6.6% from the prior fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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 themselves.

#### **Government-wide financial statements**

The *government-wide financial statements*, which consist of the following two statements, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event, giving rise to the change, occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected but earned, and unused vacation leave).

Both of these 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, physical environment, transportation, human services, and culture/recreation. The business-type activities of the City include solid waste disposal and water and sewer utilities. The government-wide financial statements can be found immediately following the MD&A.

### **Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over 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. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

#### **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 statements focus 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 a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, the Local Option Gas Tax Special Revenue Fund, and the Infrastructure Surtax Special Revenue Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the other supplemental information section of this report.

The City adopts an annual appropriated budget for its general and special revenue funds, and project-length budgets for the capital projects funds. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements may be found immediately following the government-wide financial statements.

#### **Proprietary funds**

The City maintains two different types of proprietary funds. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for the fiscal activities relating to water and wastewater utilities. The *internal service fund* is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses the internal service fund to account for catastrophic loss reserves related to its self-insurance and risk management program. Because these reserves predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility Fund, which is considered to be a major fund of the City and the Self Insurance Internal Service Fund.

The basic proprietary fund financial statements follow the governmental fund financial statements.

***Fiduciary funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is similar to proprietary funds. The City only has a pension trust fund.

The basic fiduciary fund financial statements can be found after the basic proprietary fund financial statements.

**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. The notes to the financial statements can be found after the fiduciary fund financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes, *required supplementary information* is included which presents budgetary comparison schedules for the City's General Fund and the major special revenue funds. Required supplementary information can be found following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented in the other supplemental information section of this report. Combining and individual fund schedules can be found after the required supplementary information.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$65.1 million at the close of the fiscal year ended September 30, 2006. At the end of fiscal year 2006, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**CITY OF SAMPLE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**  
September 30, 2006

**Net Assets**

City of Sample  
Stmnt of Net Asests - Condensed  
September 30, 2006

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<b>Assets</b>						
Current and other Assets	\$ 18,894,345	\$ 18,392,866	\$ 20,894,800	\$ 18,167,973	\$ 39,789,145	\$ 36,560,839
Capital Assets (Net)	<u>29,032,279</u>	<u>29,559,517</u>	<u>29,615,638</u>	<u>29,141,819</u>	<u>58,647,917</u>	<u>58,701,336</u>
<b>Total Assets</b>	<u>47,926,624</u>	<u>47,952,383</u>	<u>50,510,438</u>	<u>47,309,792</u>	<u>98,437,062</u>	<u>95,262,175</u>
<b>Liabilities</b>						
Current and other liabilities	5,529,160	1,858,296	3,559,888	1,075,186	9,089,048	2,933,482
Long-term liabilities	<u>11,048,603</u>	<u>14,725,029</u>	<u>13,161,460</u>	<u>14,504,063</u>	<u>24,210,063</u>	<u>29,229,092</u>
<b>Total Liabilities</b>	<u>16,577,763</u>	<u>16,583,325</u>	<u>16,721,348</u>	<u>15,579,249</u>	<u>33,299,111</u>	<u>32,162,574</u>
<b>Net Assets</b>						
Invested in Capital Assets,						
Net of Related Debt	14,671,073	14,496,569	15,724,098	14,584,718	30,395,171	29,081,287
Restricted	9,258,066	8,716,250	-	-	9,258,066	8,716,250
Unrestricted	<u>7,419,722</u>	<u>8,156,239</u>	<u>18,064,992</u>	<u>17,110,402</u>	<u>25,484,714</u>	<u>25,266,641</u>
<b>Total Net Assets</b>	<u>\$ 31,348,861</u>	<u>\$ 31,369,058</u>	<u>\$ 33,789,090</u>	<u>\$ 31,695,120</u>	<u>\$ 65,137,951</u>	<u>\$ 63,064,178</u>

The largest portion of the City's net assets (46.7%) reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City has *restricted net assets* (\$9.3 million) for capital projects and special revenues. The remaining balance of *unrestricted net assets* (\$25.5 million) may be used to meet the government's ongoing obligations to citizens and creditors.

The total assets of the City increased from the prior year by \$6.1 million. The largest contributor of this increase was the acquisition of wastewater disposal rights in the Iron Bridge Expansion for \$2.3 million by the City's Utility Fund. The total liabilities of the City increased slightly from the prior year by \$1.1 million. The current liabilities of the City increased by \$6.2 million due primarily to the reclassification of \$3 million in debt that is due in the coming fiscal year, as well as an increase in current accounts payable of \$1.9 million from the prior year.

The change in the City's net assets from the prior year's change in net assets differed by \$864 thousand. The City's overall activity within the year was consistent with its operations in the prior year. In the prior year, expenditures were elevated due to increased spending for hurricane recovery efforts around the City, but was offset by increased related grant revenues. The City's 2006 fiscal year had decreased expenditures and decreased associated revenues. There were no large activities in the City over the fiscal year 2006.

**CITY OF SAMPLE, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**  
September 30, 2006

**Changes in Net Assets**  
City of Sample  
Stmt of Changes in Net Assets  
September 30, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	2004	2006	2004	2006	2004
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 2,895,708	\$ 2,743,289	\$ 11,603,865	\$ 10,775,251	\$ 14,499,573	\$ 13,518,540
Operating grants and contributions	748,768	1,770,817	-	71,833	748,768	1,842,650
Capital grants and contributions	274,244	67,294	691,008	115,148	965,252	182,442
General Revenues					-	
Property Taxes	5,351,781	5,156,690	-	-	5,351,781	5,156,690
Other Taxes	6,921,771	6,452,127	-	-	6,921,771	6,452,127
Other	5,122,524	4,667,290	639,250	365,741	5,761,774	5,033,031
<b>Total Revenues</b>	<b>21,314,796</b>	<b>20,857,507</b>	<b>12,934,123</b>	<b>11,327,973</b>	<b>34,248,919</b>	<b>32,185,480</b>
<b>Expenses</b>						
General Government	5,212,638	3,351,170	-	-	5,212,638	3,351,170
Public Safety	11,037,425	10,248,677	-	-	11,037,425	10,248,677
Physical Environment	1,342,321	171,731	-	-	1,342,321	171,731
Transportation	2,299,073	4,351,339	-	-	2,299,073	4,351,339
Human Services	94,551	144,327	-	-	94,551	144,327
Culture/Recreation	1,992,179	1,451,166	-	-	1,992,179	1,451,166
Interest on Long-Term Debt	615,250	238,546	-	-	615,250	238,546
Water and Wastewater	-	-	8,932,310	8,641,538	8,932,310	8,641,538
<b>Total Expenses</b>	<b>22,593,437</b>	<b>19,956,956</b>	<b>8,932,310</b>	<b>8,641,538</b>	<b>31,525,747</b>	<b>28,598,494</b>
Change in Net Assets - before transfers	(1,278,641)	900,551	4,001,813	2,686,435	2,723,172	3,586,986
Transfers	1,907,843	1,384,264	(1,907,843)	(1,384,264)	-	-
Change in Net Assets	629,202	2,284,815	2,093,970	1,302,171	2,723,172	3,586,986
Net Assets - Beginning	30,719,659	29,084,243	31,695,120	30,392,949	62,414,779	59,477,192
<b>Net Assets - Ending</b>	<b>\$ 31,348,861</b>	<b>\$ 31,369,058</b>	<b>\$ 33,789,090</b>	<b>\$ 31,695,120</b>	<b>\$ 65,137,951</b>	<b>\$ 63,064,178</b>

**Governmental activities**

There was a net increase of \$629 thousand in net assets reported in connection with the City's governmental activities. This increase represents 20% of total net assets for governmental activities at year end.

**Expenses and Program Revenues – Governmental Activities**

Governmental Functions/Programs	Expenses	% of Total	Program		Net (Expense) Revenue
			Revenues	% of Total	
General Government	\$ 5,212,638	23.1%	\$ 314,424	8.0%	\$ (4,898,214)
Public Safety	11,037,425	48.9%	1,448,769	37.0%	(9,588,656)
Physical Environment	1,342,321	5.9%	1,713,987	43.7%	371,666
Transportation	2,299,073	10.2%	132,962	3.4%	(2,166,111)
Economic Environment	-	0.0%	4,318	0.1%	4,318
Human Services	94,551	0.4%	481	0.0%	(94,070)
Culture/Recreation	1,992,179	8.8%	303,779	7.8%	(1,688,400)
Interest on Long-Term Debt	615,250	2.7%	-	0.0%	(615,250)
	<b>\$ 22,593,437</b>	<b>100.0%</b>	<b>\$ 3,918,720</b>	<b>100.0%</b>	<b>\$ (18,674,717)</b>

**Revenue by Source – Governmental Activities**

**Governmental**

**Program Revenues**

Charges for services	\$ 2,895,708	12.5%
Operating grants and contributions	748,768	3.2%
Capital grants and contributions	274,244	1.2%

**General Revenues**

Property Tax	5,351,781	23.0%
Infrastructure Surtax	1,269,348	5.5%
Public Service Tax	3,281,645	14.1%
Gas Tax	437,584	1.9%
Unrestricted State Revenue Sharing	3,065,326	13.2%
Franchise Fees	1,933,194	8.3%
Unrestricted Intergovernmental Revenues	418,749	1.8%
Interest Revenue	791,070	3.4%
Miscellaneous	847,379	3.6%

**Transfers**

	<u>1,907,843</u>	<u>8.2%</u>
	<u>\$ 23,222,639</u>	<u>100.0%</u>

**Business-type activities**

Business-type activities increased the City's net assets by \$2.1 million, accounting for 6.2% of the total growth in the government's business-type net assets. Key elements of this increase are as follows:

- Charges for services increased by \$829 thousand.
- Capital contributions were \$691 thousand.
- Investment income was \$639 thousand.

**Expenses and Program Revenues – Business-type Activities**

**Business-Type**

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue
Water & Wastewater	<u>\$ 8,932,310</u>	<u>\$ 12,294,873</u>	<u>\$ 3,362,563</u>

**Revenues by Source – Business-type Activities**

**Business-Type**

Charges for services	\$ 11,603,865	89.7%
Operating grants and contributions	-	0.0%
Capital grants and contributions	691,008	5.3%
Interest Revenue	<u>639,250</u>	<u>4.9%</u>
	<u>\$ 12,934,123</u>	<u>100.0%</u>

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental funds**

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2006, the City's governmental funds reported combined ending fund balances of \$16.8 million, an increase of \$1.0 million in comparison with the prior year's restated combined ending fund balances. *Unreserved fund balance* is \$15.8 million and is available for spending, subject to regulatory, statutory, and budgetary restrictions. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) for inventories (\$24 thousand), and 2) for prepaid items (\$965 thousand).

The General Fund is the chief operating fund of the City. At the end of fiscal year 2006, unreserved fund balance of the General Fund was \$5.9 million, while total fund balance reached \$6.6 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 29.6% of the total general fund expenditures and transfers out, while total fund balance represents 33% of that same amount. The fund balance of the City's General Fund increased by \$567 thousand during the current fiscal year. The key factor in this growth is the increase of tax revenue from consolidating their ambulance services from a special revenue fund into the General Fund.

The Local Option Gas Tax Fund and the Infrastructure Surtax Fund are major funds of the City. At the end of fiscal year 2006, the fund balances of both funds were legislatively restricted in use. The Local Option Gas Tax Fund fund balance decreased by \$97 thousand from the prior year due to a slight decrease in tax revenue for the year. The Infrastructure Surtax Fund fund balance increased by \$439 thousand from the prior year due to a decrease of \$2 million in transportation project expenditures.

### **Enterprise fund**

The City's enterprise fund provides the same type of information found in the government-wide financial statements, but in more detail. The City only has one enterprise fund, the Utility Fund, which is a major fund. Unrestricted net assets of the enterprise fund, at the end of the year was \$17.9 million. The total net assets of the enterprise fund increased by \$2.1 million. Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

## **General Fund Budgetary Highlights**

Differences between the General Fund's original budget and final amended budget, for expenditures and transfers out, increased by \$2.9 million for the year. These increases were appropriated from additional revenue sources which included grants from federal and state agencies. The changes within functions are briefly summarized as follows:

- Increase in general government activities of \$612 thousand for personnel and capital outlay needs.
- Increase in public safety activities of \$786 thousand for fire control equipment purchases.
- Increase in transportation activities of \$92 thousand for personnel needs.
- Increase in culture/recreation activities of \$1.4 million for parks equipment purchases.

The City's total actual general fund expenditures and transfers out were \$6.7 million less than the final amended budget for the General Fund due to lower personnel and maintenance costs.

The Infrastructure Surtax Fund also experienced budget increases to cover increased expenditures.

## Capital Asset and Debt Administration

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2006 amounts to \$58.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, infrastructure, and construction in progress. The total net decrease in the City's investment in capital assets for the current fiscal year was \$53 thousand. There were no major capital asset events during the current fiscal year.

	<b>Capital Assets</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Land	\$ 11,882,919	\$ 1,738,685	\$ 13,621,604
Building and Improvements	22,961,671	43,218,956	66,180,627
Machinery and Equipment	5,421,141	4,131,094	9,552,235
Vehicles	3,876,781	-	3,876,781
Infrastructure	-	-	-
Construction in Progress	802,837	1,972,424	2,775,261
	44,945,349	51,061,159	96,006,508
Accumulated Depreciation	(15,913,070)	(21,445,521)	(37,358,591)
Capital Assets, Net	<u>\$ 29,032,279</u>	<u>\$ 29,615,638</u>	<u>\$ 58,647,917</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

### Long-term debt

At the end of fiscal year 2006, the City had total long-term liabilities of \$29.3 million. Of this amount \$23.1 million is secured solely by specified revenue sources (i.e., revenue notes). In addition, the City had outstanding \$4.6 million in notes and loans payable, \$517 thousand in capital leases, and \$1.0 million in compensated absences.

### Outstanding Revenue Notes Payable, Capital Lease, And Compensated Absences

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Revenue and Other Notes	\$ 13,958,395	\$ 13,777,656	\$ 27,736,051
Capital Lease	402,811	113,884	516,695
Compensated absences	903,912	178,712	1,082,624
Total Long-term liabilities	<u>\$ 15,265,118</u>	<u>\$ 14,070,252</u>	<u>\$ 29,335,370</u>

There were no major transactions that affected the balance of the City's long term debt in fiscal year 2006.

Additional information on the City's debt can be found in Note 7 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the City at September 30, 2006 was 3.3 percent, an increase of 0.2% from the prior year. The national unemployment rate for the same period was 4.6 percent.
- The taxable value of real and personal property increased 36.9% in the 2006 fiscal year.
- Population increased approximately 0.1% from the prior fiscal year to 24,930 at September 30, 2006.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$5.9 million. The City has appropriated \$400 thousand of this amount for spending in the 2007 fiscal year budget. The ad valorem tax rate for the General Fund was not increased for the 2007 fiscal year budget. The City anticipates that no tax rate increase will be necessary for the 2008 year as well due to the strength in property values.

### **Requests for Information**

This financial report is designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the City's Finance Department, 123 Lake Drive, Sample, Florida 32707.

**CITY OF SAMPLE, FLORIDA**  
**STATEMENT OF NET ASSETS**  
September 30, 2006

	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 15,044,785	\$ 12,338,449	\$ 27,383,234
Investments	264,868	264,868	529,736
Restricted Assets	-	1,588,678	1,588,678
Accounts Receivable	678,330	1,335,022	2,013,352
Special Assessments Receivable	178,734	-	178,734
Due from Other Governments	1,738,809	-	1,738,809
Inventories	24,066	309,126	333,192
Prepaid Items	964,753	399	965,152
Capital Assets (Net)			
Land	11,882,919	1,738,685	13,621,604
Building and Improvements	22,961,671	43,218,956	66,180,627
Machinery, Equipment and Vehicles	5,421,141	4,131,094	9,552,235
Vehicles	3,876,781	-	3,876,781
Accumulated Depreciation	(15,913,070)	(21,445,521)	(37,358,591)
Infrastructure	-	-	-
Construction in Progress	436,458	1,972,424	2,408,882
Construction in Progress - Infrastructure	366,379	-	366,379
Wastewater Disposal Rights	-	5,058,258	5,058,258
<b>Total Assets</b>	<b>47,926,624</b>	<b>50,510,438</b>	<b>98,437,062</b>
<b>LIABILITIES</b>			
Accounts Payable	703,447	1,840,812	2,544,259
Liabilities Payable from Restricted Assets	-	499,931	499,931
Retainage Payable	-	-	-
Accrued Liabilities	231,966	309,934	541,900
Due to Other Governments	1,212	419	1,631
Accrued Interest Payable	190,934	-	190,934
Deferred Revenue	185,086	-	185,086
Deposits	-	-	-
Long-term Liabilities:			
Due Within One Year	4,216,515	908,792	5,125,307
Due in More Than One Year	11,048,603	13,161,460	24,210,063
<b>Total Liabilities</b>	<b>16,577,763</b>	<b>16,721,348</b>	<b>33,299,111</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	14,671,073	15,724,098	30,395,171
Legislatively Restricted	9,258,066	-	9,258,066
Unrestricted	7,419,722	18,064,992	25,484,714
<b>Total Net Assets</b>	<b>\$ 31,348,861</b>	<b>\$ 33,789,090</b>	<b>\$ 65,137,951</b>

**CITY OF SAMPLE, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$ 5,212,638	\$ 262,241	\$ -	\$ 52,183
Public Safety	11,037,425	700,001	748,768	-
Physical Environment	1,342,321	1,713,987	-	-
Transportation	2,299,073	129	-	132,833
Economic Environment	-	-	-	4,318
Human Services	94,551	481	-	-
Culture/Recreation	1,992,179	218,869	-	84,910
Interest on Long-Term Debt	615,250	-	-	-
<b>Total Governmental Activities</b>	<u>22,593,437</u>	<u>2,895,708</u>	<u>748,768</u>	<u>274,244</u>
<b>Business-type Activities:</b>				
Utility Fund	<u>8,932,310</u>	<u>11,603,865</u>	-	<u>691,008</u>
<b>Total Business-type Activities</b>	<u>8,932,310</u>	<u>11,603,865</u>	-	<u>691,008</u>
<b>Total</b>	<u>\$ 31,525,747</u>	<u>\$ 14,499,573</u>	<u>\$ 748,768</u>	<u>\$ 965,252</u>

General Revenues:  
Property Tax  
Infrastructure Surtax  
Public Service Tax  
Gas Tax  
State Revenue Sharing  
Franchise Fees  
Intergovernmental Revenues  
Interest Revenue  
Miscellaneous  
Transfers  
Total General Revenues/Transfers  
Change in Net Assets  
Net Assets - Beginning, Restated  
Net Assets - Ending

**Net (Expense) Revenue and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (4,898,214)	\$ -	\$ (4,898,214)
(9,588,656)	-	(9,588,656)
371,666	-	371,666
(2,166,111)	-	(2,166,111)
4,318	-	4,318
(94,070)	-	(94,070)
(1,688,400)	-	(1,688,400)
(615,250)	-	(615,250)
<u>(18,674,717)</u>	<u>-</u>	<u>(18,674,717)</u>
-	3,362,563	3,362,563
-	3,362,563	3,362,563
<u>(18,674,717)</u>	<u>3,362,563</u>	<u>(15,312,154)</u>
5,351,781	-	5,351,781
1,269,348	-	1,269,348
3,281,645	-	3,281,645
437,584	-	437,584
3,065,326	-	3,065,326
1,933,194	-	1,933,194
418,749	-	418,749
791,070	639,250	1,430,320
847,379	-	847,379
1,907,843	(1,907,843)	-
<u>19,303,919</u>	<u>(1,268,593)</u>	<u>18,035,326</u>
629,202	2,093,970	2,723,172
<u>30,719,659</u>	<u>31,695,120</u>	<u>62,414,779</u>
<u>\$ 31,348,861</u>	<u>\$ 33,789,090</u>	<u>\$ 65,137,951</u>

**Sample City, Florida**  
**Extract from Note 5**

<b>Governmental Activities</b>	<b>Beginning Balance 9/30/2005</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 9/30/2006</b>
Capital Assets, Not Being Depreciated:				
Land	\$ 11,709,841	\$ 173,078	\$ -	\$ 11,882,919
Construction In Progress - Buildings	436,458	-	-	436,458
Construction In Progress - Infrastructure	<u>69,608</u>	<u>427,953</u>	<u>(131,182)</u>	<u>366,379</u>
Total Capital Assets, Not Being Depreciated	<u>12,717,671</u>	<u>601,031</u>	<u>(131,182)</u>	<u>12,685,756</u>
Capital Assets, Being Depreciated:				
Buildings	8,658,680	6,900	-	8,665,580
Improvements other than buildings	3,410,504	227,455	-	3,637,959
Equipment	4,912,479	1,394,469	(885,807)	5,421,141
Vehicles	3,978,396	236,384	(337,999)	3,876,781
Infrastructure	<u>10,658,132</u>	<u>-</u>	<u>-</u>	<u>10,658,132</u>
Total Capital Assets Being Depreciated	<u>31,661,128</u>	<u>1,865,208</u>	<u>(1,223,806)</u>	<u>32,259,593</u>
Less Accumulated Depreciation For:				
Buildings	(3,751,470)	(275,587)	-	(4,027,057)
Improvements other than buildings	(701,909)	(520,883)	-	(1,222,792)
Equipment	(4,012,273)	(468,176)	283,032	(4,197,417)
Vehicles	(2,665,481)	(443,784)	326,639	(2,782,626)
Infrastructure	<u>(3,683,178)</u>	<u>-</u>	<u>-</u>	<u>(3,683,178)</u>
Total Accumulated Depreciation	<u>(14,819,282)</u>	<u>(1,708,430)</u>	<u>609,671</u>	<u>(15,913,070)</u>
Total Capital Assets, Being Depreciated, Net	<u>16,841,846</u>	<u>156,778</u>	<u>(614,135)</u>	<u>16,346,523</u>
Governmental Activities Capital Assets, Net	<u>\$ 29,559,517</u>	<u>\$ 757,809</u>	<u>\$ (745,317)</u>	<u>\$ 29,032,279</u>

**Sample City, Florida**  
**Extract from Note 5**

**Capital Assets - Net**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 11,882,919	\$ 1,738,685	\$ 13,621,604
Buildings and Improvements	8,665,580	43,218,956	51,884,536
Improvements other than buildings	3,637,959	-	3,637,959
Machinery and Equipment	5,421,141	4,131,094	9,552,235
Vehicles	3,876,781	-	3,876,781
Infrastructure	10,658,132	-	10,658,132
Construction in Progress	<u>802,837</u>	<u>1,972,424</u>	<u>2,775,261</u>
	44,945,349	51,061,159	96,006,508
Less: Accumulated Depreciation	<u>(15,913,070)</u>	<u>(21,445,521)</u>	<u>(37,358,591)</u>
Capital Assets, net	<u>\$ 29,032,279</u>	<u>\$ 29,615,638</u>	<u>\$ 58,647,917</u>

**Note 6 Extract**  
**Sample City, Florida**

	<b>Balance</b>			<b>Balance</b>	<b>Due Within</b>	<b>Long-Term</b>
	<b>10/1/05</b>	<b>Additions</b>	<b>Reductions</b>	<b>9/30/06</b>	<b>One Year</b>	<b>Portion</b>
<b>Governmental Activities:</b>						
Revenue Notes	\$ 14,726,940	\$ -	\$ (768,545)	\$ 13,958,395	\$ 3,816,820	\$ 10,141,575
Capital Lease	336,008	199,411	(132,608)	402,811	128,521	274,290
Compensated Absences	<u>800,740</u>	<u>197,331</u>	<u>(94,159)</u>	<u>903,912</u>	<u>271,174</u>	<u>632,738</u>
Governmental Activity						
Long-term Liabilities	<u>\$ 15,863,688</u>	<u>\$ 396,742</u>	<u>\$ (995,312)</u>	<u>\$ 15,265,118</u>	<u>\$ 4,216,515</u>	<u>\$ 11,048,603</u>
<b>Business-type Activities:</b>						
<b>Utility System</b>						
Bonds Payable:						
Revenue Notes	\$ 9,733,747	\$ -	\$ (495,214)	\$ 9,238,533	\$ 513,784	\$ 8,724,749
Less Deferred Amounts:						
On Refunding	(57,798)	-	12,093	(45,705)		(45,705)
Issuance Discounts/Costs	<u>(15,587)</u>	<u>-</u>	<u>1,040</u>	<u>(14,547)</u>	<u>-</u>	<u>(14,547)</u>
Total Bonds Payable	<u>9,660,362</u>	<u>-</u>	<u>(482,081)</u>	<u>9,178,281</u>	<u>513,784</u>	<u>8,664,497</u>
Notes and Loans Payable:						
FDEP:						
Preconstruction loan	390,325	-	(25,037)	365,288	25,737	339,551
Construction loans	<u>4,506,414</u>	<u>-</u>	<u>(272,327)</u>	<u>4,234,087</u>	<u>278,994</u>	<u>3,955,093</u>
Total Notes Payable	<u>4,896,739</u>	<u>-</u>	<u>(297,364)</u>	<u>4,599,375</u>	<u>304,731</u>	<u>4,294,644</u>
Capital Lease	149,307	-	(35,423)	113,884	36,663	77,221
Compensated Absences	<u>186,345</u>	<u>31,095</u>	<u>(38,728)</u>	<u>178,712</u>	<u>53,614</u>	<u>125,098</u>
Business-type Activity						
Long-term Liabilities	<u>\$ 14,892,753</u>	<u>\$ 31,095</u>	<u>\$ (853,596)</u>	<u>\$ 14,070,252</u>	<u>\$ 908,792</u>	<u>\$ 13,161,460</u>