

**FINANCIAL STATEMENTS**

**TOWN OF PONCE INLET, FLORIDA**

For the Year Ended September 30, 2008  
With Independent Auditors' Reports

**MAYOR <sup>(1)</sup>**

Honorable Tony Goudie

**VICE MAYOR <sup>(1)</sup>**

Barbara Davis

**TOWN COUNCIL MEMBERS <sup>(1)</sup>**

Kris Derr  
Jim McCormick  
Jack Sturno

**TOWN MANAGER**

Kassandra E. Blissett

**ASSISTANT TOWN MANAGER**

Jeaneen P. Clauss

(1) As of 02/26/2009

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September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

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# ***FINANCIAL SECTION***

***THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:***

***INDEPENDENT AUDITOR'S REPORT***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

***BASIC FINANCIAL STATEMENTS***

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**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor, and  
Members of the Town Council  
Town of Ponce Inlet, 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 Town of Ponce Inlet, Florida, as of and for the year ended September 30, 2008, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Town of Ponce Inlet, Florida's management. Our responsibility is to express opinions on these basic 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 Town of Ponce Inlet, Florida, as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, 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 our report dated February 19, 2008, on our consideration of the Town of Ponce Inlet, Florida's internal control over financial reporting and on 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 Honorable Mayor, and  
Members of the Town Council  
Town of Ponce Inlet, Florida  
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The management's discussion and analysis, budgetary comparison schedules and other required supplementary information on pages 3 through 12, and 49 through 57 are not a required part of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Ponce Inlet, Florida's basic financial statements. The combining and individual nonmajor fund financial statements 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 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.

*Brent Milliken & Co., P.A.*

February 26, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As financial management of the Town of Ponce Inlet, Florida, (hereinafter referred to as the "Town"), we offer the readers of these basic financial statements this narrative overview and analysis of the Town's financial activities for the fiscal year that ended on September 30, 2008. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this information. Please note, the Town presents prior year comparative financial information when applicable and meaningful.

### Financial Highlights

- The Town's overall combined assets totaled \$22,192,176 at the close of the 2008 fiscal year compared to \$21,430,380 last year. Total assets exceeded liabilities by \$14,355,463 (*combined net assets*) compared with \$13,459,967 one year earlier. The unrestricted component of the Town's combined net assets totaled \$5,143,500 at year end, compared with \$4,104,843 last year, which represents the unrestricted amount that may be used to meet the Town's ongoing obligations to citizens and creditors.
- Net assets of the Town's governmental activities totaled \$11,566,418, an increase of \$966,456 over last year's \$10,599,962 or 9.1%. At the same time, net assets of its business-type activities totaled \$2,789,045, a decrease of \$70,960 under last year's \$2,860,005, or -2.5%.
- During 2008, the Town incurred governmental expenses of \$5,055,986, which were \$983,779 less than the \$6,039,765 generated in taxes and all other governmental sources for providing its various governmental activities and programs (including interfund transfers in of \$60,390). In the prior year, the increase in net assets of the Town's governmental operations totaled \$1,654,585.
- The Town's business-type activities produced a combined loss (before contributions and operating transfers) of \$18,104 during 2008 based exclusively on consumptive water/sewer/solid waste utility sales of \$2,256,960 (\$2,306,910 in 2007). After recognition of capital contributions of \$7,533 and net interfund transfers out of \$60,390, the decrease in combined net assets totaled \$70,960 in 2008, compared to an increase of \$93,067 in 2007.
- Unreserved fund equity in the General Fund increased by \$728,404 at the end of 2008 and totaled \$3,342,994, compared to \$2,614,590 at the end of 2007. Unreserved fund equity in the General Fund at the end of 2008 represents approximately 76% of reported 2008 General Fund expenditures, compared to 54% at the end of 2007.
- The Town's total long-term debt totaled \$6,544,349 at the end of 2008, compared to \$6,763,214 at the end of 2007, which excludes \$396,962 and \$325,371, respectively, in estimated long-term amounts which will ultimately be paid for employee compensated absences (e.g., accrued vacation and personal leave).

### Overview of the Financial Statements

The Town's basic financial statements are comprised of three parts: 1) management's discussion and analysis, 2) the basic financial statements, including notes to the financial statements, and 3) required supplementary information, including budgetary comparisons and fiduciary fund data.

Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements and required supplementary information. The MD&A represents management's examination and analysis of the Town's financial condition and financial performance as a whole. Summary financial statement data, key financial and operational indicators used in the strategic plan, budget, and other management tools were used for this analysis.

The basic financial statements include two kinds of statements that present different views of the Town. The first two statements consist of entity-wide financial statements that provide both the short- and long-term financial information about the Town's overall financial status, including its governmental activities and its business-type activities. These statements report information about the Town using full accrual accounting methods and economic resources focus as utilized by similar business activities in the private sector. Information concerning all of the Town's assets and liabilities, both financial and capital, and short-term and long-term debt are included. Likewise, all revenues and expenses received during the year, regardless of when cash is received or paid are reported. However, rate-regulated accounting principles applicable to private sector utilities are not used by governmental utilities. The remaining statements are fund financial statements that focus on individual parts of the Town government, reporting the Town's operations in more detail than the government-wide financial statements. The governmental funds' statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the Town's water, sewer and refuse utility systems. Fiduciary fund statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others (like the retirement plan for the Town's part-time and volunteer firefighters), to whom the resources in question belong.

The financial statements also include notes which provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Town's significant accounting policies, account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. This section also contains budgetary comparisons for the Town's governmental fund activities.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. The basic financial statements of the Town include a statement of net assets and a statement of activities, which are described as follows:

- A statement of net assets presents information on all of the Town's assets and liabilities at the end of its fiscal year, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Town's financial position is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased net assets, which indicates an improved financial condition.
- The statement of activities presents the results of business operations over the course of the fiscal year and information as to how the Town's net assets changed during the 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 the 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., delinquent taxes and earned but unused personal leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*government 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 Town include general government services, public safety (police, fire and building inspection), transportation and streets (public works), stormwater management and recreation and leisure services. The business-type activities of the Town include its water, sewer and refuse utility systems.

The government-wide financial statements include not only the Town of Ponce Inlet itself (known as the primary government), but also the financial data of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc. (the "Lighthouse Association"), for which the Town is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. Complete financial statements of the Lighthouse Association component unit can be obtained directly from the Association's Administrative Office at 4931 South Peninsula Drive, Ponce Inlet, FL 32127.

## **Fund Financial Statements**

The fund financial statements provide more detailed information about the Town's most significant funds - not the Town as a whole. 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 Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town 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. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can be readily converted into cash. Such information may be useful in evaluating the 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 are supplemented with a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Public Land Acquisition and Facility Special Revenue Fund, Ponce Preserve Special Revenue Fund, and the Series 2005 Bond Project Fund, all of which are considered to be major funds. Data from the other eight 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 elsewhere in this report. The basic governmental fund financial statements can be found on pages 16 to 21 of this report.

**Proprietary funds.** Services for which the Town charges customers a fee are generally reported in proprietary funds. Proprietary fund financial statements, like the government-wide statements, provide both long- and short-term financial information. The Town's three enterprise funds (water, sewer and refuse utility systems, all of which are considered major funds of the Town) are aggregated in the business-type activities presented in the government-wide statements. Since the accounting for these operations is similar to that provided in the government-wide financial statements, the fund financial statements provide limited supplemental information in

more detail, such as cash flows data. The basic proprietary fund financial statements can be found on pages 22 to 25 of this report.

**Fiduciary funds.** The Town is the trustee, or fiduciary, for its volunteer firefighters’ pension plan. Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are separately reported in the statements of fiduciary net assets and changes in fiduciary net assets. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town’s own programs. Rather, the Town is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The basic fiduciary fund financial statements can be found on pages 26 to 27 of this report.

**Financial Analysis of the Town as a Whole**

**Net Assets.** As noted previously, net assets may serve over time as a useful indicator of a government’s financial position. This year, the Town’s combined total assets exceeded liabilities (net assets) by \$14,355,463 at the end of 2008 (compared to \$13,459,967 at the end of 2007), which is summarized as follows:

<b>Net Assets</b>						
September 30, 2008 and 2007						
	Governmental		Business-type		Total	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
<b>Assets:</b>						
Current and other assets.....	\$ 5,538,689	\$ 4,461,472	1,513,704	1,469,231	7,052,393	5,930,703
Capital assets, net.....	<u>13,353,257</u>	<u>13,604,305</u>	<u>1,786,526</u>	<u>1,895,372</u>	<u>15,139,783</u>	<u>15,499,677</u>
Total assets.....	<u>18,891,946</u>	<u>18,065,777</u>	<u>3,300,230</u>	<u>3,364,603</u>	<u>22,192,176</u>	<u>21,430,380</u>
<b>Liabilities:</b>						
Long-term debt.....	6,544,349	6,763,214	-	-	6,544,349	6,763,214
Other liabilities.....	<u>781,179</u>	<u>702,601</u>	<u>511,185</u>	<u>504,598</u>	<u>1,292,364</u>	<u>1,207,199</u>
Total liabilities.....	<u>7,325,528</u>	<u>7,465,815</u>	<u>511,185</u>	<u>504,598</u>	<u>7,836,713</u>	<u>7,970,413</u>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt.....	6,798,908	6,841,091	1,786,526	1,895,372	8,585,434	8,736,463
Restricted.....	346,249	415,031	280,280	203,630	626,529	618,661
Unrestricted.....	<u>4,421,261</u>	<u>3,343,840</u>	<u>722,239</u>	<u>761,003</u>	<u>5,143,500</u>	<u>4,104,843</u>
Total net assets.....	<u>\$ 11,566,418</u>	<u>10,599,962</u>	<u>2,789,045</u>	<u>2,860,005</u>	<u>14,355,463</u>	<u>13,459,967</u>

One of the most significant components of the Town’s net assets (60%) is its investment in capital assets (land, buildings, building improvements, and equipment), less any related debt used to acquire or construct those assets, that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’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 Town also has an investment (4%) in restricted net assets, consisting primarily of unspent impact fee and inspection funds which are restricted for specific use. Consequently, the remaining 36% of unrestricted net assets represents amounts that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, which totaled \$5,143,500 at the end of 2008, compared to \$4,104,843 at the end of 2007.

**Changes in Net Assets.** While the statement of net assets shows a snapshot of the Town's financial position at the end of the fiscal year, the statement of changes in net assets provides answers as to the nature and sources of those changes. During 2008, the Town's total revenues decreased by \$864,141 to a total of \$8,300,177, compared to \$9,164,318 the prior year. This year's decrease was primarily the result of decreased property tax collections in the amount of \$400,259. During 2008, approximately 51% of the Town's total revenue was derived from property taxes, and 61 cents of every dollar raised came from some form of tax. Another 34% was produced from fees charged for services, while the substantial portion of the remainder is from capital/operating grants and contributions, and other sources (5%).

The total cost of providing all routine programs and services decreased approximately ½% to \$7,387,358, compared to \$7,416,666 in the prior year. Overall, the Town's net assets increased \$912,819 during the 2008 fiscal year. Revenues decreased by about 9% compared to last year, and the Town's expenses for its combined governmental and business activities decreased by less than 1% compared to the prior year.

The following is a summary of changes in net assets for the fiscal year:

**Changes in Net Assets**  
For the Years Ended September 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2007	2007
Revenues:						
Current charges for services.....	\$ 591,130	\$ 371,725	2,256,960	2,306,910	2,848,090	2,678,635
Operating grants/contributions....	9,862	8,445	-	-	9,862	8,445
Capital grants/contributions.....	7,595	300,000	7,533	20,184	15,128	320,184
General revenues:						
Property taxes.....	4,253,972	4,654,231	-	-	4,253,972	4,654,231
Other taxes.....	786,499	1,058,163	-	-	786,499	1,058,163
Intergovernmental.....	63,128	48,706	-	-	63,128	48,706
Other revenues.....	<u>267,189</u>	<u>330,501</u>	<u>56,309</u>	<u>65,453</u>	<u>323,498</u>	<u>395,954</u>
Total revenues.....	<u>5,979,375</u>	<u>6,771,771</u>	<u>2,320,802</u>	<u>2,392,547</u>	<u>8,300,177</u>	<u>9,164,318</u>
Expenses:						
General government.....	1,351,548	1,508,627	-	-	1,351,548	1,508,627
Public safety.....	2,845,692	2,715,423	-	-	2,845,692	2,715,423
Physical environment.....	22,313	9,081	-	-	22,313	9,081
Transportation.....	494,425	578,072	-	-	494,425	578,072
Culture/recreation.....	96,853	40,102	-	-	96,853	40,102
Interest expense.....	245,155	246,051	-	-	245,155	246,051
Water system.....	-	-	1,183,150	1,185,538	1,183,150	1,185,538
Sewer system.....	-	-	1,019,175	1,010,791	1,019,175	1,010,791
Refuse/solid waste system.....	-	-	129,047	122,981	129,047	122,981
Total expenses.....	<u>5,055,986</u>	<u>5,097,356</u>	<u>2,331,372</u>	<u>2,319,310</u>	<u>7,387,358</u>	<u>7,416,666</u>
Transfers in (out).....	<u>60,390</u>	<u>(19,830)</u>	<u>(60,390)</u>	<u>19,830</u>	<u>-</u>	<u>-</u>
Increase in net assets.....	983,779	1,654,585	(70,960)	93,067	912,819	1,747,652
Net assets, beginning of year.....	<u>10,582,639</u>	<u>8,928,054</u>	<u>2,860,005</u>	<u>2,766,938</u>	<u>13,442,644</u>	<u>11,694,992</u>
Net assets, end of year.....	<u>\$ 11,566,418</u>	<u>10,582,639</u>	<u>2,789,045</u>	<u>2,860,005</u>	<u>14,355,463</u>	<u>13,442,644</u>

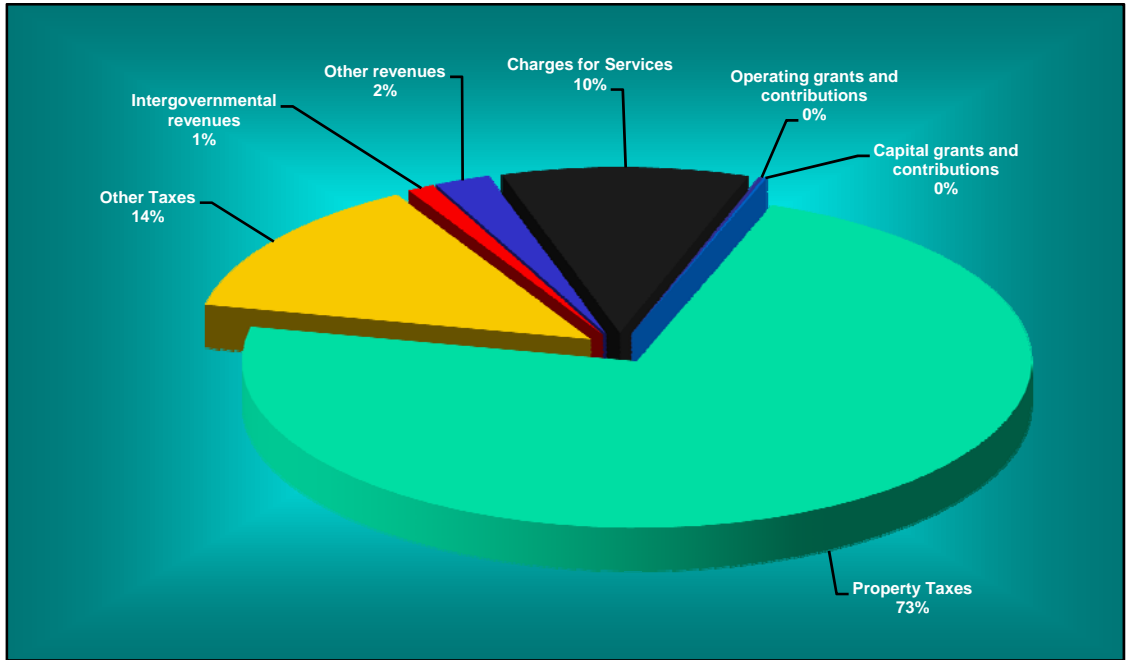
**Governmental Activities**

Revenues for the Town's governmental activities were approximately 12% less than the amount of revenue earned in the prior fiscal year, the majority of which was attributed to a decrease in property taxes. Overall, the Town's governmental revenues totaled \$5,979,375, which represents a decrease of \$792,396 below last year's reported revenues of \$6,771,771.

The following is a summary of the Town's governmental revenues by source:

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**Revenues by Source - Governmental Activities**

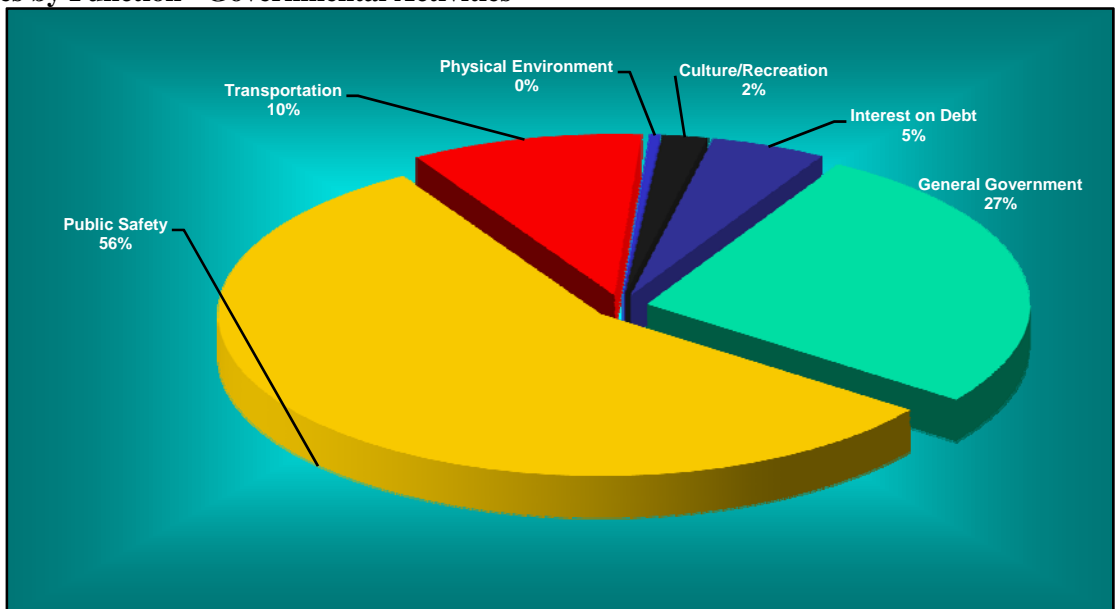


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Expenses for the Town's combined governmental activities decreased less than 1% in 2008. Amounts totaled \$5,055,986 in 2008, compared to \$5,097,356 in 2007, or \$41,370 less than the prior year. During 2008, the Town's public safety (police, fire and inspection) function expenses represented 56% of the Town's total governmental expenses while the general government function expenses represented 27% of the Town's total operating expenses. The following is a summary of the Town's governmental expenses by function:

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**Expenses by Function - Governmental Activities**



## **Business-type Activities**

The major sources of operating revenues for the Town's business-type activities are charges for services attributed to its water, sewer and refuse utilities. Potable water is purchased in bulk from the City of Port Orange and sold to the Town's customers under rates established by the Town. Sewer collection services are billed by the Town on behalf of the City of Port Orange under rates established by Port Orange, all of which is remitted to Port Orange monthly. The Town collects an annual administrative fee for billing, collecting, and remitting all sewer charges and payments. The Town also bills utility connection and capacity fees on behalf of Port Orange under rates established by Port Orange, which are collected and subsequently remitted to Port Orange. Solid waste and recycling fees are charged to the Town's customers under rates established by the Town. An independent contractor is engaged by the Town to perform all collection and disposal activities.

Combined utility sales totaled \$2,256,960 in 2008, compared to \$2,306,910 in 2007. The Town also collected water and sewer impact/connection fees (included in reported total sales for 2008) totaling \$12,994 and \$30,497, respectively, which were remitted to the City of Port Orange. In addition to these charges, the Town received \$7,533 in water impact fees and \$56,309 in miscellaneous and investment earnings during the recent fiscal year.

Operating expenses of the Town's business-type activities totaled \$2,331,372 in 2008, compared to \$2,319,310 in 2007. Depreciation expense on utility fund assets, included in this amount, totaled \$117,179 and \$120,852 for the years ended in 2008 and 2007, respectively.

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

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

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town'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 the Town completed the year, its governmental funds reported a combined fund balance of \$5,184,451, which was \$1,068,450 greater than the \$4,116,001 reported at the close of last year. This increase was primarily attributable to the excess of revenues over expenditures in the General Fund for 2008.

The General fund is the chief operating fund of the Town. At the end of 2008, the unreserved fund balance in the general fund totaled \$3,342,994, compared to \$2,614,590, one year earlier. This unreserved fund balance represents approximately 76% (or approximately 40 weeks) of the Town's spending requirements experienced during 2008. This is greater than the approximate 28 weeks reserve from last year.

The Public Land Acquisition and Facility special revenue fund was established in 2003 to separately account for the collection and disposition of the Town's franchise fee collections on solid waste and utility service taxes on providers of electricity and liquid propane in the Town (and pledged for debt service on the Town's Capital Improvement Revenue Note, Series 2005). These funds are restricted for the acquisition and improvement of real property in the Town. At the end of 2008, unreserved fund balance in this fund was \$1,154,606 compared to \$841,336 one year earlier.

The Ponce Preserve special revenue fund was established in 2006 to separately account for the acquisition and disposition of grant and other restricted funds for obtaining, and constructing recreational facilities at the Ponce Preserve Park. It is anticipated that this fund will be terminated when these programs are fully completed.

The Series 2005 Bond Project capital projects fund was established in 2005 to separately account for the acquisition of land and the costs of constructing a Town Hall, all of which was financed with the proceeds of the Town of Ponce Inlet, Florida Capital Improvement Revenue Note, Series 2005 in the amount of \$4,030,000. This fund was terminated and replaced with a debt service fund. Unreserved fund balances in the remainder of the

Town's non-major special revenue and capital projects funds totaled \$478,700 at the end of the year.

*Proprietary Fund.* The Town's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Utility Fund at the end of the year amounted to \$576,329. Unreserved equity in the Town's Sewer Utility Fund (which is operated on a pass-through basis in conjunction with an Agreement with the City of Port Orange, Florida), totaled \$117,199 at the end of the year, all of which will ultimately be transferred to the Town's General Fund. Unreserved fund equity in the Town's Refuse Utility Fund totaled \$28,711 at year end. Net operating transfers totaling \$60,390 were transferred to the General Fund during 2008 in the form of reimbursements for capital acquisitions. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

### General Fund Budgetary Highlights

Over the course of the year, the Town Council revised the Town's operating budget. These budget amendments fall into two categories:

- Amendments and supplemental appropriations were approved midway through the year to reflect the actual opening account balances (correcting estimated amounts in the budget adopted at the beginning of the year).
- Increases/decreases in line item budget appropriations to prevent budget overruns.

Actual earned revenues were \$66,063 less than the final amounts anticipated to be received during the year in the Town's General Fund. Actual expenditures incurred were \$729,384 below the \$5.1 million amended budget appropriations provided in the 2008 operating budget. The Town's General Fund operated with a surplus and was not required to draw on any existing fund balance or surplus reserves to meet spending obligations for the year.

### Capital Assets and Debt Administration

*Capital Assets.* At September 30, 2008, the Town had \$19.4 million invested in a broad range of capital assets, including land, buildings, park facilities, police equipment, public works equipment and water lines. This investment in capital assets, net of depreciation, for all activities is reflected in the following schedule:

#### Capital Assets September 30, 2008 and 2007

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land and land rights.....	\$ 4,317,124	\$ 4,317,124	4,033	4,033	4,321,157	4,321,157
Buildings.....	5,302,717	5,302,717	-	-	5,302,717	5,302,717
Improvements other than buildings..	4,316,313	4,253,693	2,950,124	2,947,459	7,266,437	7,201,152
Equipment.....	2,361,703	2,245,350	109,003	104,440	2,470,706	2,349,790
	<u>16,297,857</u>	<u>16,118,884</u>	<u>3,063,160</u>	<u>3,055,932</u>	<u>19,361,017</u>	<u>19,174,816</u>
Accumulated depreciation.....	<u>2,977,096</u>	<u>2,517,665</u>	<u>1,276,634</u>	<u>1,160,560</u>	<u>4,253,730</u>	<u>3,678,225</u>
	<u>13,320,761</u>	<u>13,601,219</u>	<u>1,786,526</u>	<u>1,895,372</u>	<u>15,107,287</u>	<u>15,496,591</u>
Construction in progress.....	<u>32,496</u>	<u>3,086</u>	<u>-</u>	<u>-</u>	<u>32,496</u>	<u>3,086</u>
Net capital assets.....	<u>\$ 13,353,257</u>	<u>13,604,305</u>	<u>1,786,526</u>	<u>1,895,372</u>	<u>15,139,783</u>	<u>15,499,677</u>

**Long-term Debt.** At year end, the Town had \$6,544,349 in long-term note and loan obligations outstanding, compared to \$6,763,213 one year earlier. More detailed information about the Town's long-term debt is presented in Note 8 to the financial statements.

The Town has a 2002 capital improvement revenue note obligation payable to SunTrust Bank totaling \$419,000 at year end. The proceeds of this Series 2002 loan were used to finance the acquisition of real property. Under the loan indenture, the Town will make quarterly payments on this obligation until 2017.

The Town has a 2005 capital improvement revenue note obligation payable to Bank of America totaling \$3,895,000 at year end. The proceeds of this Series 2005 loan were used to finance the acquisition of land and the construction of a Town Hall and Public Safety Complex. The Town makes semi-annual debt service payments on this obligation until 2024.

The Town has entered into a low interest loan program offered by the Florida Department of Environmental Protection Clean Water State Revolving Fund Loan Program. The proceeds of this construction loan were used to develop and rehabilitate the Town's stormwater management infrastructure. The Town makes semi-annual debt service payments on this obligation until 2026. The balance due on this loan at year end was \$2,230,349.

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

Many factors are considered each year by the Town Council in its efforts to establish an operating budget, to evaluate its personnel needs, and to develop uniform utility fees that are reasonable, and more importantly, capable of cost recovery. Some of the major factors considered in this process are the local economy, civilian labor force, unemployment rates, and inflation rates.

- The most recent estimates available for unemployment data in Volusia County, Florida are compiled by the Florida Agency for Workforce Innovation on the Florida Research and Economic Database (FRED). This agency estimates a countywide unemployment rate of 7.2% at the end of September 2008, which is significantly higher than the 4.3% rate experienced one year earlier. These estimates are consistent with the State of Florida 6.9% and 4.4% unemployment rates at September 2008 and 2007, respectively.
- Inflationary trends for Volusia County compare favorably with those trends experienced at the state and national levels.
- Property tax revenue in fiscal year 2009 is expected to be slightly less than the ad valorem taxes collected in fiscal year 2008. Based on state forecasts other state shared revenues are expected to decline due to a severe downward economy.
- In the past two years the Town has experienced a significant decrease in new home construction, resulting in a negative impact on building permit fees, impact fees, and planning fees.
- State mandates and voter approved ad valorem taxation reform, coupled with a distressed real estate market, resulted in a -15.6% decrease in the Town's taxable property values from \$1.17 billion for fiscal year 2008 down to \$0.99 billion for fiscal year 2009. The Town Council voted to increase the operating millage (4.175 mills) for fiscal year 2009, which was 6.0% less than the rolled-back rate of 4.44019 mills.

In the process of presenting a balanced operating budget for the General Fund for 2008-2009, a complete departmental review of the operational needs of each department was considered and submitted to the Town Manager for approval prior to being compiled and submitted to the Town Council for inclusion in the final budget.

## **Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Office of the Town Manager, Town of Ponce Inlet, Florida, 4300 South Atlantic Avenue, Ponce Inlet, Florida 32127.

**STATEMENT OF NET ASSETS**  
September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Lighthouse Association
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 5,186,284	1,068,338	6,254,622	499,901
Receivables, net.....	224,399	219,904	444,303	-
Internal balances.....	89,621	(89,621)	-	-
Inventories.....	-	-	-	141,762
Other assets.....	21,062	33,852	54,914	3,120
Net pension asset.....	17,323	-	17,323	-
Temporarily restricted assets:				
Cash and cash equivalents.....	-	281,231	281,231	-
Capital assets not being depreciated:				
Land.....	4,317,124	4,033	4,321,157	407,450
Museum artifact collection.....	-	-	-	392,435
Construction in progress.....	32,496	-	32,496	-
Capital assets being depreciated:				
Buildings.....	5,302,717	-	5,302,717	-
Improvements other than buildings.....	4,316,313	2,950,124	7,266,437	2,619,732
Equipment and furniture.....	2,361,703	109,003	2,470,706	273,481
Accumulated depreciation.....	<u>(2,977,096)</u>	<u>(1,276,634)</u>	<u>(4,253,730)</u>	<u>(807,045)</u>
Total assets.....	<u>\$ 18,891,946</u>	<u>3,300,230</u>	<u>22,192,176</u>	<u>3,530,836</u>
<b>Liabilities:</b>				
Accounts payable.....	\$ 274,782	287,011	561,793	-
Accrued liabilities.....	109,435	-	109,435	40,359
Deposits/unearned revenue.....	-	224,174	224,174	-
Long-term debt:				
Due within one year.....	228,162	-	228,162	-
Due in more than one year.....	6,316,187	-	6,316,187	-
Compensated absences.....	<u>396,962</u>	<u>-</u>	<u>396,962</u>	<u>-</u>
Total liabilities.....	<u>7,325,528</u>	<u>511,185</u>	<u>7,836,713</u>	<u>40,359</u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt.....	6,798,908	1,786,526	8,585,434	2,886,053
Restricted for:				
Capital projects.....	308,299	280,280	588,579	-
Law enforcement.....	15,971	-	15,971	-
Transportation.....	21,979	-	21,979	-
Unrestricted.....	<u>4,421,261</u>	<u>722,239</u>	<u>5,143,500</u>	<u>604,424</u>
Total net assets.....	<u>\$ 11,566,418</u>	<u>2,789,045</u>	<u>14,355,463</u>	<u>3,490,477</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF ACTIVITIES**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

Functions / Programs	Program Revenues			
	Expenses	Charges For Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government.....	\$ 1,351,548	370,219	-	-
Public safety.....	2,845,692	171,028	5,003	-
Physical environment.....	22,313	29,883	-	-
Transportation.....	494,425	-	-	-
Culture/recreation.....	96,853	20,000	4,859	7,595
Interest on long-term debt.....	<u>245,155</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities.....	<u>5,055,986</u>	<u>591,130</u>	<u>9,862</u>	<u>7,595</u>
Business-type Activities:				
Water utilities.....	1,183,150	1,063,776	-	7,533
Sewer utilities.....	1,019,175	1,037,488	-	-
Refuse utilities.....	<u>129,047</u>	<u>155,696</u>	<u>-</u>	<u>-</u>
Total business-type activities.....	<u>2,331,372</u>	<u>2,256,960</u>	<u>-</u>	<u>7,533</u>
Total primary government.....	<u>\$ 7,387,358</u>	<u>2,848,090</u>	<u>9,862</u>	<u>15,128</u>
Component Units:				
Lighthouse Association.....	<u>\$ 1,513,486</u>	<u>1,414,161</u>	<u>52,895</u>	<u>22,579</u>
General revenues:				
Taxes:				
Property taxes, levied for general purposes.....				
Local option gas taxes.....				
Public service taxes.....				
Sales taxes.....				
Other taxes.....				
Intergovernmental revenues.....				
Investment earnings.....				
Miscellaneous.....				
Transfers.....				
Total general revenues and transfers.....				
Change in net assets.....				
Net assets - beginning of year.....				
Net assets - end of year.....				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Lighthouse Association
(981,329)	-	(981,329)	
(2,669,661)	-	(2,669,661)	
7,570	-	7,570	
(494,425)	-	(494,425)	
(64,399)	-	(64,399)	
<u>(245,155)</u>	<u>-</u>	<u>(245,155)</u>	
<u>(4,447,399)</u>	<u>-</u>	<u>(4,447,399)</u>	
-	(111,841)	(111,841)	
-	18,313	18,313	
<u>-</u>	<u>26,649</u>	<u>26,649</u>	
<u>-</u>	<u>(66,879)</u>	<u>(66,879)</u>	
<u>(4,447,399)</u>	<u>(66,879)</u>	<u>(4,514,278)</u>	
			<u>(23,851)</u>
4,253,972	-	4,253,972	-
146,728	-	146,728	-
450,156	-	450,156	-
152,421	-	152,421	-
37,194	-	37,194	-
63,128	-	63,128	-
134,313	35,339	169,652	21,638
132,876	20,970	153,846	(15,984)
<u>60,390</u>	<u>(60,390)</u>	<u>-</u>	<u>-</u>
<u>5,431,178</u>	<u>(4,081)</u>	<u>5,427,097</u>	<u>5,654</u>
983,779	(70,960)	912,819	(18,197)
<u>10,582,639</u>	<u>2,860,005</u>	<u>13,442,644</u>	<u>3,508,674</u>
<u>\$ 11,566,418</u>	<u>2,789,045</u>	<u>14,355,463</u>	<u>3,490,477</u>

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	General	Ponce Preserve	Debt Service Fund	Public Land Acquisition and Facility
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 3,393,968	84,712	30,072	1,125,342
Receivables, net.....	148,430	-	-	29,264
Due from other funds.....	89,621	-	-	-
Due from other governments.....	46,487	-	-	-
Prepaid expenses.....	<u>21,062</u>	<u>-</u>	<u>15,330</u>	<u>-</u>
Total assets.....	<u>\$ 3,699,568</u>	<u>84,712</u>	<u>45,402</u>	<u>1,154,606</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable.....	\$ 234,785	3,260	-	-
Deferred revenue.....	<u>77,463</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities.....	<u>312,248</u>	<u>3,260</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>				
Reserved for encumbrances.....	1,285	-	-	-
Reserved for law enforcement.....	-	-	-	-
Reserved for prepaid expenses.....	21,062	-	-	-
Reserved for building code enforcement.....	21,979	-	-	-
Reserved for debt service.....	-	-	48,410	-
<b>Unreserved:</b>				
Designated for future projects.....	3,755	-	-	-
Designated for hurricane expenses.....	100,000	-	-	-
<b>Undesignated, reported in:</b>				
General fund.....	3,239,239	-	-	-
Special revenue funds.....	-	81,452	-	1,154,606
Debt service funds.....	-	-	(3,008)	-
Capital projects funds.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>3,387,320</u>	<u>81,452</u>	<u>45,402</u>	<u>1,154,606</u>
Total liabilities and fund balances.....	<u>\$ 3,699,568</u>	<u>84,712</u>	<u>45,402</u>	<u>1,154,606</u>

The accompanying notes are an integral part of the financial statements.

Series 2005		
Bond Project Fund	Other Governmental Funds	Total- Governmental Funds
-	552,190	5,186,284
-	218	177,912
-	-	89,621
-	-	46,487
-	-	<u>36,392</u>
-	<u>552,408</u>	<u>5,536,696</u>
-	36,737	274,782
-	-	<u>77,463</u>
-	<u>36,737</u>	<u>352,245</u>
-	21,000	22,285
-	15,971	15,971
-	-	21,062
-	-	21,979
-	-	48,410
-	-	3,755
-	-	100,000
-	-	3,239,239
-	170,401	1,406,459
-	-	(3,008)
-	<u>308,299</u>	<u>308,299</u>
-	<u>515,671</u>	<u>5,184,451</u>
-	<u>552,408</u>	<u>5,536,696</u>

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

Total governmental activities fund balances.....		\$ 5,184,451
Amounts reported for governmental activities in the statement of net assets are different because:		
Negative pension benefit obligation in Firemen's Pension Trust Fund.....		17,323
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.....		10,477
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		13,353,257
Prepaid expenses representing governmental fund debt payments made prior to their scheduled maturity dates are not reported in the funds.....		(15,330)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable.....	(6,544,349)	
Accrued interest on bonds and notes payable.....	(42,449)	
Compensatory wages payable.....	<u>(396,962)</u>	<u>(6,983,760)</u>
Net assets of governmental activities.....		<u>\$ 11,566,418</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	General	Ponce Preserve	Debt Service Funds	Public Land Acquisition and Facility
<b>Revenue:</b>				
Taxes:				
Property taxes.....	\$ 4,243,495	-	-	-
Local option gas taxes.....	146,728	-	-	-
Public service taxes.....	185,006	-	-	265,150
Other taxes.....	37,194	-	-	-
Fines and forfeitures.....	52,270	-	-	-
Permits and fees.....	412,643	-	-	29,883
Intergovernmental revenue .....	266,843	-	-	-
Charges for services.....	51,190	-	-	-
Investment earnings.....	95,863	1,175	5,382	18,247
Miscellaneous revenue.....	<u>119,412</u>	<u>2,490</u>	<u>-</u>	<u>-</u>
Total revenue.....	<u>5,610,644</u>	<u>3,665</u>	<u>5,382</u>	<u>313,280</u>
<b>Expenditures:</b>				
Current:				
General government.....	1,204,504	-	5	-
Public safety.....	2,718,670	-	-	-
Physical environment.....	22,303	-	-	10
Transportation.....	421,870	-	-	-
Culture/recreation.....	22,020	17,757	-	-
Debt service:				
Interest.....	-	-	246,458	-
Principal.....	-	-	208,865	-
Capital outlay:				
Culture/recreation.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>4,389,367</u>	<u>17,757</u>	<u>455,328</u>	<u>10</u>
Excess of revenue over expenditures.....	<u>1,221,277</u>	<u>(14,092)</u>	<u>(449,946)</u>	<u>313,270</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in.....	90,390	142,013	475,348	-
Operating transfers (out).....	<u>(611,552)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(521,162)</u>	<u>142,013</u>	<u>475,348</u>	<u>-</u>
Excess of revenue and other sources (under) expenditures and other uses.....	700,115	127,921	25,402	313,270
Fund balances - beginning of year.....	<u>2,687,205</u>	<u>(46,469)</u>	<u>-</u>	<u>841,336</u>
Fund balances - end of year.....	<u>\$ 3,387,320</u>	<u>81,452</u>	<u>25,402</u>	<u>1,154,606</u>

The accompanying notes are an integral part of the financial statements.

Series 2005 Bond Project Fund	Other Governmental Funds	Total- Governmental Funds
-	-	4,243,495
-	-	146,728
-	-	450,156
-	-	37,194
-	3,712	55,982
-	-	442,526
-	7,595	274,438
-	-	51,190
-	13,646	134,313
-	<u>10,974</u>	<u>132,876</u>
-	<u>35,927</u>	<u>5,968,898</u>
-	-	1,204,509
-	2,325	2,720,995
-	-	22,313
-	6,783	428,653
-	69,552	109,329
-	-	246,458
-	-	208,865
-	<u>19,716</u>	<u>19,716</u>
-	<u>98,376</u>	<u>4,960,838</u>
-	<u>(62,449)</u>	<u>1,008,060</u>
-	388,541	1,096,292
<u>(282,095)</u>	<u>(162,255)</u>	<u>(1,055,902)</u>
<u>(282,095)</u>	<u>226,286</u>	<u>40,390</u>
(282,095)	163,837	1,048,450
<u>282,095</u>	<u>351,834</u>	<u>4,116,001</u>
-	<u>515,671</u>	<u>5,164,451</u>

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**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

Net change in fund balances - total governmental funds.....		\$ 1,048,450
Amounts reported for governmental activities in the statement of activities are different because:		
Delinquent property taxes reported in the statement of activities are not available to pay for current period expenditures and are deferred in the funds:		10,477
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:		
Expenditures for capital assets.....	208,383	
Less: current year provision for depreciation.....	<u>(459,431)</u>	(251,048)
Some expenses reported in the statement of activities do not require the use of current financial resources are not reported as expenditures in the funds:		
Increase in employee compensated absences.....	(54,268)	
Decrease in accrued interest on long-term debt obligations.....	<u>1,303</u>	(52,965)
Repayment of principal on long-term debt obligations is an expenditure in the governmental fund, but the repayments reduce long-term liabilities in the statement of net assets.....		<u>208,865</u>
Change in net assets of governmental activities.....		<u>\$ 963,779</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			Totals
	Water Utility	Sewer Utility	Refuse Utility	
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and cash equivalents.....	\$ 782,843	244,333	41,162	1,068,338
Restricted cash and cash equivalents.....	281,231	-	-	281,231
<b>Receivables, net:</b>				
Accounts.....	12,466	25,308	6,946	44,720
Unbilled accounts.....	84,193	78,072	12,919	175,184
Prepaid expenses.....	<u>33,852</u>	<u>-</u>	<u>-</u>	<u>33,852</u>
<b>Total current assets.....</b>	<u><b>1,194,585</b></u>	<u><b>347,713</b></u>	<u><b>61,027</b></u>	<u><b>1,603,325</b></u>
<b>Noncurrent Assets:</b>				
<b>Capital Assets:</b>				
Land and land rights.....	4,033	-	-	4,033
Distribution system.....	2,950,124	-	-	2,950,124
General utilities equipment.....	109,003	-	-	109,003
Less: accumulated depreciation.....	<u>(1,276,634)</u>	<u>-</u>	<u>-</u>	<u>(1,276,634)</u>
<b>Total noncurrent assets.....</b>	<u><b>1,786,526</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>1,786,526</b></u>
<b>Total assets.....</b>	<u><b>2,981,111</b></u>	<u><b>347,713</b></u>	<u><b>61,027</b></u>	<u><b>3,389,851</b></u>
<b>Liabilities:</b>				
Accounts payable.....	36,159	85	10,431	46,675
Due to other funds.....	8,195	59,541	21,885	89,621
Due to other governments.....	69,448	170,888	-	240,336
Customer deposits.....	<u>224,174</u>	<u>-</u>	<u>-</u>	<u>224,174</u>
<b>Total liabilities.....</b>	<u><b>337,976</b></u>	<u><b>230,514</b></u>	<u><b>32,316</b></u>	<u><b>600,806</b></u>
<b>Net Assets:</b>				
Invested in capital assets, net of related debt.....	1,786,526	-	-	1,786,526
Restricted for utility expansion.....	280,280	-	-	280,280
Unrestricted.....	<u>576,329</u>	<u>117,199</u>	<u>28,711</u>	<u>722,239</u>
<b>Total net assets.....</b>	<u><b>\$ 2,643,135</b></u>	<u><b>117,199</b></u>	<u><b>28,711</b></u>	<u><b>2,789,045</b></u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS**

For the Year Ended September 30, 2008  
 TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Refuse Utility	Totals
<b>Operating Revenues:</b>				
<b>Charges For Services:</b>				
Water sales.....	\$ 1,046,445	-	-	1,046,445
Connection fees.....	4,337	-	-	4,337
Sewer charges.....	-	986,591	-	986,591
Port Orange's connection/impact fees.....	12,994	30,497	-	43,491
Other administrative charges.....	-	20,400	-	20,400
Refuse and recycling charges.....	-	-	155,696	155,696
<b>Total operating revenue.....</b>	<b><u>1,063,776</u></b>	<b><u>1,037,488</u></b>	<b><u>155,696</u></b>	<b><u>2,256,960</u></b>
<b>Operating Expenses:</b>				
Personal services.....	212,163	-	-	212,163
Cost of sales.....	785,289	-	-	785,289
Materials and supplies.....	8,643	2,025	1,897	12,565
Maintenance and repairs.....	3,552	-	-	3,552
Contractual services.....	32,688	986,591	125,986	1,145,265
Other expenses.....	10,642	62	1,164	11,868
Impact/connect fee payments to Port Orange.....	12,994	30,497	-	43,491
Depreciation.....	117,179	-	-	117,179
<b>Total operating expenses.....</b>	<b><u>1,183,150</u></b>	<b><u>1,019,175</u></b>	<b><u>129,047</u></b>	<b><u>2,331,372</u></b>
<b>Operating income (loss).....</b>	<b><u>(119,374)</u></b>	<b><u>18,313</u></b>	<b><u>26,649</u></b>	<b><u>(74,412)</u></b>
<b>Nonoperating revenues (expenses):</b>				
Interest earnings.....	28,111	4,798	2,430	35,339
Miscellaneous revenue.....	<u>19,636</u>	<u>1,333</u>	-	<u>20,969</u>
<b>Total nonoperating revenue (expenses).....</b>	<b><u>47,747</u></b>	<b><u>6,131</u></b>	<b><u>2,430</u></b>	<b><u>56,308</u></b>
<b>Income (loss) before contributions.....</b>	<b>(71,627)</b>	<b>24,444</b>	<b>29,079</b>	<b>(18,104)</b>
Capital contributions.....	7,533	-	-	7,533
Transfer from General Fund.....	50,000	-	-	50,000
Transfer to General Fund.....	-	-	(90,389)	(90,389)
Transfer to Debt Service Fund.....	-	(10,000)	(10,000)	(20,000)
<b>Change in net assets.....</b>	<b>(14,094)</b>	<b>14,444</b>	<b>(71,310)</b>	<b>(70,960)</b>
<b>Net assets - beginning of year.....</b>	<b><u>2,657,229</u></b>	<b><u>102,755</u></b>	<b><u>100,021</u></b>	<b><u>2,860,005</u></b>
<b>Net assets - end of year.....</b>	<b><u>\$ 2,643,135</u></b>	<b><u>117,199</u></b>	<b><u>28,711</u></b>	<b><u>2,789,045</u></b>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Refuse Utility	Totals
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers and users.....	\$ 1,064,702	1,082,389	174,743	2,321,834
Cash paid for personal services.....	(213,168)	-	-	(213,168)
Cash paid to suppliers and others.....	(855,500)	(1,038,423)	(128,868)	(2,022,791)
Net cash provided by (used in) operating activities.....	<u>(3,966)</u>	<u>43,966</u>	<u>45,875</u>	<u>85,875</u>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>				
Nonoperating revenues received.....	19,637	1,333	-	20,970
Operating transfers received.....	50,000	-	-	50,000
Operating transfers paid.....	-	(10,000)	(100,389)	(110,389)
Net cash provided by (used in) non- capital and related financing activities.....	<u>69,637</u>	<u>(8,667)</u>	<u>(100,389)</u>	<u>(39,419)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Contributed capital received.....	7,533	-	-	7,533
Acquisition of capital assets.....	(8,333)	-	-	(8,333)
Net cash provided by (used in) capital and related financing activities.....	<u>(800)</u>	<u>-</u>	<u>-</u>	<u>(800)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest earnings received.....	<u>28,111</u>	<u>4,799</u>	<u>2,430</u>	<u>35,340</u>
Net increase (decrease) in cash and cash equivalents.....	92,982	40,098	(52,084)	80,996
Cash and cash equivalents - Beginning of year.....	<u>971,092</u>	<u>204,235</u>	<u>93,246</u>	<u>1,268,573</u>
Cash and cash equivalents - End of year.....	<u>\$ 1,064,074</u>	<u>244,333</u>	<u>41,162</u>	<u>1,349,569</u>
<b>Reconciliation of cash and cash equivalents:</b>				
Unrestricted.....	\$ 782,843	244,333	41,162	1,068,338
Restricted.....	<u>281,231</u>	<u>-</u>	<u>-</u>	<u>281,231</u>
Total - all sources.....	<u>\$ 1,064,074</u>	<u>244,333</u>	<u>41,162</u>	<u>1,349,569</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CASH FLOWS - (Continued)****PROPRIETARY FUNDS**

For the Year Ended September 30, 2008

TOWN OF PONCE INLET, FLORIDA

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Refuse Utility	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating income (loss).....	\$ (119,374)	18,313	26,649	(74,412)
Adjustments to reconcile net operating income to net cash provided by operating activities:				
Depreciation.....	117,179	-	-	117,179
Provision for losses on receivables.....	3,108	-	-	3,108
Changes in assets and liabilities:				
Accounts receivable.....	(431)	(14,641)	(2,838)	(17,910)
Prepaid expenses.....	(32,383)	-	-	(32,383)
Accounts payable.....	26,579	(19,247)	179	7,511
Due to other funds.....	2,280	59,541	21,885	83,706
Deferred revenue.....	(1,982)	-	-	(1,982)
Customer deposits.....	<u>1,058</u>	<u>-</u>	<u>-</u>	<u>1,058</u>
Net cash provided by operating activities	<u>\$ (3,966)</u>	<u>43,966</u>	<u>45,875</u>	<u>85,875</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	Municipal Firefighters' Pension Trust Fund
<hr/>	
Assets:	
Cash and cash equivalents.....	\$ 73,871
Due from other governments-State of Florida.....	<u>48,562</u>
Total assets.....	122,433
Liabilities:	
Liabilities.....	<u>-</u>
Net Assets:	
Held in trust for pension benefits.....	<u>\$ 122,433</u>

The accompanying notes are an integral part of the financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND**

For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	Municipal Firefighters' Pension Trust Fund
<hr/>	
Additions:	
Contributions from:	
Employees.....	\$ -
State-Firefighters' supplemental compensation trust fund.....	21,355
State-Casualty Insurance Premium Taxes.....	<u>27,207</u>
Total contributions.....	48,562
Investment Income:	
Interest earnings .....	<u>200</u>
Total investment income .....	<u>200</u>
Total additions.....	48,762
Deductions:	
Administrative expenses.....	145
Death benefits paid.....	<u>-</u>
Total deductions.....	<u>145</u>
Net increase.....	48,617
Net Assets Held in Trust for Pension Benefits:	
Beginning of year.....	<u>73,816</u>
End of year.....	<u>\$ 122,433</u>

The accompanying notes are an integral part of the financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Ponce Inlet, Florida (the "Town"), have been prepared in conformance with accounting principles generally accepted in the United States of America, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies:

#### A. Reporting Entity

The Town of Ponce Inlet, Florida, is a municipal corporation created by the Laws of Florida, located in Volusia County. The Town was originally incorporated under the general laws of Florida in May 1963 under the provisions House Bill No. 1133 (amending Article 2, Section 4, of Chapter 63-1829, Laws of Florida, Special Acts of 1963), and the Municipal Home Rule Power Act, F.S. Ch. 166. The legislative branch of the Town is composed of an elected five-member Town Council consisting of the Mayor and four Council members. The Town Council is governed by the Town Charter and by state and local laws and regulations. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Council-appointed Town Manager.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds controlled by or dependent on the Town. In evaluating the Town as a reporting entity, management has addressed all potential component units for which the entity may or may not be financially accountable and, as such, be included within the Town's financial statements.

***Discretely Presented Component Unit.*** The "component unit" column in the basic financial statements includes the financial data of the Ponce DeLeon Inlet Lighthouse Preservation Association, Inc. (the "Lighthouse Association"). The financial statements of the Lighthouse Association are discretely reported in separate columns to emphasize that it is legally separate from the Town (primary government). The Lighthouse Association was created exclusively to manage the contribution of citizen efforts, services and resources in the development, restoration, improvement and operation of the Ponce DeLeon Inlet Lighthouse, a historical site owned by the Town of Ponce Inlet, under the terms of a maintenance agreement dated May 22, 1985.

The Lighthouse Association was created as a non-profit corporation and is exempt from income taxes under the provisions of Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). Under its corporate charter, the Lighthouse Association must devote at least 70% of its gross receipts to undertaking its stated purpose. Furthermore, the Town Council has the authority to disapprove any activity(ies) of the Lighthouse Association deemed not to be in harmony with the responsibilities of the Town and all Lighthouse Association assets revert to the Town upon its dissolution.

Complete financial statements of the component unit can be obtained directly from the Association's administrative offices, which is as follows:

**Administrative Office:**  
Ponce DeLeon Inlet Lighthouse Preservation Association, Inc.  
4931 South Peninsula Drive  
Ponce Inlet, FL 32127

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report aggregated information for the overall government for all of the activities of the primary government and the discretely presented component unit. The primary government is reported in two columns to separately report governmental activities from business-type activities. Component unit data is aggregated into a single column. These statements do not report fiduciary funds or fiduciary component units such as retirement trust funds. Those activities are reported only in fund financial statements. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange revenues are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of net assets presents the overall government's financial position at year-end. The statement of activities presents direct expenses of a given function or segment offset by program revenues for the fiscal reporting period. The resulting net expense or revenue is then totaled and offset by general revenues producing the aggregate change in net assets for the period. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the government, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other nonexchange revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual business-type funds are reported in separate columns in the fund financial statements.

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or as soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 3 months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest earnings associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Nonexchange transactions are grouped into four classes, based on their principal characteristics. The accounting treatment for each type of transaction is as follows:

- *Derived Tax Revenue*, defined as assessments imposed on exchange transactions. Examples include: sales taxes, franchise tax, utility taxes, etc. Assets from derived tax revenue are recognized in the period when the exchange transaction on which the tax is imposed or when resources are received, whichever occurs first. Revenues are recognized, net of estimated uncollectible amounts, in the same period that the assets are recognized. Resources received in advance are recorded as deferred revenue until the period of the exchange.
- *Imposed Nonexchange Revenue*, result from assessments on nongovernmental entities, other than assessments on exchange transactions. Examples include: ad valorem (property) taxes, fines and penalties, and property forfeitures. Assets from imposed nonexchange revenues are recognized in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Property taxes are recognized in the period for which the taxes are levied. All other imposed nonexchange revenues are recognized in the same period that the assets are recognized.
- *Government-mandated Nonexchange Transactions*, frequently establish eligibility requirements before a transaction can occur. Examples include federal awards and state financial assistance. Until the requirements are met, the recipient does not have a receivable and the recognition of revenue received in advance is deferred. The providers (usually federal, state, and county governments) often offer resources on a reimbursement (Aexpenditure-driven@) basis at the time the recipient has incurred allowable costs under the applicable program.
- *Voluntary Nonexchange Transactions*, result from legislative or contractual agreements other than exchanges, entered into willingly by two or more parties. Examples include certain grants, entitlements, and donations by nongovernmental entities. Principal characteristics of these types of transactions are (1) they are not imposed on the provider or recipient, and (2) fulfillment of eligibility requirements is essential for a transaction to occur. Assets and revenues are recognized when all applicable eligibility requirements, including time requirements, are met. Resources received in advance are reported as deferred revenue.

Proprietary fund and pension trust fund financial statements are reported using the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time liabilities are incurred. Based on the accounting and reporting standards set forth in Government Accounting Standards Board Statement No. 20, “*Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that use Proprietary Fund Accounting*”, the Town has opted to apply only those accounting and reporting pronouncements issued by the GASB subsequent to November 30, 1989, as it pertains to the accounting for proprietary fund activity.

The Town’s accounts 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 focus of the governmental and proprietary fund

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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financial statements is on major funds, as defined and determined based on criteria established under Governmental Accounting Standards Boards Statement No. 34.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Ponce Preserve (special revenue) Fund* is a special revenue fund established by the Town to separately account for the acquisition and expenditure of restricted funds earmarked for the development and construction of a recreational facility in the Town.
- The *Public Land Acquisition and Facility Fund* is a special revenue fund established by the Town pursuant to Section 2-322 of the Town's Code of Ordinances to account for the accumulation of franchise fees on garbage services and public service taxes in the sale of electricity, metered natural gas, liquefied petroleum and manufactured gas which shall be expended on acquiring real estate and for the construction of public facilities.
- The *Debt Service Fund* is a debt service fund established by the Town to separately account for the resources accumulated and payments made for principal and interest on general long-term debt of the Town's governmental funds.
- The *Series 2005 Bond Project Fund* capital projects fund was established to separately account for disposition of the proceeds of the Town of Ponce Inlet, Florida Capital Improvement Revenue Note, Series 2005 in accordance with debt covenant requirements.

The Town reports the following major proprietary funds:

- The *Water Utility Fund* accounts for the activities of the Town's potable water utility system, the costs of which are recovered by user charges.
- The *Sewer Utility Fund* accounts for the activities of the Town's sewer utility system, which is owned and operated by the City of Port Orange. The costs of wastewater collection and pumping systems are recovered by user charges billed to customers by the Town pursuant to customer rate schedules established by Port Orange. All utility service amounts billed by the Town, and collected from its customers, are subsequently remitted to the City of Port Orange.
- The *Refuse Utility Fund* accounts for the activities of the Town's refuse collection system which provides the community with refuse and recycling services provided by third-party contracted vendors, the costs of which are recovered by user charges.

Additionally, the Town reports the following fund types:

- *Special Revenue Funds* - are used to account for the proceeds of specific revenue sources (other than special assessments, or capital projects) which are legally restricted to finance particular functions or activities of the Town. These funds include the Tree Bank Fund, Timucuan Oaks Fund, Sidewalks Fund, Parks and Recreation Fund, Police Education Fund and Contraband/Forfeitures Fund.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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- *Capital Projects Funds* - are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). These funds include the Capital Projects Fund, Fire Department Capital Projects Fund, 143 Beach Street Capital Projects Fund, and the Land Acquisition Capital Projects Fund.
- *Pension Trust Fund* - The pension trust fund (Municipal Firefighters' Pension Trust Fund) is accounted for by the Town to provide data on the accumulation of financial resources to pay pension benefits to qualified volunteer participants in the Town's Fire pension trust fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund City activities has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments, when applicable. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 Town's enterprise funds are charges to customers for utility sales and services. The Town recognizes as operating revenue the portion of impact fees intended to recover the cost of connecting new customers to the water system. Impact and connection fees are also assessed and collected from sewer customers which are remitted directly to the City of Port Orange to recover their costs connecting new customers to the sewer system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Assets, Liabilities, and Net Assets or Equity**

#### *1. Deposits and Investments*

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, state-approved mutual fund investments and short-term investments with original maturities of three months or less from the date of acquisition.

The Town's has developed its own unique investment policies pursuant to Chapter 218, Florida Statutes, which authorize the government to invest in the Local Government Surplus Funds Trust Fund, authorized intergovernmental investment pools, Securities and Exchange Commission registered money market

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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funds (with rating exceptions), interest-bearing time deposits or savings accounts in qualified public depositories and direct obligations of the U.S. Treasury.

All of the Town's investments are reported at fair value, with the exception of investments in the 2a7-like pools (State Board of Administration Local Government Surplus Trust Fund Pool) which are stated at cost, or amortized cost, and are the same as the fair value of pool shares. All fiduciary (fire pension) fund investments are stated at fair value.

### *2. Receivables and Payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled water, sewer and refuse accounts receivable are accrued by the Town at September 30th, to recognize the sales revenues earned between the last meter reading dates made in mid-September through the end of the fiscal year.

### *3. Inventories and Prepaid Items*

All inventories are valued at the lower of actual cost or market and consist of the merchandise held for sale in the Lighthouse Association gift shop (a discretely presented component unit).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### *4. Restricted Assets*

Certain proceeds from the imposition of the Town's impact fee requirements and from building permits are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable legal indentures.

### *5. Capital Assets*

Capital assets, which include property, plant, equipment, certain infrastructure assets, office furniture, fixtures and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements. Property, plant and equipment with initial, individual costs that equal or exceed \$750 and have estimated useful lives of over one year are recorded as capital assets. Infrastructure assets are capitalized when their costs exceed \$5,000 and possess useful lives of more than one year. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as a component of the capitalized value of the asset constructed, when applicable.

Depreciation is provided for by utilization of the straight-line method calculated on a service-life basis to amortize the cost of the assets over their economic estimated useful lives which are as follows:

Buildings .....	15 - 40 years
Source of supply plant.....	25 - 50 years
Pumping plant .....	25 - 50 years
Water treatment plant.....	25 - 50 years
Transmission and distribution plant.....	25 - 50 years
Infrastructure.....	15 - 50 years
Equipment .....	3 - 25 years

Pursuant to GASB Statement No. 34, an extended period of deferral was previously available before the optional requirement to record and depreciate infrastructure assets acquired before the implementation date became effective. As a Phase 3 government, the Town was not required to report major general infrastructure assets retroactively and, as such, has elected to not include these assets in their basic financial statements. As a result, the governmental activities column in the government-wide financial statements does not reflect those infrastructure asset projects completed before October 1, 2003. However, they do reflect those assets that were completed subsequent to that date.

*6. Compensated Absences*

It is the Town's policy to permit employees to accumulate earned but unused personal leave time and benefits. All personal leave credits are accrued when incurred in the government wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*7. Deferred Revenue*

Deferred revenues are reported when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

*8. Long-term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt issuance costs, when incurred, are deferred and amortized over the life of the obligations using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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*9. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

*10. Use of Estimates*

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

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

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

Following the governmental fund balance sheet is a reconciliation of the fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. A detailed explanation of these differences is provided in this reconciliation.

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-Wide Statement of Activities**

Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation of the net changes in fund balances B total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information** - An annual budget was adopted for the Town's governmental funds. The basis on which the budgets were prepared is consistent with generally accepted accounting principles for the fund. The Town uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- On or before August 1st, the Town Manager submits a preliminary budget to the Town Council for the ensuing fiscal year.
- Budget workshop sessions are scheduled by the Town Council, as needed.
- A general summary of the budget and notice of public hearing is published in a local newspaper.
- Prior to October 1st, the budget is legally enacted through passage of an ordinance.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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- The Town Council, by ordinance, may make supplemental appropriations in excess of those estimated for the year up to the amount of available revenue in accordance with Section 6.04 of the Town Charter. Prior to the end of the fiscal year, supplemental appropriations are typically made for unanticipated spending requirements by the Council.
- The Town Council must approve all inter-departmental budget amendments and/or appropriations transfers. The Town Manager is authorized to approve all intra-department budget amendments.
- Budgetary control is exercised at the fund level.
- Every appropriation lapses at the close of the fiscal year.

**NOTE 4 - PROPERTY TAX CALENDAR**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the offices of the County Property Appraiser and County Finance Director. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The ad valorem millage rate assessed by the Town (2007 levy) was 3.7440 mills. Collections on this levy were received during the year ended September 30, 2008. The Town’s property tax calendar is as follows:

Assessment Roll Valuation Date	January 1												
Property Appraiser prepares the assessment roll with values as of January 1, submits preliminary roll for approval by the State and notifies each taxing authority of their respective valuations.	July 1												
Town Council holds two required public hearings and adopts a budget and ad valorem tax millage rate for the coming fiscal year.	September												
Property Appraiser certifies the assessment roll and all real and tangible personal property taxes are due and payable (Levy date).	November 1												
A Notice of Taxes is mailed to each property owner on the assessment roll. Taxes are paid November through March, with the following applicable discounts:	November 1												
<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Month Paid</u></th> <th style="text-align: left;"><u>Discount</u></th> </tr> </thead> <tbody> <tr> <td>November</td> <td>4%</td> </tr> <tr> <td>December</td> <td>3%</td> </tr> <tr> <td>January</td> <td>2%</td> </tr> <tr> <td>February</td> <td>1%</td> </tr> <tr> <td>March</td> <td>None</td> </tr> </tbody> </table>	<u>Month Paid</u>	<u>Discount</u>	November	4%	December	3%	January	2%	February	1%	March	None	
<u>Month Paid</u>	<u>Discount</u>												
November	4%												
December	3%												
January	2%												
February	1%												
March	None												
All unpaid taxes on real/tangible personal property become delinquent.	April 1												
Listings of unpaid real and personal property taxes are advertised.	April/May												

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

Tax certificates are sold on all real estate parcels with unpaid real property taxes (Lien date). June 1

A court order is obtained authorizing the seizure and sale of personal property if the taxpayer fails to pay the delinquent taxes August

**NOTE 5 - DEPOSITS AND INVESTMENTS**

As of September 30, 2008, the Town had the following investments and maturities:

Investment	Investment Maturities (Years)		
	Fair Value	Less Than 1	From 1 to 5
Certificates of deposit.....	\$ 1,586,651	1,586,651	-
Local Government Surplus Funds Trust Fund.....	149,495	149,495	-
Florida Municipal Investment Trust Fund.....	<u>381,574</u>	<u>146,564</u>	<u>235,010</u>
Totals.....	<u>\$ 2,117,720</u>	<u>1,882,710</u>	<u>235,010</u>

*Interest Rate Risk.* The Town has developed formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All investments are governed by Town’s Investment Policies and related state statutes. Generally, the Town limits the acquisition of investments with maturities of greater than twenty-four months, unless such investments are purchased for holding to maturity. Interest rate risk is minimized for all other investments, which are normally held for periods of less than six months.

*Credit Risk.* The Town’s Investment Policies allow the government to invest in the Florida Local Government Surplus Funds Trust Fund, as administered by the State of Florida, United States Government Securities, United States Government Agencies, federal instrumentalities, interest bearing time deposits or savings accounts, repurchase agreements, commercial paper, bankers’ acceptances, state and/or local governmental taxable and/or tax-exempt debt, registered investment companies (money market and mutual funds), and authorized intergovernmental investment pools.

*Concentrations of Credit Risk.* The Town’s Investment Policies place limits on portfolio composition, individual issuers and maturity limitations, all of which vary for each allowable investment type. Supplemental due diligence requirements have been established that must be met prior to investing with registered investment companies and intergovernmental investment pools.

*Custodial Credit Risk.* Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. At September 30, 2008, the carrying value of the Town’s bank deposits totaled \$4,417,891, which excludes cash funds on hand of \$237. The bank balances for these deposits totaled \$4,564,445, all of which was insured and/or collateralized in accordance with state statutes. At September 30, 2008, the carrying value of the Lighthouse Association’s bank deposits totaled \$499,901. The bank balances for these deposits totaled \$496,169. The uninsured portion of the cash balances totaled \$246,169 at year end.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

Pursuant to the applicable provisions of Chapter 280, Florida Statutes, *The Florida Security for Public Deposits Act* ("the Act"), the State of Florida, Department of Insurance, Bureau of Collateral Securities, and the Department of Treasury have established specific requirements relative to security and collateralization for public deposits. Accordingly, banks qualifying as a public depository in the State of Florida must adopt the necessary procedures outlined in these statutes and meet all of the requirements of this chapter to be designated by the State Treasurer as eligible to receive deposits from municipal depositors. Collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable depository insurance is required to be pledged or deposited with the State Treasurer to secure such deposits. Additional collateral, up to a maximum of 125%, may be required if deemed necessary under the conditions set forth in the Act. Securities eligible to be pledged as collateral are generally limited to obligations of the United States government and any state thereof and are held in the name of the State Treasurer's office. Compliance with the provisions of Chapter 280, Florida Statutes, is monitored by the Department of Insurance.

**NOTE 6 - RECEIVABLES**

A summary of receivables at September 30, 2008, is as follows:

	Primary Government			Component
	Government	Business	Total	Unit
	Activities	Type		Lighthouse
		Activities		
Accounts receivable.....	\$ 195,895	53,963	249,858	-
Delinquent taxes receivable.....	10,477	-	10,477	-
Unbilled accounts receivable.....	-	175,184	175,184	-
Due from other governments.....	<u>46,487</u>	<u>-</u>	<u>46,487</u>	<u>-</u>
	252,859	229,147	482,006	-
Less: allowance for doubtful accounts.....	<u>(28,460)</u>	<u>(9,243)</u>	<u>(37,703)</u>	<u>-</u>
Net receivables.....	<u>\$ 224,399</u>	<u>219,904</u>	<u>444,303</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

**NOTE 7 - CAPITAL ASSETS**

**A. Governmental Activities**

The following is a summary of changes in capital assets during the year:

	Balances 9/30/2007	Additions	Deletions	Balances 9/30/2008
Capital assets, not being depreciated,				
Land.....	\$ 4,317,124	-	-	4,317,124
Construction in progress.....	<u>3,086</u>	<u>29,410</u>	-	<u>32,496</u>
	<u>4,320,210</u>	<u>29,410</u>	-	<u>4,349,620</u>
Capital assets, being depreciated,				
Buildings.....	5,302,717	-	-	5,302,717
Improvements other than buildings.....	4,253,693	62,620	-	4,316,313
Equipment and furniture.....	<u>2,245,350</u>	<u>116,353</u>	-	<u>2,361,703</u>
	11,801,760	178,973	-	11,980,733
Less: accumulated depreciation.....	<u>(2,517,665)</u>	<u>(459,431)</u>	-	<u>(2,977,096)</u>
	<u>9,284,095</u>	<u>(280,458)</u>	-	<u>9,003,637</u>
Net capital assets-governmental activities..	<u>\$ 13,604,305</u>	<u>(251,048)</u>	-	<u>13,353,257</u>

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

Governmental activities:

General government.....	\$ 160,442
Public safety.....	141,481
Physical environment.....	119,354
Culture/recreation.....	<u>38,154</u>

Total depreciation expense-governmental activities..... \$ 459,431

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

**B. Business-Type Activities**

The following is a summary of changes in capital assets during the year:

	Balances 9/30/2007	Additions	Deletions	Balances 9/30/2008
Capital assets, not being depreciated,				
Land.....	\$ 4,033	-	-	4,033
Capital assets, being depreciated,				
Improvements other than buildings.....	2,947,459	2,665	-	2,950,124
Equipment and furniture.....	104,440	4,563	-	109,003
	3,051,899	7,228	-	3,059,127
Less: accumulated depreciation.....	(1,160,560)	(116,074)	-	(1,276,634)
	1,891,339	(108,846)	-	1,782,493
Net capital assets-business activities.....	<u>\$ 1,895,372</u>	<u>(108,846)</u>	<u>-</u>	<u>1,786,526</u>

There was no capitalized interest on outstanding tax-exempt debt obligations charged to completed and uncompleted projects during the year. There were no interest earnings recognized from the temporary investment of tax-exempt debt proceeds during the year. Depreciation expense for the year ended September 30, 2008 totaled \$116,074.

**C. Discretely Presented Component Unit – Lighthouse Association**

The following is a summary of changes in capital assets during the year:

	Balances 9/30/2007	Additions	Deletions	Balances 9/30/2008
Capital assets, not being depreciated,				
Land.....	\$ 405,485	1,965	-	407,450
Museum artifact collection.....	42,535	349,900	-	392,435
	448,020	351,865	-	799,885
Capital assets, being depreciated,				
Restoration and improvements.....	2,584,909	34,823	-	2,619,732
Equipment and furniture.....	292,202	20,306	39,027	273,481
	2,877,111	55,129	39,027	2,893,213
Less: accumulated depreciation.....	(715,091)	(104,933)	(12,979)	(807,045)
	2,162,020	(49,804)	26,048	2,086,168
Net capital assets-component unit.....	<u>\$ 2,610,040</u>	<u>302,061</u>	<u>26,048</u>	<u>2,886,053</u>

Depreciation expense for the year ended September 30, 2007 totaled \$104,933.

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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### NOTE 8 - LONG-TERM DEBT

#### A. Primary Government – Governmental Activities

The Town's long-term debt is comprised of the following at September 30, 2008:

##### **Capital Improvement Revenue Note, Series 2002**

In June 2002, the Town issued a capital improvement revenue note to provide for the acquisition of real property and for related capital improvements. The note is secured by a pledge of the Town's local government half-cent sales tax collections and is payable in quarterly installments. The note bears interest at a rate of 4.98% for the second five year term through and including June 30, 2012, at which time the rate will be adjusted to a percentage rate equal to 90% of the 5-year U.S. Dollar Swap Rate, and for each 5-year increments thereafter through maturity. The balance due on this obligation at September 30, 2008 was \$419,000.

##### **Capital Improvement Revenue Note, Series 2005**

In April 2005, the Town issued the capital improvement revenue note to provide for the acquisition of real property and for related capital improvements. The note is secured by a pledge of a portion of the Town's electric and liquid propane utility tax, solid waste franchise fee, and the Florida Power and Light franchise fee. The note bears interest at a fixed rate of 4.11% with principal payments due annually through July 2024. The balance due on this obligation at September 30, 2008 was \$3,895,000.

##### **Clean Water State Revolving Fund Loan**

In October 2004, the Town entered into a state revolving fund loan agreement with the State of Florida Department of Environmental Protection to finance the planning, design, and construction of stormwater pollution control facilities. The loan is secured by specific pledged revenues which include the Town's cell tower lease revenue, 1 to 6 cent local option fuel taxes, telecommunications excise taxes and a pledged annual transfer of \$25,000 from the utility enterprise fund. The original loan bears interest at 2.95% per annum for the first disbursement of \$96,559, 2.65% per annum for the first loan amendment disbursement of \$1,668,216, and 2.57% for the second loan amendment disbursement of \$303,500 and 2.62% for the third loan amendment disbursement of \$303,500. The loan is payable in semiannual payments due in March and September and becomes due in September 2026. The aggregate balance due on this obligation at September 30, 2008 was \$2,230,348.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

During the year ended September 30, 2008, the following changes in long-term debt occurred:

	Balances 9/30/2007	Additions	Deletions	Balances 9/30/2008
Bonds and loans payable:				
Capital Improvement Revenue Note, Series 2005.....	\$ 3,970,000	-	75,000	3,895,000
Capital Improvement Revenue Note, Series 2002.....	467,000	-	48,000	419,000
Florida Department of Environmental Protection State Revolving Fund Loan.....	<u>2,326,214</u>	<u>-</u>	<u>95,865</u>	<u>2,230,349</u>
	6,763,214	-	218,865	6,544,349
Compensated absences.....	<u>325,371</u>	<u>71,591</u>	<u>-</u>	<u>396,962</u>
Total long-term debt.....	<u>7,088,585</u>	<u>71,591</u>	<u>218,865</u>	6,941,311
Less: current maturities.....				<u>(228,162)</u>
Net long-term debt.....				<u>\$ 6,713,149</u>

Maturities of long-term debt in each of the next five fiscal years and five year increments thereafter are as follows:

Fiscal Year Ended September 30,	Principal	Interest	Total
2009.....	\$ 228,162	233,785	461,947
2010.....	313,778	230,407	544,185
2011.....	326,465	218,535	545,000
2012.....	338,223	206,229	544,452
2013.....	352,054	193,397	545,451
2014-2026.....	<u>4,985,665</u>	<u>1,223,794</u>	<u>6,209,459</u>
Total - all periods.....	<u>\$ 6,544,347</u>	<u>2,306,147</u>	<u>8,850,494</u>

**NOTE 9 – EMPLOYEES’ PENSION PLANS**

**A. Florida Retirement System - Full-time Police Officers, Firefighters and General Employees**

**Plan Description.** The Town contributes to the Florida (public employee) Retirement System of the State of Florida, a cost-sharing, multiple-employer defined benefit pension plan created in December, 1970, that acts as a common investment and administrative agent for municipalities and other qualifying political subdivisions in the State of Florida. The pension plan, which is administered by the State of Florida, Department of Administration, Division of Retirement, provides retirement and disability benefits and death benefits to plan members and beneficiaries. All retirement legislation must comply with Article X, Section 14 of the State Constitution and with Part VII, Chapter 112, Florida Statutes. Both of these provisions require that any increase in retirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to Florida Retirement System, Department of Administration, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, FL 32399-1560.

Prior to October 1, 2007, the Town’s full-time police officers and firemen were the only participants in the Florida Retirement System. Subsequent to that date, the Town’s general employees were added to the System.

**Funding Policy.** The funding methods and determination of benefits payable are provided in the various acts of the Florida Legislature, which created the fund, including subsequent amendments thereto. In previous years, these acts provided, in general, that funds were to be accumulated from employee contributions, employer contributions, State appropriations and income from investments of accumulated funds. The act also provides that, should the accumulated funds in the fund at any time be insufficient to meet and pay the benefits due, the employer shall supplement the funds by an appropriation from current funds, or from any revenues which may lawfully be used for said purposes, in an amount sufficient to make up the deficiency.

The Town’s contributions to the plan for the fiscal years ended September 30, 2008, 2007 and 2006 were \$604,789, \$229,955, and \$192,429, respectively. The Town’s 2008 contribution includes \$275,325 paid for back funding all eligible general participants that entered the system effective October 1, 2007. There were no employee contributions made during these years. The following is a summary of employer contribution percentages for qualifying compensation paid to general and special risk participants in effect during each of the past three fiscal years ended September 30, 2008, 2007 and 2006 by retirement plan periods (rates specified below include an additional 1.11% for the Town’s option to include the health insurance subsidy contribution):

	<u>General</u>	<u>Special Risk</u>
From July 1, 2005 to June 30, 2006 .....	N/A	18.53%
From July 1, 2006 to June 30, 2009 .....	9.85%	20.92%

**B. Defined Benefit Pension Plan - Municipal Firefighters’ Pension Trust Fund**

**Plan Description.** The Town contributes to the Town of Ponce Inlet Municipal Firefighters’ Pension Trust Fund (the “Plan”), a single-employer defined benefit plan, which is administered by the Plan’s Board of Trustees in accordance with the provisions of Chapter 175, Florida Statutes.

All part-time and volunteer firefighters are eligible to participate in the Plan after employment. Benefits vest with eligible employees after five years of participation. The funding methods and the determination of benefits payable are provided in the various acts of the Florida Legislature, which created the funds, including subsequent amendments thereto. More information relating to the funding methods, determination of benefits, and permissible investments for the Plan can be found in Chapter 175, Florida Statutes. These statutes provide, in general, that funds are to be accumulated from employee contributions, Town contributions, State appropriations and income from investments from accumulated funds. The act also provides that should the accumulated funds at any time be insufficient to meet and pay the benefits due, the Town shall supplement the funds by an appropriation from current funds or from any revenues which may be lawfully used for said purposes in an amount sufficient to make up the deficiency. The investments of the Plan are administered, managed, and operated by the Plan’s boards of trustees using the services of the Town staff and a local financial institution.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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Pursuant to the provisions of Ordinance 2007-06, part-time and volunteer uniformed firefighters are eligible to participate in the Fire Plan upon employment with the Town. Employees vest with full benefits after 5 years of credited service. Normal retirement is available at the earlier of age 55 and 5 years of credited service or 25 years of credited service, regardless of age. Early retirement (reduced) benefits are available at the age of 50 with 5 years of credited service. An independent actuary appointed by the Board of Trustees actuarially determines benefits to be paid to retirees.

Current membership in the Plan is composed of the following:

Participant data as of October 1, 2005, the date of the most recent actuarial impact statement:	
Retirees and beneficiaries currently	
receiving benefits .....	0
Beneficiaries receiving death benefits .....	0
Vested terminated employees .....	0
Active employees:	
Fully vested.....	3
Nonvested .....	<u>0</u>
Total participants.....	<u><u>3</u></u>

*Summary of Significant Accounting Policies of the Plans.* The accrual basis of accounting is utilized in presenting the Plan’s statements of fiduciary net assets and changes in fiduciary net assets held in trust for benefits. Plan receivables are short term and consist of contributions due from the Town, State and/or from plan members, when applicable. Plan liabilities would generally include benefits due to plan members and beneficiaries and accrued investment and administrative expenses which are recognized when due and payable in accordance with the terms of the Plan. The difference between total plan assets and total plan liabilities at the reporting date are captioned net assets held in trust for pension benefits reserved for employees’ pension benefits and represent the net assets held in trust for pension benefits.

Investments are reported at fair value and are managed by the Board of Trustees. When applicable, investments that do not have an established market are reported at estimated fair value. Performance reporting, administrative expenses and the Town’s asset valuation are based on the custodians’ determination of value.

*Contribution Requirements and Contributions Made.* The Town provides contributions to the Plan under the authority of Chapter 175, Florida Statutes, and pursuant to Town ordinances. Employees covered under the Plan are required to make contributions of 5% of their compensation. The Town is required to contribute the remaining amounts necessary to fund the Plan based on the funding amounts determined by the Plan’s actuary.

The Town has adopted GASB Statement No. 27 on pension accounting and reporting. This statement requires the computation of a net pension obligation (NPO) or asset which would result if the Town’s contribution to the Plan did not equal the annual pension cost as computed by the plan’s actuaries. During the current year, the Town evaluated the Plan to determine the net pension obligation or assets at the end of the most recent actuarial valuation.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

The annual pension cost and net pension obligation of the Plan (based on the most recent actuarial valuation dated October 1, 2004) were as follows:

<u>Fiscal Year Ending</u>	<u>Actuarial Required Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net Pension Obligation</u>
09/30/2004 .....	\$ 0	100%	\$ (17,373)
09/30/2003 .....	\$ 0	100%	\$ (5,923)

The Plan has been subject to the minimum funding standards since the adoption of the “Florida Protection of Public Employee Retirement Benefits Act” (part VII, Chapter 112, Florida Statutes) in 1980. Accordingly, the Town has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the Net Pension Obligation on October 1, 1997 was \$-0- for both plans.

The development of the Net Pension Obligation (NPO) to date is as follows:

	<u>09/30/03</u>	<u>09/30/04</u>
Actuarially determined contribution .....	\$ 0	0
Interest on NPO .....	0	(474)
Adjustment.....	<u>0</u>	<u>539</u>
Annual Pension Cost.....	0	65
Contributions made.....	<u>5,923</u>	<u>11,515</u>
Increase in NPO .....	(5,923)	(11,450)
NPO - beginning of year .....	<u>0</u>	<u>(5,923)</u>
 NPO - end of year .....	 <u>\$ (5,923)</u>	 <u>(17,373)</u>

The above negative pension obligations have been included in the accrual-based government-wide statements of net assets and activities, as required.

An actuarial valuation was prepared for the Plan in accordance with GASB Statements No. 25 and 27. Significant actuarial assumptions used in the valuation for the Plan are as follows:

Contribution rates as of 09/30/2004:	
Town (employer) .....	0.0%
Plan Members .....	5.0%
Annual pension cost.....	\$ 0
Contributions made .....	\$ 0
Actuarial valuation dates .....	01/01/2003
Actuarial cost method.....	Aggregate
Amortization method.....	N/A
Remaining amortization period .....	N/A
Asset valuation method .....	Market
Actuarial assumptions:	
Investment rate of return.....	8.0%
Projected salary increases * .....	7.5%
*Includes inflation at .....	3.0%
Cost of living adjustments .....	0.0%

## NOTES TO THE FINANCIAL STATEMENTS – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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*Related Party Transactions.* The Town held no securities which were included in the assets of the Plan.

*Required Supplementary Information.* The required supplementary information pursuant to GASB No. 25 is contained in Schedules 1 and 2 presented immediately following these notes to the financial statements.

### C. Defined Contribution Plans - General Employees

Florida Municipal Pension Trust Fund (the “FMPTF”) - The Town participates in a qualified defined contribution plan created in accordance with Internal Revenue Code Section 401(a) to receive fixed employer contributions, which is administered by Florida League of Cities, Inc., P. O. Box 1757, Tallahassee, FL 32302-1757. Under Section 2-221 of the Town’s Code of Ordinances, the Town established this plan for all regular full time and regular part time employees, except police officers and firefighters. All qualifying employees, with no age requirement, are eligible to participate in the plan immediately upon the date of employment. Employer contributions to the plan were 10% of the gross employee wages. Employees do not vest in employer contributions to the 401 Plan until after participating for 5 full years in the plan, at which time employees are 100% vested in the Plan.

To accommodate both employer and employee contributions, the Town also offers all employees participation in an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457(b), and Section 2-291 of the Town’s Code of Ordinances, to receive employee contributions. Annual contributions are limited to the amounts allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 Plan. The vested portions of the accounts or contributions to the plan are available to the participants immediately upon termination of service. The Town has the power to amend plan provisions at any time.

On August 15, 2007, the Town Council adopted Ordinance 2007-20, amending the pension plan for general employees to allow for the conversion to the Florida Retirement System, effective October 1, 2007. As a result of these actions, twenty-two employees opted to withdraw from the above described retirement plan options and convert to the Florida Retirement System. Seven employees remained in the Plans. No new employees will be eligible for entry in the 401(a) plan after October 1, 2007.

The required employer contributions to the 401(a) Plan for the fiscal years ended September 30, 2008, 2007, and 2006 were \$23,526, \$79,519, and \$83,194, respectively. Employee contributions to the discretionary 457 Plan for the fiscal years ended September 30, 2008, 2007, and 2006 were \$10,196, \$9,419, and \$0, respectively.

International City Management Association Retirement Corporation (the “ICMA”) - The Town participates in a qualified defined contribution plan created in accordance with Internal Revenue Code Section 401(a) to receive fixed employer contributions, which is administered by ICMA, 777 N. Capitol Street NE, Washington, DC 20002-4240. Under Section 2-291 of the Town’s Code of Ordinances, the Town also contributes to an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contributions, which is administered by ICMA. The Town’s employees are eligible to participate in the 457 Plan immediately upon the date of employment. Annual contributions are limited to the amounts allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 plan.

The required employer contributions to the 401(a) Plan for the fiscal year ended September 30, 2008, 2007, and 2006 were \$8,570, \$8,891, and \$7,775. Employee contributions to the 457 Plan for the fiscal years ended September 30, 2008, 2007, and 2006 were \$11,638, \$28,503, and \$28,669, respectively.

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

Nationwide Retirement Solutions - Under Section 2-291 of the Town’s Code of Ordinances, the Town’s employees may contribute to an unqualified deferred compensation plan created in accordance with Internal Revenue Code Section 457 to receive employee contributions, which is administered by Nationwide Retirement Solutions, P. O. Box 182797, Columbus, OH 43218-2797. Annual contributions are limited to the amounts allowed by federal tax laws. Employees immediately vest in the elective deferral contributions made to the 457 plan. Employee contributions to the 457 Plan for the fiscal years ended September 30, 2008 and 2007, totaled \$18,219 and \$10,842, respectively.

**NOTE 10 – INTERFUND BALANCES**

The outstanding balances between funds result mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system, and when payments between funds are made. Individual interfund receivables and payables at September 30, 2008, are comprised of the following:

General Fund:	
Due from Water Fund.....	\$ 8,195
Due from Sewer Fund.....	59,541
Due from Refuse Fund.....	21,885
Enterprise Funds:	
Water Fund:	
Due to General Fund.....	8,195
Sewer Fund:	
Due to General Fund.....	59,541
Refuse Fund:	
Due to General Fund.....	<u>21,885</u>
Totals.....	<u>\$ 89,621</u> <u>89,621</u>

Interfund transfers that occurred during the year ended September 30, 2008, are as follows:

	Transfers (Out)	Transfers In				Enterprise
		General	Special Revenue	Debt Service	Capital Projects	
General.....	\$ (611,552)	-	-	-	-	90,390
Special Revenue:						
Ponce Preserve.....	-	142,013	-	-	-	-
Nonmajor funds.....	(162,255)	96,286	-	-	-	-
Debt Service Funds.....	-	193,253	-	-	282,095	20,000
Capital Projects:						
Series 2005 Bond Project.....	(282,095)	-	-	-	-	-
Nonmajor funds.....	-	130,000	162,255	-	-	-
Enterprise:						
Water.....	(10,000)	50,000	-	-	-	-
Sewer.....	(10,000)	-	-	-	-	-
Refuse.....	<u>(90,390)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals.....	<u>\$ (1,166,292)</u>	<u>611,552</u>	<u>162,255</u>	<u>-</u>	<u>282,095</u>	<u>110,390</u>

**NOTES TO THE FINANCIAL STATEMENTS – (Continued)**

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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**NOTE 11 - EXCESS EXPENDITURES OVER APPROPRIATIONS**

The Debt Service (major) Fund incurred expenditures in excess of appropriations in the amount of \$2,858. The excess resulted from the Town's current period prepayment of an October 2008 payment obligation in advance of its due date. Sufficient funds were available to finance these expenditures in the current fiscal year.

The Capital Projects (nonmajor) Fund incurred expenditures in excess of appropriations in the amount of \$6,783. It is anticipated that the General Fund will transfer sufficient funds to complete the capital program in the next fiscal year.

**NOTE 12 - COMMITMENTS AND CONTINGENCIES**

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

The Town is from time to time engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Counsel to the Town, no other legal proceedings are pending or threatened which may materially affect the financial condition of the Town.

**NOTE 13 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, all of which is satisfactorily insured by general liability insurance. Commercial insurance policies are also obtained for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

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**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes.....	\$ 4,184,688	4,243,495	4,243,495	-
Local option gas tax.....	146,379	146,728	146,728	-
Insurance premium taxes.....	-	-	27,208	27,208
Public service taxes.....	173,895	185,006	185,006	-
Local business taxes.....	<u>7,270</u>	<u>9,986</u>	<u>9,986</u>	-
	<u>4,512,232</u>	<u>4,585,215</u>	<u>4,612,423</u>	<u>27,208</u>
<b>Permits and fees:</b>				
Building permits.....	122,992	79,697	79,697	-
Franchise fees.....	205,000	254,508	254,508	-
Other permits and fees.....	<u>79,145</u>	<u>78,438</u>	<u>78,438</u>	-
	<u>407,137</u>	<u>412,643</u>	<u>412,643</u>	-
<b>Intergovernmental Revenue:</b>				
<b>Federal Grants:</b>				
Department of Homeland Security.....	1,000	4,802	4,803	1
Department of Justice.....	-	200	200	-
<b>State Grants:</b>				
Department of Health.....	-	11,745	-	(11,745)
<b>State Shared Revenues:</b>				
State revenue sharing proceeds.....	60,327	57,775	57,775	-
Insurance agents licenses.....	340	113	113	-
Alcoholic beverage licenses.....	3,325	3,522	3,523	1
Local half-cent sales tax.....	160,158	152,421	152,421	-
Firefighters' supplemental compensation.....	6,420	5,640	26,995	21,355
Motor fuel tax rebate.....	3,500	5,353	5,353	-
<b>Local Government Grants:</b>				
Volusia County manatee conservation.....	-	4,859	4,859	-
<b>Other Shared Revenues:</b>				
County shared revenues.....	<u>9,150</u>	<u>10,801</u>	<u>10,801</u>	-
	<u>244,220</u>	<u>257,231</u>	<u>266,843</u>	<u>9,612</u>
<b>Charges for services:</b>				
General government.....	1,100	1,100	1,100	-
Public safety.....	17,900	8,454	8,354	(100)
Culture/recreation.....	30,000	20,000	20,000	-
Other charges.....	<u>21,736</u>	<u>21,736</u>	<u>21,736</u>	-
	<u>70,736</u>	<u>51,290</u>	<u>51,190</u>	<u>(100)</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Fines and forfeitures:				
Court cases.....	\$ 57,660	49,201	49,201	-
Local ordinance violations.....	<u>1,500</u>	<u>3,069</u>	<u>3,069</u>	-
	<u>59,160</u>	<u>52,270</u>	<u>52,270</u>	-
Miscellaneous Revenues:				
Interest earnings.....	82,900	95,863	95,863	-
Sale of fixed assets.....	1,500	3,850	3,850	-
Rents and royalties.....	16,725	16,726	16,726	-
Pension forfeiture reimbursement.....	-	196,923	82,295	(114,628)
Miscellaneous revenues.....	<u>2,300</u>	<u>4,686</u>	<u>16,541</u>	<u>11,855</u>
	<u>103,425</u>	<u>318,048</u>	<u>215,275</u>	<u>(102,773)</u>
Total revenues.....	<u>5,396,910</u>	<u>5,676,697</u>	<u>5,610,644</u>	<u>(66,053)</u>
Expenditures:				
General Government:				
Legislative:				
Personal services.....	46,138	46,008	45,842	166
Operating expenditures.....	227,981	226,673	101,593	125,080
Capital outlay.....	14,000	9,000	2,128	6,872
Grants and aid.....	<u>12,600</u>	<u>12,600</u>	<u>5,473</u>	<u>7,127</u>
	<u>300,719</u>	<u>294,281</u>	<u>155,036</u>	<u>139,245</u>
Executive:				
Personal services.....	349,745	386,643	342,743	43,900
Operating expenditures.....	163,191	178,920	173,828	5,092
Capital outlay.....	144,100	118,465	19,217	99,248
Grants and aid.....	-	-	-	-
	<u>657,036</u>	<u>684,028</u>	<u>535,788</u>	<u>148,240</u>
Finance:				
Operating expenditures.....	<u>25,000</u>	<u>31,400</u>	<u>31,393</u>	<u>7</u>
Legal:				
Operating expenditures.....	<u>206,000</u>	<u>212,000</u>	<u>234,663</u>	<u>(22,663)</u>
Planning and Zoning:				
Personal services.....	194,221	190,142	136,968	53,174
Operating expenditures.....	86,652	118,537	110,007	8,530
Capital outlay.....	<u>700</u>	<u>1,180</u>	<u>649</u>	<u>531</u>
	<u>281,573</u>	<u>309,859</u>	<u>247,624</u>	<u>62,235</u>
Total general government .....	<u>1,470,328</u>	<u>1,531,568</u>	<u>1,204,504</u>	<u>327,064</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Public Safety:				
Law Enforcement:				
Personal services.....	\$ 1,214,314	1,276,851	1,149,113	127,738
Operating expenditures.....	210,715	221,202	192,512	28,690
Capital outlay.....	47,865	46,365	43,335	3,030
	<u>1,472,894</u>	<u>1,544,418</u>	<u>1,384,960</u>	<u>159,458</u>
Fire Control:				
Personal services.....	804,336	830,124	874,231	(44,107)
Operating expenditures.....	191,844	175,465	167,500	7,965
Capital outlay.....	3,050	3,511	3,511	-
	<u>999,230</u>	<u>1,009,100</u>	<u>1,045,242</u>	<u>(36,142)</u>
Protective Inspection/Code Enforcement:				
Personal services.....	208,305	252,792	198,503	54,289
Operating expenditures.....	80,988	95,565	88,667	6,898
Capital outlay.....	1,400	1,298	1,298	-
	<u>290,693</u>	<u>349,655</u>	<u>288,468</u>	<u>61,187</u>
Total public safety .....	<u>2,762,817</u>	<u>2,903,173</u>	<u>2,718,670</u>	<u>184,503</u>
Physical Environment:				
Stormwater:				
Operating expenditures.....	25,550	25,550	22,303	3,247
Total physical environment .....	<u>25,550</u>	<u>25,550</u>	<u>22,303</u>	<u>3,247</u>
Transportation:				
Public Works Facilities:				
Personal services.....	209,718	310,447	193,943	116,504
Operating expenditures.....	129,724	120,109	100,909	19,200
Capital outlay.....	57,675	57,919	57,522	397
	<u>397,117</u>	<u>488,475</u>	<u>352,374</u>	<u>136,101</u>
Road and Street Facilities:				
Operating expenditures.....	137,000	139,300	65,901	73,399
Capital outlay.....	5,000	5,000	3,595	1,405
	<u>142,000</u>	<u>144,300</u>	<u>69,496</u>	<u>74,804</u>
Total transportation .....	<u>539,117</u>	<u>632,775</u>	<u>421,870</u>	<u>210,905</u>
Parks and Recreation Facilities:				
Operating expenditures.....	670	1,672	1,668	4
Capital outlay.....	11,830	24,013	20,352	3,661
Total parks and recreation .....	<u>12,500</u>	<u>25,685</u>	<u>22,020</u>	<u>3,665</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**

For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Debt Service:</b>				
Interest.....	\$ 23,000	-	-	-
Principal retirement.....	<u>196,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>219,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total expenditures.....	 <u>5,029,312</u>	 <u>5,118,751</u>	 <u>4,389,367</u>	 <u>729,384</u>
 Excess of revenue over (under) expenditures .....	 <u>367,598</u>	 <u>557,946</u>	 <u>1,221,277</u>	 <u>663,331</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from:				
Public Land Acquisition and Facilities Fund....	-	-	-	-
Sewer Fund.....	-	-	-	-
Refuse Fund.....	32,850	90,390	90,390	-
Appropriated fund balance.....	346,056	238,095	-	(238,095)
Budget contingency.....	(222,569)	(273,470)	-	273,470
Grant reimbursement.....	-	-	-	-
Transfers to:				
Ponce Preserve Fund.....	(50,680)	(91,393)	(142,013)	(50,620)
Timucuan Oaks Fund.....	(100,000)	(100,000)	(48,771)	51,229
Parks and Recreation Fund.....	(36,000)	(47,515)	(47,515)	-
Debt Service Fund.....	-	(194,053)	(193,253)	800
Capital Projects Fund.....	-	(5,000)	(5,000)	-
Capital-Land Acquisition Fund.....	(237,255)	(75,000)	(75,000)	-
Capital-Fire Department Fund.....	(50,000)	(50,000)	(50,000)	-
Water Fund.....	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
 Total other financing sources (uses).....	 <u>(367,598)</u>	 <u>(557,946)</u>	 <u>(521,162)</u>	 <u>36,784</u>
 Net change in fund balance.....	 -	 -	 700,115	 700,115
 Fund Balance - Beginning of year.....	 <u>2,687,205</u>	 <u>2,687,205</u>	 <u>2,687,205</u>	 <u>-</u>
 Fund Balance - End of year.....	 <u>\$ 2,687,205</u>	 <u>2,687,205</u>	 <u>3,387,320</u>	 <u>700,115</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**PONCE PRESERVE SPECIAL REVENUE FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Miscellaneous Revenue:				
Interest earnings.....	1,100	1,177	1,175	(2)
Impact fees.....	7,320	2,265	2,265	-
Miscellaneous.....	<u>-</u>	<u>225</u>	<u>225</u>	<u>-</u>
	<u>8,420</u>	<u>3,667</u>	<u>3,665</u>	<u>(2)</u>
Total revenues.....	<u>8,420</u>	<u>3,667</u>	<u>3,665</u>	<u>(2)</u>
<b>Expenditures:</b>				
Current:				
Culture/Recreation:				
Operating expenditures.....	13,100	16,025	11,335	4,690
Capital outlay.....	<u>46,000</u>	<u>79,035</u>	<u>6,422</u>	<u>72,613</u>
Total expenditures.....	<u>59,100</u>	<u>95,060</u>	<u>17,757</u>	<u>77,303</u>
Excess of revenue over (under) expenditures .....	<u>(50,680)</u>	<u>(91,393)</u>	<u>(14,092)</u>	<u>77,301</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfer from General Fund.....	<u>50,680</u>	<u>91,393</u>	<u>142,013</u>	<u>50,620</u>
Total other sources (uses).....	<u>50,680</u>	<u>91,393</u>	<u>142,013</u>	<u>50,620</u>
Net change in fund balances.....	-	-	127,921	127,921
Fund Balances - Beginning of year.....	<u>(46,469)</u>	<u>(46,469)</u>	<u>(46,469)</u>	<u>-</u>
Fund Balances - End of year.....	<u>\$ (46,469)</u>	<u>(46,469)</u>	<u>81,452</u>	<u>127,921</u>

**REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUNDS**

For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Miscellaneous Revenues:				
Interest earnings.....	\$ -	6,050	5,382	(668)
Total revenues.....	-	6,050	5,382	(668)
<b>Expenditures:</b>				
General Government:				
Operating expenditures.....	-	-	5	(5)
<b>Debt Service:</b>				
2002 Capital Improvement Revenue Note:				
Principal payments.....	-	38,000	38,000	-
Interest payments.....	-	19,717	22,570	(2,853)
2005 Capital Improvement Revenue Note:				
Principal payments.....	-	75,000	75,000	-
Interest payments.....	-	163,167	163,167	-
State Revolving Fund Loan:				
Principal payments.....	-	95,865	95,865	-
Interest payments.....	-	60,721	60,721	-
	-	452,470	455,323	(2,853)
Total expenditures.....	-	452,470	455,328	(2,858)
Excess of revenue over (under) expenditures .....	-	(446,420)	(449,946)	(3,526)
<b>Other Financing Sources (Uses):</b>				
Operating transfer from General Fund.....	-	213,253	193,253	(20,000)
Operating transfer from Capital Projects Fund...	-	233,167	282,095	48,928
Operating transfer from Water Fund.....	-	-	10,000	10,000
Operating transfer from Sewer Fund.....	-	-	10,000	10,000
Appropriated for future use.....	-	-	-	-
Total other financing sources (uses).....	-	446,420	495,348	48,928
Net change in fund balance.....	-	-	45,402	45,402
Fund Balance - Beginning of year.....	-	-	-	-
Fund Balance - End of year.....	\$ -	-	45,402	45,402

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**PUBLIC LAND ACQUISITION AND FACILITY FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes:				
Utility service taxes-electric.....	\$ 235,000	254,049	254,049	-
Utility service taxes-liquid propane.....	<u>13,500</u>	<u>11,101</u>	<u>11,101</u>	-
	<u>248,500</u>	<u>265,150</u>	<u>265,150</u>	-
Permits and fees:				
Franchise taxes-solid waste.....	<u>17,000</u>	<u>29,883</u>	<u>29,883</u>	-
Miscellaneous Revenues:				
Interest earnings.....	<u>23,707</u>	<u>18,247</u>	<u>18,247</u>	-
Total revenues.....	<u>289,207</u>	<u>313,280</u>	<u>313,280</u>	-
<b>Expenditures:</b>				
Physical Environment:				
Operating expenditures.....	<u>350</u>	<u>10</u>	<u>10</u>	-
Total expenditures.....	<u>350</u>	<u>10</u>	<u>10</u>	-
Excess of revenue over (under) expenditures .....	<u>288,857</u>	<u>313,270</u>	<u>313,270</u>	-
<b>Other Financing Sources (Uses):</b>				
Operating transfer to other funds.....	(59,190)	(313,270)	-	313,270
Appropriated for future use.....	<u>(229,667)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses).....	<u>(288,857)</u>	<u>(313,270)</u>	<u>-</u>	<u>313,270</u>
Net change in fund balance.....	-	-	313,270	313,270
Fund Balance - Beginning of year.....	<u>841,336</u>	<u>841,336</u>	<u>841,336</u>	-
Fund Balance - End of year.....	<u>841,336</u>	<u>841,336</u>	<u>1,154,606</u>	<u>313,270</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**SERIES 2005 BOND PROJECT FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous Revenues:				
Interest earnings.....	\$ 8,500	-	-	-
Total revenues.....	8,500	-	-	-
Expenditures:				
Debt Service:				
Principal payments.....	75,000	-	-	-
Interest payments.....	163,167	-	-	-
Total expenditures.....	238,167	-	-	-
Excess of revenue over (under) expenditures .....	(229,667)	-	-	-
Other Financing Sources (Uses):				
Appropriated fund balance.....	229,667	-	-	-
Operating transfer to Debt Service Fund.....	-	-	(282,095)	(282,095)
Total other financing sources (uses).....	229,667	-	(282,095)	(282,095)
Net change in fund balance.....	-	-	(282,095)	(282,095)
Fund Balance - Beginning of year.....	282,095	282,095	282,095	-
Fund Balance - End of year.....	<u>\$ 282,095</u>	<u>282,095</u>	<u>-</u>	<u>(282,095)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
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*Not required, per paragraph 124 of GASB 25, for plans utilizing the aggregate actuarial cost method.*

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>State Excise/ Supplemental Contribution</u>	<u>Percent Contributed</u>
12/31/2004	\$ -	\$ -	\$ 11,515	100%
12/31/2003	\$ -	\$ -	\$ 5,923	100%

*Based on actuarial valuation dated 10/01/2004*

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	Tree Bank	Timucuan Oaks	Sidewalks	Parks and Recreation
<b>Assets:</b>				
Cash and cash equivalents.....	\$ 6,562	113,979	23,659	41,811
Receivables, net.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets.....	<u>\$ 6,562</u>	<u>113,979</u>	<u>23,659</u>	<u>41,811</u>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable.....	\$ -	28,629	600	-
Total liabilities.....	<u>-</u>	<u>28,629</u>	<u>600</u>	<u>-</u>
<b>Fund Balances:</b>				
Reserved for encumbrances.....	-	-	-	-
Reserved for law enforcement.....	-	-	-	-
<b>Unreserved:</b>				
<b>Undesignated, reported in:</b>				
Special revenue funds.....	6,562	85,350	23,059	41,811
Capital projects funds.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances.....	<u>6,562</u>	<u>85,350</u>	<u>23,059</u>	<u>41,811</u>
Total liabilities and fund balances.....	<u>\$ 6,562</u>	<u>113,979</u>	<u>23,659</u>	<u>41,811</u>

Police Education	Contraband Forfeitures	Capital Projects	Fire Department Capital	143 Beach St. Capital	Land Acquisition Capital	Total- Nonmajor Governmental Funds
13,401	15,971	3,635	103,758	153,570	75,844	552,190
<u>218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218</u>
<u>13,619</u>	<u>15,971</u>	<u>3,635</u>	<u>103,758</u>	<u>153,570</u>	<u>75,844</u>	<u>552,408</u>
-	-	-	-	7,508	-	36,737
-	-	-	-	7,508	-	36,737
-	-	-	-	21,000	-	21,000
-	15,971	-	-	-	-	15,971
13,619	-	-	-	-	-	170,401
<u>-</u>	<u>-</u>	<u>3,635</u>	<u>103,758</u>	<u>125,062</u>	<u>75,844</u>	<u>308,299</u>
<u>13,619</u>	<u>15,971</u>	<u>3,635</u>	<u>103,758</u>	<u>146,062</u>	<u>75,844</u>	<u>515,671</u>
<u>13,619</u>	<u>15,971</u>	<u>3,635</u>	<u>103,758</u>	<u>153,570</u>	<u>75,844</u>	<u>552,408</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	Tree Bank	Timucuan Oaks	Sidewalks	Parks and Recreation
<b>Revenue:</b>				
Intergovernmental.....	\$ -	-	-	7,595
Fines and forfeitures.....	-	-	-	-
<b>Miscellaneous:</b>				
Investment earnings.....	269	2,846	742	1,995
Miscellaneous revenue.....	9,719	-	1,000	255
	<u>9,988</u>	<u>2,846</u>	<u>1,742</u>	<u>2,250</u>
Total revenue.....	<u>9,988</u>	<u>2,846</u>	<u>1,742</u>	<u>9,845</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Safety.....	-	-	-	-
Transportation.....	-	-	-	-
Culture/recreation.....	2,304	32,164	6,290	28,794
<b>Capital Outlay:</b>				
Culture/recreation.....	-	-	-	-
Total expenditures.....	<u>2,304</u>	<u>32,164</u>	<u>6,290</u>	<u>28,794</u>
Excess of revenue over (under) expenditures.....	7,684	(29,318)	(4,548)	(18,949)
<b>Other Financing Sources (Uses):</b>				
Operating transfers in.....	-	48,771	-	47,515
Operating transfers (out).....	-	-	-	(162,255)
Net change in fund balances.....	7,684	19,453	(4,548)	(133,689)
Fund Balances - Beginning of year.....	<u>(1,122)</u>	<u>65,897</u>	<u>27,607</u>	<u>175,500</u>
Fund Balances - End of year.....	<u>\$ 6,562</u>	<u>85,350</u>	<u>23,059</u>	<u>41,811</u>

Police Education	Contraband Forfeitures	Capital Projects	Fire Department Capital	143 Beach St. Capital	Land Acquisition Capital	Total- Nonmajor Governmental Funds
-	-	-	-	-	-	7,595
<u>3,212</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,712</u>
350	425	109	2,543	3,523	844	13,646
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,974</u>
<u>350</u>	<u>425</u>	<u>109</u>	<u>2,543</u>	<u>3,523</u>	<u>844</u>	<u>24,620</u>
<u>3,562</u>	<u>925</u>	<u>109</u>	<u>2,543</u>	<u>3,523</u>	<u>844</u>	<u>35,927</u>
2,325	-	-	-	-	-	2,325
-	-	6,783	-	-	-	6,783
						69,552
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,716</u>	<u>-</u>	<u>19,716</u>
<u>2,325</u>	<u>-</u>	<u>6,783</u>	<u>-</u>	<u>19,716</u>	<u>-</u>	<u>98,376</u>
1,237	925	(6,674)	2,543	(16,193)	844	(62,449)
-	-	5,000	50,000	162,255	75,000	388,541
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,255)</u>
1,237	925	(1,674)	52,543	146,062	75,844	163,837
<u>12,382</u>	<u>15,046</u>	<u>5,309</u>	<u>51,215</u>	<u>-</u>	<u>-</u>	<u>351,834</u>
<u>13,619</u>	<u>15,971</u>	<u>3,635</u>	<u>103,758</u>	<u>146,062</u>	<u>75,844</u>	<u>515,671</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
TREE BANK SPECIAL REVENUE FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous:				
Investment earnings.....	\$ 180	270	269	(1)
Miscellaneous.....	<u>8,525</u>	<u>9,719</u>	<u>9,719</u>	<u>-</u>
Total revenues.....	<u>8,705</u>	<u>9,989</u>	<u>9,988</u>	<u>(1)</u>
Expenditures:				
Current:				
Culture/Recreation:				
Operating expenditures.....	-	7,722	1,524	6,198
Capital outlay.....	<u>8,705</u>	<u>7,267</u>	<u>780</u>	<u>6,487</u>
Total expenditures.....	<u>8,705</u>	<u>14,989</u>	<u>2,304</u>	<u>12,685</u>
Excess of revenue over (under) expenditures .....	-	(5,000)	7,684	12,684
Other Financing Sources (Uses):				
Appropriated fund balance.....	-	<u>5,000</u>	-	<u>(5,000)</u>
Net change in fund balances.....	-	-	7,684	7,684
Fund Balances - Beginning of year.....	<u>(1,122)</u>	<u>(1,122)</u>	<u>(1,122)</u>	<u>-</u>
Fund Balances - End of year.....	<u>\$ (1,122)</u>	<u>(1,122)</u>	<u>6,562</u>	<u>7,684</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
TIMUCUAN OAKS SPECIAL REVEUNE FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous:				
Interest earnings.....	\$ 600	2,846	2,846	-
Total revenues.....	600	2,846	2,846	-
Expenditures:				
Parks and Recreation:				
Operating expenditures.....	1,600	4,621	4,683	(62)
Capital outlay.....	99,000	96,996	27,481	69,515
Total expenditures.....	100,600	101,617	32,164	69,453
Excess of revenue over (under) expenditures .....	(100,000)	(98,771)	(29,318)	69,453
Other Financing Sources (Uses):				
Operating transfer from General Fund.....	50,000	48,771	48,771	-
Appropriated fund balance.....	50,000	50,000	-	(50,000)
Total other financing sources (uses).....	100,000	98,771	48,771	(50,000)
Net change in fund balance.....	-	-	19,453	19,453
Fund Balance - Beginning of year.....	65,897	65,897	65,897	-
Fund Balance - End of year.....	<u>\$ 65,897</u>	<u>65,897</u>	<u>85,350</u>	<u>19,453</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
SIDEWALK SPECIAL REVEUNE FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous:				
Interest earnings.....	\$ 255	746	742	(4)
Miscellaneous revenue.....	<u>-</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
Total revenues.....	<u>255</u>	<u>1,746</u>	<u>1,742</u>	<u>(4)</u>
Expenditures:				
Parks and Recreation:				
Operating expenditures.....	-	-	-	-
Capital outlay.....	<u>8,255</u>	<u>8,125</u>	<u>6,290</u>	<u>1,835</u>
Total expenditures.....	<u>8,255</u>	<u>8,125</u>	<u>6,290</u>	<u>1,835</u>
Excess of revenue over (under) expenditures .....	<u>(8,000)</u>	<u>(6,379)</u>	<u>(4,548)</u>	<u>(1,839)</u>
Other Financing Sources (Uses):				
Appropriated fund balance.....	<u>8,000</u>	<u>6,379</u>	<u>-</u>	<u>(6,379)</u>
Total other financing sources (uses).....	<u>8,000</u>	<u>6,379</u>	<u>-</u>	<u>(6,379)</u>
Net change in fund balance.....	-	-	(4,548)	(8,218)
Fund Balance - Beginning of year.....	<u>27,607</u>	<u>27,607</u>	<u>27,607</u>	<u>-</u>
Fund Balance - End of year.....	<u>\$ 27,607</u>	<u>27,607</u>	<u>23,059</u>	<u>(8,218)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
PARKS AND RECREATION FUND  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental:				
Federal Grants:				
U.S. Department of Agriculture	\$ -	7,595	7,595	-
Miscellaneous:				
Interest earnings.....	700	1,995	1,995	-
Miscellaneous revenue.....	-	-	255	255
	<u>700</u>	<u>1,995</u>	<u>2,250</u>	<u>255</u>
Total revenues.....	<u>700</u>	<u>9,590</u>	<u>9,845</u>	<u>255</u>
<b>Expenditures:</b>				
Culture and Recreation:				
Operating expenditures.....	1,680	16,540	16,483	57
Capital outlay.....	<u>35,020</u>	<u>12,462</u>	<u>12,311</u>	<u>151</u>
Total expenditures.....	<u>36,700</u>	<u>29,002</u>	<u>28,794</u>	<u>208</u>
Excess of revenue over (under) expenditures .....	<u>(36,000)</u>	<u>(19,412)</u>	<u>(18,949)</u>	<u>463</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfer from General Fund.....	36,000	8,950	47,515	38,565
Appropriated for future use.....	-	172,717	-	(172,717)
Operating transfer to Capital Projects Fund.....	<u>-</u>	<u>(162,255)</u>	<u>(162,255)</u>	<u>-</u>
Total other financing sources (uses).....	<u>36,000</u>	<u>19,412</u>	<u>(114,740)</u>	<u>(134,152)</u>
Net change in fund balance.....	-	-	(133,689)	(133,689)
Fund Balance - Beginning of year.....	<u>175,500</u>	<u>175,500</u>	<u>175,500</u>	<u>-</u>
Fund Balance - End of year.....	<u>175,500</u>	<u>175,500</u>	<u>41,811</u>	<u>(133,689)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
POLICE EDUCATION SPECIAL REVENUE FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures:				
Fines and forfeitures.....	\$ 3,700	3,700	3,212	(488)
Miscellaneous:				
Interest earnings.....	<u>150</u>	<u>383</u>	<u>350</u>	<u>(33)</u>
Total revenues.....	<u>3,850</u>	<u>4,083</u>	<u>3,562</u>	<u>(521)</u>
<b>Expenditures:</b>				
Public Safety:				
Law Enforcement::				
Operating expenditures.....	2,325	2,325	2,325	-
Capital outlay.....	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total expenditures.....	<u>3,325</u>	<u>3,325</u>	<u>2,325</u>	<u>1,000</u>
Excess of revenue over (under) expenditures .....	525	758	1,237	479
<b>Other Financing Sources (Uses):</b>				
Operating transfer to General Fund.....	(525)	(758)	-	758
Appropriated fund balance.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances.....	-	-	1,237	1,237
Fund Balances - Beginning of year.....	<u>12,382</u>	<u>12,382</u>	<u>12,382</u>	<u>-</u>
Fund Balances - End of year.....	<u>\$ 12,382</u>	<u>12,382</u>	<u>13,619</u>	<u>1,237</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL  
 CONTRABAND FORFEITURES SPECIAL REVENUE FUND**  
 For the Year Ended September 30, 2008  
 TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Fines and Forfeitures:				
Fines and forfeitures.....	\$ 3,000	3,000	500	(2,500)
Miscellaneous:				
Investment earnings.....	<u>200</u>	<u>494</u>	<u>425</u>	<u>(69)</u>
Total revenues.....	<u>3,200</u>	<u>3,494</u>	<u>925</u>	<u>(2,569)</u>
<b>Expenditures:</b>				
Public Safety:				
Law Enforcement:				
Operating expenditures.....	1,279	1,573	-	1,573
Capital outlay.....	<u>1,921</u>	<u>1,921</u>	<u>-</u>	<u>1,921</u>
Total expenditures.....	<u>3,200</u>	<u>3,494</u>	<u>-</u>	<u>3,494</u>
Excess of revenue over (under) expenditures .....	-	-	925	925
Fund Balances - Beginning of year.....	<u>15,046</u>	<u>15,046</u>	<u>15,046</u>	<u>-</u>
Fund Balances - End of year.....	<u>\$ 15,046</u>	<u>15,046</u>	<u>15,971</u>	<u>925</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous:				
Interest earnings.....	\$ 100	-	109	109
Total revenues.....	100	-	109	109
Expenditures:				
Capital Outlay:				
Transportation:				
Capital outlay.....	-	-	6,783	(6,783)
Total expenditures.....	-	-	6,783	(6,783)
Excess of revenue over (under) expenditures .....	100	-	(6,674)	(6,674)
Other Financing Sources (Uses):				
Operating transfer from General Fund.....	5,000	-	5,000	5,000
Appropriated for future use.....	(5,100)	-	-	-
Total other financing sources (uses).....	(100)	-	5,000	5,000
Net change in fund balances.....	-	-	(1,674)	(1,674)
Fund Balances - Beginning of year.....	5,309	5,309	5,309	-
Fund Balances - End of year.....	<u>\$ 5,309</u>	<u>5,309</u>	<u>3,635</u>	<u>(1,674)</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
FIRE DEPARTMENT CAPITAL FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Miscellaneous Revenues:				
Interest earnings.....	\$ 600	-	2,543	2,543
Total revenues.....	600	-	2,543	2,543
Other Financing Sources (Uses):				
Operating transfer from General Fund.....	50,000	-	50,000	50,000
Appropriated for future use.....	(50,600)	-	-	-
Total other financing sources (uses).....	(600)	-	50,000	50,000
Net change in fund balance.....	-	-	52,543	52,543
Fund Balance - Beginning of year.....	51,215	51,215	51,215	-
Fund Balance - End of year.....	<u>\$ 51,215</u>	<u>51,215</u>	<u>103,758</u>	<u>52,543</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
143 BEACH STREET PROJECT CAPITAL PROJECTS FUND  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental:				
Local government unit grant:				
ECHO grant.....	\$ -	223,195	-	(223,195)
Miscellaneous:				
Interest earnings.....	<u>100</u>	<u>3,522</u>	<u>3,523</u>	<u>1</u>
Total revenues.....	<u>100</u>	<u>226,717</u>	<u>3,523</u>	<u>(223,194)</u>
Expenditures:				
Capital Outlay:				
Culture/recreation:				
Capital outlay.....	<u>162,355</u>	<u>388,972</u>	<u>19,716</u>	<u>369,256</u>
Total expenditures.....	<u>162,355</u>	<u>388,972</u>	<u>19,716</u>	<u>369,256</u>
Excess of revenue over (under) expenditures .....	(162,255)	(162,255)	(16,193)	146,062
Other Financing Sources (Uses):				
Operating transfer from other fund.....	162,255	162,255	162,255	-
Appropriated for future use.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses).....	<u>162,255</u>	<u>162,255</u>	<u>162,255</u>	<u>-</u>
Net change in fund balances.....	-	-	146,062	146,062
Fund Balances - Beginning of year.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - End of year.....	<u>\$ -</u>	<u>-</u>	<u>146,062</u>	<u>146,062</u>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
MISCELLANEOUS LAND ACQUISITION CAPITAL PROJECTS FUND**  
For the Year Ended September 30, 2008  
TOWN OF PONCE INLET, FLORIDA

	<u>Budgeted Amounts</u>		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues:				
Miscellaneous:				
Interest earnings.....	\$ 100	925	844	(81)
Total revenues.....	100	925	844	(81)
Expenditures:				
Capital Outlay:				
Culture/recreation:				
Capital outlay.....	75,100	75,925	-	75,925
Total expenditures.....	75,100	75,925	-	75,925
Excess of revenue over (under) expenditures .....	(75,000)	(75,000)	844	75,844
Other Financing Sources (Uses):				
Operating transfer from other fund.....	75,000	75,000	75,000	-
Appropriated for future use.....	-	-	-	-
Total other financing sources (uses).....	75,000	75,000	75,000	-
Net change in fund balances.....	-	-	75,844	75,844
Fund Balances - Beginning of year.....	-	-	-	-
Fund Balances - End of year.....	\$ -	-	75,844	75,844

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**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

**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***

The Honorable Mayor, and  
Members of the Town Council  
Town of Ponce Inlet, 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 Town of Ponce Inlet, Florida, as of and for the year ended September 30, 2008, which collectively comprise the Town of Ponce Inlet, Florida's basic financial statements and have issued our report thereon dated February 26, 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 Town of Ponce Inlet, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ponce Inlet, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Ponce Inlet, Florida's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Ponce Inlet, Florida'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 of Ponce Inlet, Florida's financial statements that is more than inconsequential will not be prevented or detected by the Town of Ponce Inlet, Florida's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as #2007-1 through #2007-5 to be significant deficiencies in internal control over financial reporting.

The Honorable Mayor, and  
Members of the Town Council  
Town of Ponce Inlet, Florida  
Page 2

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 of Ponce Inlet, Florida's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. 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 Town of Ponce Inlet, Florida'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as #2007-7 through #2007-9.

We noted certain matters that we reported to management of Town of Ponce Inlet, Florida, in a separate letter dated March 10, 2008.

The Town of Ponce Inlet, Florida's response to the findings identified in our audit is described in a separate letter dated February 26, 2009. We did not audit Town of Ponce Inlet, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Town Council, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



February 26, 2009

## SCHEDULE OF FINDINGS AND RESPONSES

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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### **Matters Related to Internal Control Over Financial Reporting**

#### **2007-1 Bank Reconciliation and Oversight Procedures**

Due to the limited number of personnel performing the town's accounting functions, we continued to note that completed bank reconciliations are not reviewed by an official who is independent of the cash collection or account recording process. We also noted that cash adjustments made to the accounting records as a part of the cash reconciliation process are not routinely or independently approved prior to their posting to the accounting records. Our procedures also confirmed that under current Town policies, employees charged with exclusive cash handling duties are not required to take annual vacations for temporary replacement personnel to examine control procedures in their absence. These policies also do not require that a formal cross-training program for accounting personnel be developed to adequately provide for the temporary or permanent loss of key accounting personnel responsible for these functions.

Recommendation: We continue to recommend that formal procedures be developed that appropriately delegate the cash reconciliation approval and oversight process to an independent official. We suggest that the unopened bank statements received in the mail be forwarded directly to the Town Manager (or Assistant Town Manager) to review the bank statements and cancelled checks for any strange or unusual items and to investigate these items should any be found. Documentation of this independent review process should also be made on the face of the bank statement. We also recommend that you consider the implementation of formal procedures that include necessary provisions to require the temporary shifting of your cash handling duties among office employees as an integral part of your ongoing cross-training procedures. We believe that these suggestions will further enhance the checks and balances necessary for stronger controls over cash.

Auditee's Response: *The auditors' recommendation has been duly noted. Steps have been implemented to require the Assistant Town Manager to physically receive the monthly bank statements for the purpose of examining the contents and independently reviewing the bank reconciliations.*

#### **2007-2 Separation of Accounting Duties**

Under current office procedures, the utility clerk is responsible for virtually all aspects of the recording, maintenance and postings of all utility customer accounts, including the entering of meter reading data, account billing, customer account collection, account postings, handling of cash receipts and following up on all potential billing/posting complaints with little or no independent oversight from management. We also noted that this individual is the only staff person that possesses significant knowledge of the town's computer systems related to the recording of customer readings, development of monthly utility billings, maintenance of utility customer accounts and utility deposits. This person is also responsible for virtually all recording actions associated with the town's procurement systems, including the preparation of payment vouchers, retention of vendor documents, and the preparing of cash disbursements for the town. We also noted that presently no backup personnel have been trained to perform any of these important tasks.

## SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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Recommendation: During the past fiscal year, we noted that procedural changes were made to ensure independent reconciliations of the monthly utility billings and payment postings. We also noted that additional segregation of duties was implemented to separate the duties of processing cash receipts and cash disbursements from those associated with maintaining books of original entry. To achieve total segregation, we continue to recommend that steps be taken to appropriately assess all of the Town's primary internal office procedures and that the control functions associated with these matters be delegated to independent officials, to the extent possible, to maximize your control over these important functions.

Auditee's Response: *The Town has implemented changes in the process of handling cash receipts and recording of cash payments (by the Town Cashier) to improve the Town's internal controls. Steps are currently being considered to provide supplemental cross-training of backup accounting personnel that should be in place by the end of the 2009 fiscal year.*

### 2007-3 Capital Asset Maintenance and Depreciation

To exercise essential control over the town's investments in capital assets, accounting personnel are required to develop adequately detailed subsidiary records to support the underlying capital cost of buildings, fixed equipment and improvements other than buildings. At the present time, only a portion of these records are maintained within a separate module of the Town's central accounting software system. This is due to numerous complications that were discovered during the construction of the Town Hall and Public Safety Complex, both of which included the recognition and capitalization of construction costs that were incurred over more than one fiscal year.

During the audit, we continued to note that the current asset management system in place is extremely cumbersome and difficult to effectively use and/or manage primarily because all of the Town's capital asset records are aggregated and maintained in a single combined reporting system. The Town has continued to experience extreme difficulty in operating and managing its capital asset database in a manner that facilitates the necessary and appropriate segregation of these assets for the separate reporting of its (governmental) general fixed assets from its (business-type) utility fixed assets. While both fund types maintain similar classes of assets (i.e., buildings, equipment, furniture, vehicles, etc.), in many instances the useful lives and depreciation methods may differ significantly among similar asset classes based exclusively on their ownership and intended use. While this may be effectively accomplished with the current system, it appears that virtually all of the Town's current asset files will have to be substantially modified, recreated, or recoded to accomplish the appropriate segregation of these assets.

In the absence of these capital asset records, the Town was unable to perform a complete physical inspection of its tangible personal property holdings, nor was it able to successfully reconcile the subsidiary equipment listings with the general ledger accounts during the year. As a result, significant additional audit time was required to assist your personnel in appropriately segregating these assets and to obtain assurance that the depreciation calculations for each fund type were reasonable.

Recommendation: We continue to recommend that significant emphasis be placed on developing and maintaining your physical property records to provide the appropriate safeguards over their custody. Accounting for capital assets should include maintaining fund designated control accounts and detailed subsidiary records for the various categories of capital assets. In addition,

## SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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periodic reconciliations of detailed subsidiary records with control accounts are needed to ensure capital asset acquisitions and related depreciation are properly recorded. To improve accountability for these assets, we continue to recommend that the detailed subsidiary records for all capital asset categories be timely updated for transactions during the fiscal year and periodically reconciled to the respective general ledger control accounts to ensure that transactions affecting these records and accounts are properly recorded.

*Auditee's Response: We believe that these recommendations will be appropriately addressed and resolved with the implementation of the Fixed Assets module included with the Town's new financial accounting software.*

### 2007-4 Capital Asset Capitalization Policies and Procedures

In April 2004, the Town adopted formal policies and procedures governing the acquisition and maintenance of its property and equipment. In these policies, an amended capitalization threshold was established (\$750) that requires the costs of all equipment items with a useful life of greater than one year to be capitalized in the Town's property record system. Generally accepted accounting principles further require the computation of depreciation on all property and equipment, the cost of which must be allocated to the Town's various functional expense centers.

As was noted last year, in 2006 and 2007 the Town expended approximately \$5.5 million on the construction of three major capital projects. These projects included significant building infrastructure improvements, construction of facilities and related essential furnishings, coupled with the acquisition of a large number of new equipment and furniture items. While we noted that the significant portion of these expenditures were directly related to the construction of substantial storm water utility infrastructure components, a new Town Hall and a new Police Department building, we continued to note that steps were never fully completed to adequately identify, capture and capitalize these costs or to appropriately recognize these acquisitions in your fixed assets recording and reporting system.

**Recommendation:** We continue to recognize that the Town's present accounting software has inherent limitations in its ability to adequately provide for the capitalization of mixed types of property and equipment (i.e., governmental versus business-type). We continue recommend that you should consider the acquisition of an alternative reporting system to provide for this required financial information or consider the development of a spreadsheet system that is sufficient for these purposes. We also recommend that formal steps should be taken that require the capitalization (including required physical tagging) of property and equipment purchases made throughout the year. When long-term projects are encountered, similar to those last year, steps should be taken to aggregate these costs so that the individual components are appropriately identified, tagged and capitalized in accordance with the Town's directives.

*Auditee's Response: As noted above, it is our belief that the Town's capital asset management systems will be substantially revised with the implementation of the new accounting software.*

### 2007-5 Purchasing/Accounts Payable/Encumbrance Systems

Timely recognition of qualified purchasing obligations is essential to ensure successful compliance with your procurement policies and procedures and to properly reflect all related acquisitions and outstanding obligations as they are incurred in the process of conducting your fiscal operations.

## SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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The Town currently employs a decentralized procurement system that requires each individual department to directly generate purchase orders for the acquisition of goods and services. As a part of this process, individual purchase orders are recorded in the Town's internal accounting systems at the time they are prepared and issued by the departments initiating the purchase. The Town's automated accounting system also provides the means to record these procurements as encumbrances at the time that they are issued.

While most purchase orders simply initiate a formal commitment to purchase, the recording of these encumbrances should not be reflected as accounts payable until the time that the goods and services being acquired are physically delivered to the Town. At the present time, all purchase commitments are recognized in the same manner as vouchered into the accounting systems as accounts payable. While the software systems utilized by the Town may have the capability of providing for the alternative capturing and handling of your procurement information, we noted that virtually all of the Town's encumbered purchases made during the fiscal year were inappropriately recorded in your accounting systems at the time they were originated. As a result, we continued to experience a very significant amount of unanticipated audit time to review your purchasing transactions and to obtain assurance that the charges were appropriately reflected in your accounting records.

In our review of your purchasing cutoff procedures at the end of each fiscal year, we continued to note that attempts were employed by your accounting personnel to appropriately sort out these numerous accounting transactions which were originally posted in error. However, in the process of auditing these transactions, we continued to note large numbers of accounts payable transactions at year end that were not properly reflected in your accounting records. More importantly, we continued to note that the system's purchase commitments (encumbrances) were not properly reflected in the accounting system at year. This was further complicated by the method in which the Town's software systems are designed to allocate these costs for budgetary compliance review purposes.

Under your present system, all purchase orders entered into the system are identified as encumbrance commitments. However, the charges from these purchase orders are actually recorded in your accounting systems as purchases to allow them to be included in your budgetary reports. If you elect to review data "without" encumbrances, the essential accounting detail associated with the data entry for these purchases is not displayed. This functional disparity creates a lot of confusion and substantially contributes to the difficulty in reviewing the audit trail of the Town's expenditure transactions posted during the year.

Recommendation: While we understand that the Town will formally convert to a new system in the 2009 fiscal year, we continue to recommend that you should review these matters in the development of your replacement systems. We also continue to recommend that extensive training sessions be considered to inform and educate all department personnel responsible for entering procurements of the proper ways to record these transactions.

Auditee's Response: *These issues have been substantially resolved with the implementation of the new financial accounting software.*

## SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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### 2007-6 Internal Control and Financial Reporting Processes

Every business organization, including governmental entities, must establish an underlying and formal system of internal controls sufficient to ensure the successful operation and control of its business activities and financial reporting processes. The American Institute of Certified Public Accountants (the “AICPA”)’s professional standards (SAS No. 78) define “internal control” as a process—effected by an entity’s board of directors, management, and other personnel—designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- (a) reliability of financial reporting;
- (b) effectiveness and efficiency of operations, and
- (c) compliance with applicable laws and regulations. Internal control over financial reporting to third parties is generally considered to consist of five interrelated elements:
  - 1. Control environment. The tone of an organization, which influences the control consciousness of its employees. This environment is what provides a foundation of discipline and structure to other elements of internal control.
  - 2. Risk assessment. This is the entity’s identification of risks that may affect the integrity of the financial reporting system. This forms the basis for controls that reduce the risk of financial reporting errors.
  - 3. Control activities. These are practices, policies, and procedures that reduce the possibility of errors entering in the financial reporting system (preventive controls), or that detect errors that are made (detective controls).
  - 4. Information and communication. These are processes aimed at identifying, capturing, and exchanging information, to ensure the availability of complete and reliable information.
  - 5. Monitoring. This is the process of testing the quality of internal control over time. This may include an internal audit function, or testing by outside auditors.

In the normal course of the audit process, the auditor is only required to obtain an understanding of internal control sufficient to plan the audit. This, however, does not imply that the auditor must perform any type of test or other verification of the effectiveness of the internal control system. Throughout the conduct of the audit, we continued to note that the Town has not yet developed or established formal systems that provide assurance that all of these objectives can be accomplished.

Recommendation: To obtain adequate assurance that these systems and processes are sufficient for your needs, we urge you to consider requiring management to routinely report to the Town Council on the effectiveness of the Town’s present system of internal controls. These formal reports should reaffirm management’s responsibility for establishing and maintaining an adequate system of internal control and financial reporting and document the governing board’s acceptance of those responsibilities. Furthermore, the overall effectiveness of the systems should be assessed

## SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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and documented. Strong and effective internal controls are the responsibility of management, and we believe that this practice, conducted on an annual basis, will be of significant benefit in enhancing internal controls and preventing fraud and abuse.

We also recommend that you should supplement your review of the effectiveness of the Town's present financial reporting processes to include the development of mandatory procedures that ensure the proper evaluation, review and acceptance of all financial information produced from the audit. To properly accomplish this task, and meet the present audit standard requirements (AICPA's SAS No. 112), the Town must designate an individual who possesses suitable skill, knowledge, and/or experience to oversee all services provided by its auditors. These procedures must include a detailed review of the Town's final financial data and any adjustments proposed for acceptance through the audit process. They should also include detailed documentation and acceptance procedures that satisfactorily evidence the formal review and acceptance of the Town's published financial reports and the adequacy and completeness of their related and required disclosure requirements.

*Auditee's Response: Management has reviewed these matters in detail with our independent auditors. It is our intention to explore the feasibility of coordinating staff's efforts to perform a comprehensive review of the Town's present control environment. This will be used to start the process of documenting our control systems and operating procedures for the appropriate review and acceptance by those charged with governance.*

### **Matters Related to Compliance and Other Matters**

#### **2007-7 (Volunteer) Firefighters' Pension Trust Fund-Administration**

During the past year, the Town received a 2007 Casualty Insurance Premium Tax warrant in the amount of \$27,207 and the 2007 Firefighters' Supplemental Compensation Trust Fund distribution in the amount of \$21,355 (received electronically from the State of Florida), both of which were not deposited timely to the Firefighters' Pension Trust Fund. Pursuant to the requirements of Chapter 175 (Section 175.131) Florida Statutes, the Town's pension trust fund's Board of Trustees are required to deposit state funds in the Firefighters' Pension Trust Fund immediately and under no circumstances more than five days after receipt.

Recommendation: We continue to recommend that steps be taken to ensure that all known payments that belong to the Plan have been identified and transferred to the Plan's depository accounts at the earliest possible convenience.

*Auditee's Response: The Town will implement the procedures necessary to ensure that the state shared pension funds wire transferred to the Town's bank account are immediately provided to the Board of Trustees for deposit within the required five day period.*

#### **2007-8 Investment of Firefighters' Pension Trust Funds**

Pursuant to the provisions of Chapter 175.131(6)(a), Florida Statutes, at least once every 3 years the Firefighters' Pension Trust Fund's Board of Trustees are required to retain a professionally qualified independent consultant who shall evaluate the performance of any existing professional money manager and shall make recommendations to the board of trustees regarding the selection of money managers for the next investment term. During the fiscal year, we noted that no actions

## SCHEDULE OF FINDINGS AND RESPONSES – (Continued)

September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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have been taken by the Board to comply with these requirements or to maximize investment earnings on Plan assets. In lieu of these requirements, the Board has invested all of the Plan's funds in a savings account with a local financial institution. Interest earnings on the account ranged from a low of 0.25% (APR) to a maximum of 0.50% (APR). At the same time, the assumptions used by the Plan's actuarial consultants in developing a revised actuarial valuation assumed an interest rate of 8.0% per year, compounded annually, net of investment-related expenses. Based on these findings, the Plan's actuary has incorrectly assumed that the Plan's assets will earn an investment return that ranges from 16 times to 32 times the Plan's historical earnings rate. These differences, if continued unchecked, could contribute to a material distortion in the actuary's projection of the plan's future investment and funding requirements.

Recommendation: We strongly recommend that the trustees should evaluate and reconsider their alternative investment options so that investment returns can be maximized in the future. We also recommend that the Plan's historical investment return data be supplied to the Plan's actuaries so that it can be appropriately considered in their interest rate assumptions at rates that more precisely reflect the historical earnings rate of Plan investments.

Auditee's Response: *As these funds are managed exclusively by the Plan's Board of Trustees without any substantial involvement of the Town's management, we will encourage the Plan's Board of Trustees to promptly comply with these requirements.*

### **2007-9 Actuarial Valuation Requirements for Firefighters' Pension Trust Funds**

Pursuant to the provisions of Chapter 175.261(1)(a), Florida Statutes, the Board of Trustees is required to submit an annual report to the Florida Department of Management Services, Division of Retirement containing Plan information and proof of compliance with all applicable statutory provisions. In accordance with Chapter 175.261(1)(b), in addition to annual report, by February 1 of each triennial year, an actuarial valuation of the chapter plan must be made by the division at least once every 3 years commencing 3 years from the last actuarial valuation of the plan or system for existing plans, or commencing 3 years from issuance of the initial actuarial impact statement submitted for newly created plans. To that end, the chair of the board of trustees for the firefighters' pension trust fund operating under a chapter plan shall report to the division such data as it needs to complete an actuarial valuation of each fund. During our audit, we continued to note that no actuarial valuation has been made since 2004.

Recommendation: We recommend that the appropriate steps should be taken to complete the preparation of an actuarial valuation to meet the statutory filing requirements at the earliest possible convenience.

Auditee's Response: *As has been noted above, the Plan is managed by a separate Board of Trustees who are responsible for complying with these statutory provisions. Town management will encourage the Plan's Board of Trustees to promptly comply with these requirements.*

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**BRENT MILLIKAN & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

## MANAGEMENT LETTER

The Honorable Mayor, and  
Members of the Town Council  
Town of Ponce Inlet, Florida

We have audited the financial statements of Town of Ponce Inlet, Florida, as of and for the fiscal year ended September 30, 2008, and have issued our report thereon dated February 26, 2009.

We conducted our audit in accordance 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 Report on Internal Control over Financial Reporting and on Compliance and Other Matters and accompanying Schedule of Findings and Responses. Disclosures in those reports, which are dated February 26, 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 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 auditor's reports 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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, except as noted in the accompanying pages under the heading *Prior Year Findings and Recommendations*.
- 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 Town of Ponce Inlet, Florida, complied with Section 218.415., Florida Statutes.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, our recommendations are noted in the accompanying pages under the headings *Prior Year Findings and Recommendations* and *Current Year Findings and Recommendations*.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts 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 are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to: (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, our recommendations are noted in the accompanying pages under the heading *Current Year Findings and Recommendations*.
- 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. The Town of Ponce Inlet, Florida, (primary government) is a municipal corporation created by the Laws of Florida in May 1963 under the provisions House Bill No. 1133 (amending Article 2, Section 4, of Chapter 63-1829, Laws of Florida, Special Acts of 1963), and the Municipal Home Rule Power Act, F.S. Ch. 166. The Ponce DeLeon Inlet Lighthouse Preservation Association, Inc. (component unit) is a non-for-profit, tax-exempt corporation organized and existing under the Laws of the State of Florida and was chartered on June 20, 1972.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Town of Ponce Inlet, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for Town of Ponce Inlet, Florida for the fiscal year ended September 30, 2008, required to be filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.
- 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 Town of Ponce Inlet, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The Honorable Mayor, and  
Members of the Town Council  
Town of Ponce Inlet, Florida  
Page 3 of 3

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.

*Brent Milliken & Co., P.A.*

February 26, 2009

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## MANAGEMENT LETTER COMMENTS

Year Ended September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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### **PRIOR YEAR MATTERS**

Section 10.554(1)(i), Rules of the Auditor General, specifies that we address in the management letter, if not already addressed in the auditor's report on compliance and internal control, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. All prior year matters have been appropriately resolved, except for the following:

#### **1. Establishment of a Formal Stormwater Utility Fund**

During 2006, the Town completed a significant stormwater management construction project that was financed with the proceeds of loans from the Florida Department of Environmental Protection. At the inception of the construction program, the Town was required to identify and secure various revenue streams that were pledged for the repayment of the loan, as a formal stormwater utility fund was not in place. In selecting the sources of these revenue pledges, we noted that the Town opted to pay for these improvements through alternative general revenue sources rather than establishing a formal stormwater utility or assessment fund that generates exclusive user fees to finance the repayment of the loan and future stormwater management expenses.

Recommendation: We continue to strongly recommend that you should consider the formal establishment of a separate, self-maintained stormwater utility fund to provide for the funding of all future management, operating, maintenance, and debt service costs exclusively associated with its construction. The establishment of a dedicated stormwater utility fund, with the ability to generate fees sufficient to service existing debt obligations, will release the encumbrance on your general revenues and provide an alternative means to finance the costs associated exclusively attributable to this project.

Auditee's Response: *Due to recent downturns in economic conditions, the Town's management continues to explore all potential alternative revenue sources available to the Town.*

#### **2. General Ledger Account Postings**

As a result of the decentralization of the Town's purchasing function, each department initiates their own purchase orders and enters them into the formal accounting systems for processing. When unusual or infrequent items are encountered and questions arise concerning how these procurements should be processed, we continued to note that the resultant classification (or expenditure account coding) of certain costs of goods and services are frequently miscoded to the wrong operating fund(s) and/or functional expenditure categories. We also noted instances where new general ledger accounts were added that were not completely coded in the software systems to identify the appropriate nature of the added account (i.e., balance sheet account versus income statement account).

Recommendation: We continue to recommend that you consider requiring a preliminary review of the fund and expenditure account classifications associated with all purchase orders issued throughout the year. This pre-audit step will significantly reduce the amount of time required to subsequently review these transactions (and the changes that result in modified purchase orders) and materially enhance the quality of your financial data that is relied upon to make important management and budget decisions. We also recommend that all new accounts added to your general ledger systems should be coded in accordance

## MANAGEMENT LETTER COMMENTS – (Continued)

Year Ended September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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with the Uniform Account System requirements established by the Florida Department of Financial Services.

*Auditee's Response: At the present time, a preliminary review of all departmental expenditure postings is performed by management immediately subsequent to the posing of the transaction and prior to purchase acceptance and/or approval. This procedure includes obtaining advance budgetary funding clearance and subsequent management approval of the procurement. To reduce the likelihood of future posting errors, we will consider conducting training sessions to our staff in conjunction with the installation of the Town's new financial software systems.*

### 3. Decentralized Grant Administration

The Town routinely applies for and receives grant funding and other forms of financial aid and/or assistance from various federal, state, county, special districts, and other grant agencies throughout the year. At the present time, the administrative requirements associated with any one or all of these programs are delegated to several individuals at the Town. Under normal circumstances, the administrative tasks are delegated to the department head which is fiscally dependent on the source of the funding or responsible for the ultimate use of the proceeds to complete a project under his/her departmental control. In many instances, we continued to note that the Town's finance personnel are not always provided with the essential grant documentation necessary to appropriately identify the Town's financial commitment, its matching requirements, or any unique program or financial reporting requirements. As a result, the Town cannot always demonstrate its compliance with the grants' formal and uniform administrative requirements, all of which are required for federal and state projects.

*Recommendation:* We continue to recommend that steps should be considered that require the centralization of all external grant administration matters, including the retention of documentation that (1) supports the formal application for and acceptance of all grant obligations, (2) supports all aspects of the original and revised understanding(s) with the grantor agency(ies), (3) supports the contractual compliance with all grant operational requirements and conditions, and (4) supports the compliance with all financial reporting and administrative requirements associated with the grant. To accomplish this, we would suggest that one individual be designated to administer all of the Town's grants to insure uniformity, consistency and completeness and timeliness of all grant matters.

*Auditee's Response: We concur with the recommendation of the auditors and will communicate the importance of these matters to all members of the Town's management team.*

## MANAGEMENT LETTER COMMENTS – (Continued)

Year Ended September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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### **CURRENT YEAR MATTERS**

Section 10.554(1)(i), Rules of the Auditor General, also requires disclosure in the management letter of the following matters if not already addressed in the auditor's report on compliance and internal control: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. The following is a summary of our Current Year Findings and Recommendations:

#### **4. Information Technology Matters – Long Range Plan and Disaster Recovery Plan**

The continued maintenance and security of any entity's information technology systems is profoundly important in this new and challenging age of electronic data systems. During the conduct of the audit, we reviewed the Town's general and specific control activities related to its information technology systems. We also made a cursory review of the actual practices and procedures employed by the Information Technology (IT) Division for purposes of assessing their effectiveness in processing and securing electronic data throughout Ponce Inlet. In the process making our inquiries and documenting our review, we noted that the organization lacks a formalized disaster recovery policy.

**Recommendation:** We recommend that you should develop a formalized disaster recovery and data retention policy that adequately supports the organization's present needs and requirements. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing facilities. We recommend that the policy include the following topics:

- Location of off-site storage of data records;
- Access to off-site storage of data records;
- Listing of all data files that would have to be obtained from off-site storage to recover operations;
- Identification of a specific backup location (name and telephone number) with similar or compatible equipment for emergency processing (management should make arrangements for such back-up with another organization, computer vendor, or a service center, and the agreement should be in writing);
- Responsibilities of various personnel in an emergency and contact information for this personnel; and
- Priority of critical applications and reporting requirements during the emergency period.
- Plan to recover all software and subsequent licenses and replacement hardware and peripherals

*Auditee's Response: Several changes have already been implemented by management to start these formal procedures and processes in conjunction with the installation and deployment of the Town's new computer systems. We anticipate completing this task in the current fiscal year.*

**MANAGEMENT LETTER COMMENTS – (Continued)**

Year Ended September 30, 2008

TOWN OF PONCE INLET, FLORIDA

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**5. Petty Cash Funds**

Under normal circumstances, an imprest accounting system is typically used to manage and account for petty cash and cash funds on hand at any given time. By using an imprest system, the account balance is restored to the original balance in the same amounts as the funds which are withdrawn and used for petty cash purposes. During the audit, we noted that the Town is not using an imprest system to account for its petty cash funds. We noted that the current petty cash box was funded in a prior year from the cashing of a check in the amount of \$1,000 originally in anticipation of hurricane related supplies. When the actual purchase of hurricane supplies did not materialize, the unused funds were never redeposited in the bank. Instead, the remaining cash was retained in the petty cash fund to be used for other purposes. No controls are in place to manage these excess funds which were not recorded in the Town's general ledger.

Recommendation: We recommend that the current policy should be promptly discontinued and replaced with the use of an imprest account.

Auditee's Response: *The auditors' recommendation has already been addressed and resolved with the implementation of an imprest petty cash account.*

**6. Implementation of New Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* that will become effective in fiscal year beginning October 1, 2009. The Statement provides needed guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks.

Recommendation: We recommend that management identify all right-of-way easements, determine whether they were acquired or donated, and review the unique facts and circumstances of the specific easements for factors in estimating the fair value of the easements to be reported as a capital asset. Other factors should be considered to determine if there is any impairment to be recognized in valuing the asset or whether the easement has a definitive life, suggesting that amortization may need to be factored into the carrying value of the asset. A review by the Town Attorney for other possible intangible assets, such as acquired water, beach, river or timber rights, should be undertaken to determine if any other assets should be valued and recorded.

Auditee's Response: *These matters have been noted and will be investigated in the current fiscal year.*