

**TOWN OF ZOLFO SPRINGS, FLORIDA**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**SEPTEMBER 30, 2013**

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
SEPTEMBER 30, 2013**

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
SEPTEMBER 30, 2013**

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
OFFICIALS  
SEPTEMBER 30, 2013**

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**Town of Zolfo Springs, Florida**

**September 30, 2013**

**TOWN COMMISSION**

JUAN OTERO - MAYOR  
DIDI WHITE VICE MAYOR  
GUADALUPE DELEON  
VIRGINIA IRBY  
SARA SCHOFIELD

**TOWN OFFICIALS**

TOWN MANAGER, LINDA ROBERSON  
TOWN CLERK, AMANDA GIBSON  
GERALD BUHR, TOWN ATTORNEY

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Town Commission  
Town of Zolfo Springs, Florida

**Report On the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Zolfo Springs, Florida, (Town), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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, and each major fund of the Town of Zolfo Springs, Florida, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 9 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The other supplemental information on pages 36 - 39 is presented for additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014, on our consideration of the Town of Zolfo Springs, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Christopher, Smith, Leonard,  
Bristow + Stanell, P.A.*  
CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

January 17, 2014  
Bradenton, Florida



# TOWN OF ZOLFO SPRINGS

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3210 U.S. Hwy. 17 S.  
P.O. Box 162  
Zolfo Springs, FL 33890-0162

Phone: (863) 735-0405  
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Zolfo Springs, Florida (the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the basic financial statements beginning on page 10.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$10,427,750 (net position). Of this amount, \$776,585 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$368,731 during the year. This was primarily due to the grant funding for the wastewater plant improvements.
- As of the close of the current fiscal year, the Town's governmental fund reported ending fund balances of \$388,582, an increase of \$95,395 from the prior year. Of this amount, unassigned fund balance represents \$341,806.
- As of the close of the fiscal year the Town's water and wastewater fund unrestricted net position was \$333,322.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by private-sector business in that revenue are recognized when earned or established criteria are satisfied and expenses reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the year, and expenses are reported even though they may not have used cash during the current fiscal year.



Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, and maintenance. The business-type activities of the Town include the water, wastewater, and sanitation services.

The government-wide financial statements can be found on pages 10 and 11 of this report.

**Fund financial statements:** Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the Town. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The only governmental fund the Town maintains is the General Fund. 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.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

**Proprietary funds:** The Town utilizes enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town's enterprise funds consist of the water and wastewater fund and the sanitation fund.

The basic proprietary fund financial statements can be found on pages 16 through 18 of this report.



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

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's General Fund Budgetary Comparison. Required supplementary information can be found on page 33 of this report.

### Government-wide Financial Analysis

The following table presents a condensed statement of net position as of September 30, 2013 with comparative totals as of September 30, 2012.

#### Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 463,284	\$ 319,159	\$ 604,924	\$ 1,003,427	\$ 1,068,208	\$ 1,322,586
Capital assets (net of depreciation)	<u>1,311,588</u>	<u>1,340,546</u>	<u>9,894,386</u>	<u>9,411,601</u>	<u>11,205,974</u>	<u>10,752,147</u>
Total assets	<b>1,774,872</b>	<b>1,659,705</b>	<b>10,499,310</b>	<b>10,415,028</b>	<b>12,274,182</b>	<b>12,074,733</b>
Long-term liabilities outstanding	65,015	22,687	1,654,000	1,654,000	1,719,015	1,676,687
Other liabilities	<u>21,811</u>	<u>25,972</u>	<u>105,606</u>	<u>313,055</u>	<u>127,417</u>	<u>339,027</u>
Total liabilities	86,826	48,659	1,759,606	1,967,055	1,846,432	2,015,714
Net position:						
Net investment in capital assets,	1,246,573	1,317,859	8,240,386	7,757,601	9,486,959	9,075,460
Restricted	9,246	9,245	154,960	188,241	164,206	197,486
Unrestricted	<u>432,227</u>	<u>283,942</u>	<u>344,358</u>	<u>502,131</u>	<u>776,585</u>	<u>786,073</u>
Total net position	<b><u>\$ 1,688,046</u></b>	<b><u>\$ 1,611,046</u></b>	<b><u>\$ 8,739,704</u></b>	<b><u>\$ 8,447,973</u></b>	<b><u>\$ 10,427,750</u></b>	<b><u>\$ 10,059,019</u></b>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$10,427,750 at the close of September 30, 2013.

The Town's net position include capital assets, (91% of total net position), which reflect its investment in capital assets (e.g., land, water plant, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its members; consequently, these assets are *not* available for future spending. Although the Town's investment in 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.

An additional portion of the Town's net position, in the amount of \$164,206, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$776,585 may be used to meet the government's ongoing obligations to citizens and creditors.

The following is a summary of the information presented in the Statement of Activities on page 11 of this report.

**Changes in Net Position  
For the Years Ended September 30, 2013 and 2012**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 5,884	\$ 5,506	\$ 849,268	\$ 839,657	\$ 855,152	\$ 845,163
Operating grants and contributions	67,398	7,007	-0-	-0-	67,398	7,007
Capital grants and contributions	-0-	-0-	632,098	2,485,930	632,098	2,485,930
<b>General revenues:</b>						
Taxes	614,909	500,337	-0-	108,497	614,909	608,834
Grants and contributions not restricted to specific programs	-0-	-0-	-0-	-0-	-0-	-0-
Transfers	32,692	21,678	(32,692)	(21,678)	-0-	-0-
Other	<u>31,950</u>	<u>18,951</u>	<u>970</u>	<u>1,360</u>	<u>32,920</u>	<u>20,311</u>
<b>Total revenues</b>	<b>752,833</b>	<b>553,479</b>	<b>1,449,644</b>	<b>3,413,766</b>	<b>2,202,477</b>	<b>3,967,245</b>
<b>Expenses:</b>						
General government	267,404	194,950	-0-	-0-	267,404	194,950
Public safety	149,154	164,398	-0-	-0-	149,154	164,398
Maintenance	247,825	230,403	-0-	-0-	247,825	230,403
Physical environment	10,396	9,482	-0-	-0-	10,396	9,482
Interest on long-term debt	1,054	1,486	37,855	38,448	38,909	39,934
Water	-0-	-0-	234,434	316,955	234,434	316,955
Sewer	-0-	-0-	780,467	772,596	780,467	772,596
Sanitation	-0-	-0-	105,157	102,054	105,157	102,054
<b>Total expenses</b>	<b>675,833</b>	<b>600,719</b>	<b>1,157,913</b>	<b>1,230,053</b>	<b>1,833,746</b>	<b>1,830,772</b>
<b>Change in net position</b>	<b>77,000</b>	<b>(47,240)</b>	<b>291,731</b>	<b>2,183,713</b>	<b>368,731</b>	<b>2,136,473</b>
Net position - Beginning	<u>1,611,046</u>	<u>1,658,286</u>	<u>8,447,973</u>	<u>6,264,260</u>	<u>10,059,019</u>	<u>7,922,546</u>
Net position - Ending	<u>\$ 1,688,046</u>	<u>\$ 1,611,046</u>	<u>\$ 8,739,704</u>	<u>\$ 8,447,973</u>	<u>\$ 10,427,750</u>	<u>\$ 10,059,019</u>

**Governmental activities:** Governmental activities increased the Town's net position by \$77,000.

The Town had \$73,282 of program revenue. In addition, other key components of revenue were \$614,909 of tax revenue classified as general revenues. The Town also had \$31,950 of other income. Expenses consisted of \$267,402 of general government, \$149,155 of police-public safety, general maintenance and physical environment of \$258,222 and interest on long-term debt of \$1,054.

**Business-type activities.** Business-type activities increased the Town's net assets by \$291,731. Key elements for the difference between the current year and prior year are:

- Capital grants for the replacement of the Town's Wastewater Treatment Plant increased net position by \$632,098.
- Charges for services increased by \$9,611. Operating revenues consist of water and wastewater department charges, as well as sanitation charges.
- Expenses decreased by \$72,140 from the prior year.

## Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the Town's governmental fund 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's general fund reported ending fund balances of \$388,582, an increase of \$95,395 in comparison with the prior year. \$341,806 of this total amount constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is restricted to indicate that it is not available for new spending because it has already been committed for capital improvement, or is nonspendable, (prepaid expenses).

The fund balance of the Town's general fund increased by \$95,395. Activity during the current fiscal year included the following key components:

- Total general fund revenues increased by \$136,399. The most significant component of this increase was due to amounts received for franchise fees and sales taxes, which was previously recorded in the proprietary funds.
- The general fund expenditures increased by \$72,922 due primarily to an increase in grant expenditures.
- The general fund included other financing sources of \$83,247, which includes transfers from the proprietary fund and loan proceeds.

**Proprietary funds.** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The following are the noteworthy changes from the prior year:

- Operating revenues increased by \$9,611, over the prior year.
- Operating expenses increased by \$60,826, over the prior year. The increase was due mainly to depreciation for new assets placed in service.
- The non-operating revenues (expense) line, which is a total net income of \$594,874 decreased from the prior year total net income of \$2,424,627. This decrease is primarily related to the grant revenues received in the prior year for the replacement of the Town's Wastewater Treatment Plant.

## General Fund Budgetary Highlights

During the year, the General Fund budget was amended. The final budgeted revenues were \$664,291 compared to the original budget of \$564,231. The final budgeted expenditures were \$683,791 compared to the original budget of \$564,231. For the current fiscal year, actual revenues exceeded budgeted revenues by \$2,959. Actual expenditures were less than budget by \$28,689.



Actual expenditures were less than budgeted, primarily for less expenditures than anticipated for the maintenance department.

### Capital Assets and Debt Administration

**Capital assets.** The Town's investment in capital assets for its governmental and business type activities as of September 30, 2013, amounts to \$11,205,974 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, sewer line improvements, water system improvements, machinery and equipment, and construction in progress. Current changes include additions of \$970,423 offset by depreciation of \$516,257, and loss on disposal of \$339.

#### Town of Zolfo Springs Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 15,808	\$ 15,808	\$ 658,576	\$ 658,576	\$ 674,384	\$ 674,384
Building and Improvements	739,387	768,437	6,581,787	5,899,296	7,321,174	6,667,733
Infrastructure	501,220	495,326	-0-	-0-	501,220	495,326
Sewer/water system improvements	-0-	-0-	2,530,037	2,696,261	2,530,037	2,696,261
Machinery and equipment	55,173	60,975	123,986	144,018	179,159	204,993
Construction in progress	-0-	-0-	-0-	13,450	-0-	13,450
<b>Total</b>	<b>\$ 1,311,588</b>	<b>\$ 1,340,546</b>	<b>\$ 9,894,386</b>	<b>\$ 9,411,601</b>	<b>\$ 11,205,974</b>	<b>\$ 10,752,147</b>

Significant current year activity includes improvements to the Wastewater Treatment Plant. Additional information on the Town's capital assets can be found in note 2 C. of this report.

**Long-Term Debt.** At the end of the current fiscal year, the Town had enterprise fund bonded debt outstanding of \$1,654,000. Governmental activities for the Town had \$65,015 of debt outstanding.

#### Town of Zolfo Springs Revenue Bonds and Notes Payable

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue bonds	\$ -0-	\$ -0-	\$ 1,654,000	\$ 1,654,000	\$ 1,654,000	\$ 1,654,000
Notes payable	65,015	22,687	-0-	-0-	65,015	22,687
<b>Total</b>	<b>\$ 65,015</b>	<b>\$ 22,687</b>	<b>\$ 1,654,000</b>	<b>\$ 1,654,000</b>	<b>\$ 1,719,015</b>	<b>\$ 1,676,687</b>

Additional information on the Town's long-term debt can be found in note 2, E. of this report.

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

The millage rate for 2013 - 14 is the same as the prior year. The Town's total budget for all funds for fiscal year 2013 - 2014 has decreased to \$1,436,110 of revenues and expenses. The decrease from the prior year is principally due to completion of grant funded projects.

### Requests for Information

This financial report is designed to provide a general overview of the Town of Zolfo Springs, Florida finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Zolfo Springs, 3210 U.S. Hwy. 17 S., Zolfo Springs, Florida 33890.

**TOWN OF ZOLFO SPRINGS, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 255,834	\$ 231,094	\$ 486,928
Certificates of deposit	-	100,188	100,188
Receivables (net of allowance for uncollectibles)	23	81,513	81,536
Grants receivable	60,391	-	60,391
Internal balances	69,065	(69,065)	-
Due from other governmental units	31,195	35,326	66,521
Inventory and prepaid expenses	37,530	7,031	44,561
Restricted assets:			
Cash	9,246	104,082	113,328
Certificates of deposit	-	90,793	90,793
Deferred charges	-	23,962	23,962
Capital assets (net of accumulated depreciation)			
Land	15,808	658,576	674,384
Building and improvements	739,387	6,581,787	7,321,174
Infrastructure	501,220	-	501,220
Sewer/water system improvements	-	2,530,037	2,530,037
Machinery and equipment	55,173	123,986	179,159
<b>TOTAL ASSETS</b>	<u>1,774,872</u>	<u>10,499,310</u>	<u>12,274,182</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued expenses	21,811	62,590	84,401
Accrued interest	-	3,101	3,101
Customer deposits	-	39,915	39,915
Noncurrent liabilities:			
Due within one year	11,184	30,000	41,184
Due in more than one year	53,831	1,624,000	1,677,831
<b>Total liabilities</b>	<u>86,826</u>	<u>1,759,606</u>	<u>1,846,432</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,246,573	8,240,386	9,486,959
Restricted for:			
Revenue bond retirement	-	154,960	154,960
Capital improvement	9,246	-	9,246
Unrestricted	432,227	344,358	776,585
<b>TOTAL NET POSITION</b>	<u>\$ 1,688,046</u>	<u>\$ 8,739,704</u>	<u>\$ 10,427,750</u>

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



TOWN OF ZOLFO SPRINGS, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Program Revenues				Net (Expenses) Revenue and Change in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Administration	\$ 267,404	\$ -	\$ 67,398	\$ -	\$ (200,006)	\$ -	\$ (200,006)
Police department	149,154	5,604	-	-	(143,550)	-	(143,550)
Maintenance	247,825	280	-	-	(247,545)	-	(247,545)
Physical environment	10,396	-	-	-	(10,396)	-	(10,396)
Interest on long-term debt	1,054	-	-	-	(1,054)	-	(1,054)
Total Governmental Activities	<u>675,833</u>	<u>5,884</u>	<u>67,398</u>	<u>-</u>	<u>(602,551)</u>	<u>-</u>	<u>(602,551)</u>
Business-type Activities:							
Water	234,434	282,305	-	-	-	47,871	47,871
Wastewater	818,322	443,618	-	632,098	-	257,394	257,394
Sanitation	105,157	123,345	-	-	-	18,188	18,188
Total Business-type Activities	<u>1,157,913</u>	<u>849,268</u>	<u>-</u>	<u>632,098</u>	<u>-</u>	<u>323,453</u>	<u>323,453</u>
Total Government	<u>\$ 1,833,746</u>	<u>\$ 855,152</u>	<u>\$ 67,398</u>	<u>\$ 632,098</u>	<u>(602,551)</u>	<u>323,453</u>	<u>(279,098)</u>
General Revenues:							
Property taxes					189,319	-	189,319
Franchise fees and taxes					214,441	-	214,441
Local government option gas tax					43,144	-	43,144
Half-cent sales tax					48,288	-	48,288
One-cent sales tax					98,354	-	98,354
Motor fuel tax					1,574	-	1,574
State revenue sharing of 1/8 cent					19,788	-	19,788
Investment earnings					350	970	1,320
Other revenue					31,601	-	31,601
Transfers					32,692	(32,692)	-
Total general revenues and transfers					<u>679,551</u>	<u>(31,722)</u>	<u>647,829</u>
Change in net position					77,000	291,731	368,731
Net Position - beginning					1,611,046	8,447,973	10,059,019
Net Position - ending					<u>\$ 1,688,046</u>	<u>\$ 8,739,704</u>	<u>\$ 10,427,750</u>

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

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TOWN OF ZOLFO SPRINGS, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUND  
SEPTEMBER 30, 2013

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	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 255,834
Accounts receivable net of allowance	23
Grants receivable	60,391
Due from other governmental units	31,195
Due from other funds	69,065
Prepaid expenses	37,530
Restricted assets:	
Cash	9,246
Total assets	<u><u>\$ 463,284</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 15,064
Accrued expense	6,747
Deferred revenue	52,891
Total liabilities	<u>74,702</u>
 Fund balances:	
Nonspendable	37,530
Spendable:	
Restricted	9,246
Unassigned	341,806
Total fund balances	<u>388,582</u>
Total liabilities and fund balances	<u><u>\$ 463,284</u></u>

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

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013**

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Amounts reported for governmental activities in the statement of net position are different because:

Fund Balance – Governmental Fund	\$ 388,582
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	1,311,588
Long-term liabilities include notes payable that are not due and payable in the current period and, therefore, are not reported in the funds	(65,015)
Transactions recorded as revenues in the statement of activities, but did not meet the availability criteria under the modified accrual basis of accounting, and therefore are considered to be deferred revenue until available in the fund statements	<u>52,891</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 1,688,046</u></u></b>

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



**TOWN OF ZOLFO SPRINGS, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>General Fund</b>
<b>Revenues:</b>	
Property taxes	\$ 189,319
Intergovernmental revenue	211,148
Franchise fees and taxes	214,441
Fines and forfeitures	5,604
Charges for services	280
Interest	350
Licenses and permits	3,831
Miscellaneous revenues	27,770
Grant revenue and contributions	14,507
Total Revenues	667,250
<b>Expenditures:</b>	
Administration	184,770
Police department	118,013
Maintenance department	169,350
Recreation	4,168
Grant expenditures	73,914
Capital outlay	95,606
Debt service:	
Principal retirement	8,227
Interest	1,054
Total Expenditures	655,102
<b>Excess of Revenues (Under) Over Expenditures Before Other Financing Sources (uses)</b>	12,148
<b>OTHER FINANCING SOURCES (USES)</b>	
Loan proceeds	50,555
Transfers In (Out)	32,692
Total Other Financing Sources (uses)	83,247
Net Changes in Fund Balance	95,395
<b>FUND BALANCE, October 1, 2012</b>	293,187
<b>FUND BALANCE, September 30, 2013</b>	<b>\$ 388,582</b>

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

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**TOWN OF ZOLFO SPRINGS, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES**  
**EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance – total governmental fund	\$ 95,395
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.	
Capital additions included as expenditures in the fund	95,606
Depreciation	(124,564)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, the transaction has no effect on net position.	8,227
Loan proceeds provide current financial resources to governmental funds. However the transaction has no effect on net position.	(50,555)
Revenues in the statement of activities that do not provide current financial resources as they do not meet the availability criteria and are not reported as revenues in the funds. This amount represents the change in deferred revenue.	52,891
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 77,000</u></b>

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

**TOWN OF ZOLFO SPRINGS, FLORIDA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2013**

	<b>Business-Type Activities</b>		<b>Total Enterprise Funds</b>
	<b>Water and Wastewater</b>	<b>Sanitation</b>	
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 231,094	\$ -	\$ 231,094
Certificates of deposit	100,188	-	100,188
Receivables (net of allowance for uncollectibles)	70,477	11,036	81,513
Grant receivables	35,326	-	35,326
Inventory and prepaid expenses	7,031	-	7,031
Total current assets	<u>444,116</u>	<u>11,036</u>	<u>455,152</u>
Noncurrent assets:			
Restricted assets:			
Cash	104,082	-	104,082
Certificates of deposit	90,793	-	90,793
Total restricted assets	<u>194,875</u>	<u>-</u>	<u>194,875</u>
Deferred charges	23,962	-	23,962
Capital assets:			
Land	658,576	-	658,576
Building and improvements	7,581,635	-	7,581,635
Sewer/water system improvements	5,010,195	-	5,010,195
Machinery and equipment	451,165	-	451,165
Less accumulated depreciation	<u>(3,807,185)</u>	<u>-</u>	<u>(3,807,185)</u>
Total capital assets (net)	<u>9,894,386</u>	<u>-</u>	<u>9,894,386</u>
Total noncurrent assets	<u>10,113,223</u>	<u>-</u>	<u>10,113,223</u>
<b>TOTAL ASSETS</b>	<b><u>10,557,339</u></b>	<b><u>11,036</u></b>	<b><u>10,568,375</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other accrued expenses	62,590	-	62,590
Due to other funds	69,065	-	69,065
Total current liabilities	<u>131,655</u>	<u>-</u>	<u>131,655</u>
Current liabilities payable from restricted assets:			
Accrued interest payable	3,101	-	3,101
Customer deposits	39,915	-	39,915
Revenue bonds payable – current portion	30,000	-	30,000
Total current liabilities payable from restricted assets	<u>73,016</u>	<u>-</u>	<u>73,016</u>
Noncurrent liabilities:			
Revenue bonds payable	1,624,000	-	1,624,000
Total noncurrent liabilities	<u>1,624,000</u>	<u>-</u>	<u>1,624,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,828,671</u></b>	<b><u>-</u></b>	<b><u>1,828,671</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	8,240,386	-	8,240,386
Restricted for revenue bond retirement and grants	154,960	-	154,960
Unrestricted	333,322	11,036	344,358
<b>TOTAL NET POSITION</b>	<b><u>\$ 8,728,668</u></b>	<b><u>11,036</u></b>	<b><u>\$ 8,739,704</u></b>

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



TOWN OF ZOLFO SPRINGS, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Business-Type Activities		Total Enterprise Funds
	Water and Wastewater	Sanitation	
<b>Operating Revenues:</b>			
Charges for services			
Wastewater sales	\$ 443,618	-	\$ 443,618
Water sales	278,862	-	278,862
Sanitation	-	123,345	123,345
Connection fees	3,443	-	3,443
<b>Total Operating Revenues</b>	<b>725,923</b>	<b>123,345</b>	<b>849,268</b>
<b>Operating Expenses:</b>			
Cost of sales and services			
Personal services	238,054	-	238,054
Operating	384,815	105,157	489,972
Depreciation	391,693	-	391,693
<b>Total Operating Expenses</b>	<b>1,014,562</b>	<b>105,157</b>	<b>1,119,719</b>
<b>Operating Income (Loss)</b>	<b>(288,639)</b>	<b>18,188</b>	<b>(270,451)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	970	-	970
Interest expense	(37,855)	-	(37,855)
Loss on disposition of capital assets	(339)	-	(339)
Other grants and reimbursements	632,098	-	632,098
<b>Total Non-Operating Revenue (Expenses)</b>	<b>594,874</b>	<b>-</b>	<b>594,874</b>
<b>Income (Loss) Before Transfers</b>	<b>306,235</b>	<b>18,188</b>	<b>324,423</b>
<b>Transfers</b>			
Transfers in (out)	(13,165)	(19,527)	(32,692)
<b>Change in Net Position</b>	<b>293,070</b>	<b>(1,339)</b>	<b>291,731</b>
<b>Total Net Position – Beginning</b>	<b>8,435,598</b>	<b>12,375</b>	<b>8,447,973</b>
<b>Total Net Position – Ending</b>	<b>\$ 8,728,668</b>	<b>\$ 11,036</b>	<b>\$ 8,739,704</b>

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

**TOWN OF ZOLFO SPRINGS, FLORIDA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	<b>Business-Type Activities</b>		
	<b>Water and Wastewater</b>	<b>Sanitation</b>	<b>Total Enterprise Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 728,077	\$ 124,684	\$ 852,761
Cash payments to suppliers	(397,022)	(105,157)	(502,179)
Cash payments for personal services	(238,054)	-	(238,054)
Net cash provided (used) by operating activities	<u>93,001</u>	<u>19,527</u>	<u>112,528</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in (out)/advances from (to) other funds	(58,004)	(19,527)	(77,531)
Net cash provided (used) by noncapital financing activities	<u>(58,004)</u>	<u>(19,527)</u>	<u>(77,531)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital expenditures	(1,063,659)	-	(1,063,659)
Capital grant proceeds	720,181	-	720,181
Interest paid on revenue bonds and long-term borrowings	(37,215)	-	(37,215)
Net cash provided (used) by capital and related financing activities	<u>(380,693)</u>	<u>-</u>	<u>(380,693)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	970	-	970
Net cash provided (used) by investing activities	<u>970</u>	<u>-</u>	<u>970</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>(344,726)</u>	<u>-</u>	<u>(344,726)</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>870,883</u>	<u>-</u>	<u>870,883</u>
<b>CASH AT END OF YEAR</b>	<u><b>\$ 526,157</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 526,157</b></u>
Unrestricted	\$ 331,282	\$ -	\$ 331,282
Restricted	194,875	-	194,875
	<u><b>\$ 526,157</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 526,157</b></u>
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
OPERATING INCOME (LOSS)	\$ (288,639)	\$ 18,188	\$ (270,451)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	391,693	-	391,693
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	9,019	1,339	10,358
Decrease in accounts payable	(11,742)	-	(11,742)
Increase in inventory and prepaid expenses	(465)	-	(465)
Decrease in customer deposits payable	(6,865)	-	(6,865)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><b>\$ 93,001</b></u>	<u><b>\$ 19,527</b></u>	<u><b>\$ 112,528</b></u>

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

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

The Town of Zolfo Springs was incorporated in 1913 under the laws of Florida Chapter 59-1996 (House Bill 1768). The present charter (which was last amended in May of 2006) calls for a Town Manager and a five-member commission. Under the present charter, the Town has the power to impose license taxes on occupations, to levy taxes on Town property, and to levy charges for services as required for the improvement and government of the Town. Services authorized to be provided under the present charter are as follows: public safety, streets and roads, sanitation, health and social services, culture – recreation, public improvements, planning and zoning, and general administrative services. No potential component units exist.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Government-wide financial statements include a Statement of Net Position and a Statement of Activities. The Statement of Net Position reports all financial and capital resources of the Town's governmental and business-type activities. It is presented in a net position format (assets, plus deferred outflows less liabilities plus deferred inflows equal net position) and shown with three components; net investment in capital assets, restricted net position and unrestricted net position. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund and the proprietary funds. All governmental and enterprise funds are considered major funds and are presented as separate columns in the fund financial statements.

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TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 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 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 60 days of the end of the current fiscal period. 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following governmental fund:

General Fund

The general fund is the Town's general operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges, and the capital improvement costs not paid through other funds.

The government reports the following proprietary funds:

Water and Wastewater

The water and wastewater fund accounts for the operation of the Town's water and wastewater system.



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TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – CONTINUED**

Sanitation

The sanitation fund accounts for the activities of the government's garbage operations.

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 all applicable Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's water and wastewater fund and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. 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 water and wastewater fund and the sanitation fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for 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.

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. CASH AND INVESTMENTS**

Florida Statute 218.415 authorizes the Town to invest surplus funds in the following:

(a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.

(b) Securities and Exchange Commission registered Money Market Funds with the highest credit quality rating from a nationally recognized rating agency.

(c) Interest bearing time deposits or savings accounts in state-certified Qualified Public Depositories as defined in Section 280.02, Florida Statutes.

(d) Direct obligations of the U.S. Treasury.

All Town bank accounts and certificates of deposit are with banking institutions that post collateral as required by state statutes (Qualified Public Depositories). The Town does not have a formal investment policy that limits its exposure to fair value losses arising from increasing interest rates. However, at September 30, 2013, the Town only had demand deposits and time deposits.

**E. 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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not spendable financial resources.

All trade receivables are shown net of allowance for doubtful accounts.

TOWN OF ZOLFO SPRINGS, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**F. Property Taxes**

Property taxes become due and payable on November 1<sup>st</sup> of each year. The county tax collector remits the Town’s portion as such revenues are received. The Town collects nearly all of its tax revenue during the period November 1 through April 1, at which time the property taxes become delinquent. The key dates in the property tax cycle are as follows:

Assessment roll validated	July 1
Millage resolution approved	September 30
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

Property taxes are recognized as revenue in the fiscal year for which the taxes have been levied to the extent they result in current receivables. Under the system outlined above, no material amount of taxes is receivable after the end of the fiscal year.

**G. RESTRICTED ASSETS AND RESERVES**

Certain proceeds of the Town’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Enterprise Funds

Restricted assets, provided for by ordinances adopted by the Town for the issuance of the Sewer System Bonds and customer deposits are as follows:

	<b>QUALIFIED PUBLIC DEPOSITORY</b>
Reserve Fund	\$ 154,960
Customer Deposits	<u>39,915</u>
Restricted Assets	<u>\$ 194,875</u>

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**H. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Town has elected to report general infrastructure assets on a prospective basis only.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 - 50
Sewer line improvements	20 - 50
Infrastructure	10 - 40
Machinery and equipment	5 - 15
Furniture and equipment	5 - 15
Other equipment	5 - 15

**I. COMPENSATED ABSENCES**

The Town personnel policy provides for the payment of accrued vacation and sick pay upon separation of its employees. A liability for this amount is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is recorded in the governmental fund only if they have matured.

**J. LONG-TERM OBLIGATIONS**

In the government-wide financial statements and proprietary 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 position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**J. LONG-TERM OBLIGATIONS – CONTINUED**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**K. NET POSITION**

Net position is reported in three parts as applicable: net investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available, restricted resources are used first, and then unrestricted resources, as they are needed.

**L. FUND BALANCE**

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 54. GASB 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are Nonspendable and Spendable. Spendable is then further classified as Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

The Town classified governmental fund balance as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- Restricted – includes amounts that can be spent only for specific purposes because of State or Federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.



TOWN OF ZOLFO SPRINGS, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

- Committed – includes amounts that can be spent only for specific purposes that are approved by a formal action of the Board of Commissioners through a resolution or the budget process.
- Assigned – includes amounts designated for a specific purpose by the Board of Commissioners through a resolution or the budget process, which are neither restricted or committed.
- Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The Town uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents or contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Town would first use committed, then assigned, and lastly unassigned amounts of spendable fund balance when expenditures are made. The Town does not have a formal minimum fund balance policy.

	<b>General Fund</b>
Non Spendable (prepaid expenses)	\$ 37,530
<u>Spendable:</u>	
Restricted to:	
Debt service	<u>9,246</u>
Committed	-0-
Assigned	-0-
Unassigned	<u>341,806</u>
Total Fund Balances	<u>\$ 388,582</u>

**M. INVENTORIES**

Inventories are stated at the lower of cost or market as determined on the first in, first out method.

**N. CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows all highly liquid debt instruments purchased with a maturity of three months or less are considered cash.

TOWN OF ZOLFO SPRINGS, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**O. ESTIMATES**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**P. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the governmental fund except transfers and loan proceeds, which were not included in the budget. Expenditures should not exceed total appropriations. All annual appropriations lapse at fiscal year end. Budget amendments are approved by the Town Commission.

**NOTE 2 – DETAILED NOTES ON ALL FUNDS**

**A. Cash and Investments**

At year-end, the Town’s carrying amount of deposits was \$791,237 and the bank balance was \$850,049.

**B. Receivables**

Receivables as of year-end for the Town’s funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>General Fund</u>	<u>Water and Wastewater Fund</u>	<u>Sanitation Fund</u>
Gross accounts receivables	\$ 23	\$ 92,977	\$ 14,536
Less: allowance for uncollectibles	— 0—	— (22,500)	— (3,500)
<b>Net total receivables</b>	<b><u>\$ 23</u></b>	<b><u>\$ 70,477</u></b>	<b><u>\$ 11,036</u></b>

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 15,808	\$ -0-	\$ -0-	\$ -0-	\$ 15,808
Total capital assets, not being depreciated	<u>15,808</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>15,808</u>
Capital assets, being depreciated:					
Buildings and improvements	973,018	-0-	-0-	-0-	973,018
Infrastructure	731,842	80,248	-0-	-0-	812,090
Furniture and equipment	185,890	15,358	(11,522)	-0-	189,726
Machinery and equipment	<u>58,964</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>58,964</u>
Total capital assets being depreciated	<u>1,949,714</u>	<u>95,606</u>	<u>(11,522)</u>	<u>-0-</u>	<u>2,033,798</u>
Less accumulated depreciation for:					
Buildings and improvements	(204,581)	(29,050)	-0-	-0-	(233,631)
Infrastructure	(236,516)	(74,354)	-0-	-0-	(310,870)
Machinery and equipment	<u>(183,879)</u>	<u>(21,160)</u>	<u>11,522</u>	<u>-0-</u>	<u>(193,517)</u>
Total accumulated depreciation	<u>(624,976)</u>	<u>(124,564)</u>	<u>11,522</u>	<u>-0-</u>	<u>(738,018)</u>
Total capital assets, being depreciated, net	<u>1,324,738</u>	<u>(28,958)</u>	<u>-0-</u>	<u>-0-</u>	<u>1,295,780</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 1,340,546</u></b>	<b><u>\$ (28,958)</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 1,311,588</u></b>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 658,576	\$ -0-	\$ -0-	\$ -0-	\$ 658,576
Construction in progress	<u>13,450</u>	<u>-0-</u>	<u>-0-</u>	<u>(13,450)</u>	<u>-0-</u>
Total capital assets, not being depreciated	<u>672,026</u>	<u>-0-</u>	<u>-0-</u>	<u>(13,450)</u>	<u>658,576</u>
Capital assets, being depreciated:					
Buildings and improvements	6,706,773	861,412	-0-	13,450	7,581,635
Sewer line improvements	4,081,851	-0-	-0-	-0-	4,081,851
Water system improvements	929,569	-0-	(1,225)	-0-	928,344
Machinery and equipment	<u>444,228</u>	<u>13,405</u>	<u>(6,468)</u>	<u>-0-</u>	<u>451,165</u>
Total capital assets being depreciated	<u>12,162,421</u>	<u>874,817</u>	<u>(7,693)</u>	<u>13,450</u>	<u>13,042,995</u>
Less accumulated depreciation for:					
Buildings and improvements	(807,477)	(192,371)	-0-	-0-	(999,848)
Sewer line improvements	(2,147,256)	(138,307)	1,225	-0-	(2,284,338)
Water system improvements	(167,903)	(27,917)	-0-	-0-	(195,820)
Machinery and equipment	<u>(300,210)</u>	<u>(33,098)</u>	<u>6,129</u>	<u>-0-</u>	<u>(327,179)</u>
Total accumulated depreciation	<u>(3,422,846)</u>	<u>(391,693)</u>	<u>7,354</u>	<u>-0-</u>	<u>(3,807,185)</u>
Total capital assets, being depreciated, net	<u>8,739,575</u>	<u>483,124</u>	<u>(339)</u>	<u>13,450</u>	<u>9,235,810</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 9,411,601</u></b>	<b><u>\$ 483,124</u></b>	<b><u>\$ (339)</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 9,894,386</u></b>

TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

**C. Capital Assets – Continued**

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

**Governmental activities:**

Administration	\$ 8,720
Public Safety	31,141
Maintenance	78,475
Recreation	<u>6,228</u>

**Total depreciation expense – governmental activities** **\$ 124,564**

**Business-type activities:**

Water & Wastewater **\$ 391,693**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of September 30, 2013 is as follows:

<u>Interfund Transfers:</u>	<u>Due To/From:</u>
<u>Transfer In:</u>	<u>Wastewater</u>
<u>Enterprise Funds:</u>	<u>Due to General</u>
<u>\$ 32,692</u>	<u>\$ 69,065</u>
<u>Transfer Out:</u>	
<u>Increases</u>	
<u>\$ 32,692</u>	

At September 30, 2013, the general fund was owed \$69,065 by the Water and Wastewater fund for items paid for by the general fund on behalf of the water and wastewater fund. Transfers were made to transfer income to the respective funds.

**E. Long-Term Debt**

Long-term debt – Governmental Activities

Long-term debt activity for the year ended September 30, 2013:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>			<u>Balance</u>	<u>One Year</u>
<b>Governmental activities:</b>					
USDA Revenue Bond	\$ 17,723	\$ -0-	\$ (3,263)	\$ 14,460	\$ 3,398
Ford Motor Credit Note	4,964	-0-	(4,964)	-0-	-0-
Note Payable–FDOT Utilities					
Relocation	<u>-0-</u>	<u>50,555</u>	<u>-0-</u>	<u>50,555</u>	<u>7,786</u>
Governmental activities	<b><u>\$ 22,687</u></b>	<b><u>\$ 50,555</u></b>	<b><u>\$ (8,227)</u></b>	<b><u>\$ 65,015</u></b>	<b><u>\$ 11,184</u></b>

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

**E. Long-Term Debt – Continued**

At September 30, 2013, the Town has the following governmental activities debt obligations.

Capital improvement revenue bond to the USDA secured by the Town's Communications Service Tax. Due in 10 equal annual installments of \$3,994 including interest at 4.125%. Final payment due in September 2017.	\$ 14,460
Interest free note payable to the Florida Department of Transportation for construction work performed. Due in annual installments of \$7,786. Final payment due in October 2019.	<u>50,555</u>
Total governmental activities debt obligations	<b><u>\$ 65,015</u></b>

Total annual future payments for all long-term debt – governmental activities as of September 30, 2013 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 11,184	\$ 596	\$ 11,780
2015	11,324	456	11,780
2016	11,470	310	11,780
2017	11,626	154	11,780
2018	7,786	-0-	7,786
2019 – 2020	<u>11,625</u>	<u>-0-</u>	<u>11,625</u>
Total	<b><u>\$ 65,015</u></b>	<b><u>\$ 1,516</u></b>	<b><u>\$ 66,531</u></b>

**Long-Term Debt – Business Type Activities**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds – 2012	\$ 1,654,000	\$ -0-	\$ -0-	\$ 1,654,000	\$ 30,000
Business-type activities:	<b><u>\$ 1,654,000</u></b>	<b><u>\$ -0-</u></b>	<b><u>-0-</u></b>	<b><u>\$ 1,654,000</u></b>	<b><u>\$ 30,000</u></b>



**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED**

Revenue Bonds and Notes

During 2012, the Town issued water and wastewater system revenue bonds series 2012 in the amount of \$1,654,000. The holder of the series 2012 bonds is the U.S. Department of Agriculture, Rural Development, Rural Utility Services (USDA). The series 2012 bond issuance was authorized by the Town of Zolfo Springs Commission through Resolution 2012-02. The purpose of the bonds was to finance the cost of acquisition and construction of improvements to the wastewater system and to refinance existing 1987 water and sewer revenue bonds. The series 2012 bonds have an interest rate of 2.25% and mature in 2051. Principal and interest payments are due September 1 of each year. The bonds are secured by a first lien on the revenues from the Town's water and wastewater system.

The Town has the following revenue bonds and notes outstanding, issued for business-type activities and accounted for in the enterprise fund:

Water and Wastewater System Revenue Bond, dated February 17, 2012, with maturities through 2051. Interest payments are due annually on September 1 through 2014. Principal and interest payments are due annually on September 1 thereafter, until maturity. Interest rate is 2.25%, and the bonds are secured by a lien on and pledge of the net revenues of the system. **\$ 1,654,000**

Total annual debt service requirements for all outstanding enterprise fund revenue bonds as of September 30, 2013 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 30,000	\$ 37,215	\$ 67,215
2015	30,000	36,540	66,540
2016	31,000	35,865	66,865
2017	31,000	35,168	66,168
2018	32,000	34,470	66,470
2019 – 2023	172,000	161,168	333,168
2024 – 2028	190,000	140,941	330,941
2029 – 2033	205,000	119,025	324,025
2034 – 2038	230,000	94,838	324,838
2039 – 2043	253,000	67,905	320,905
2044 – 2048	274,000	38,475	312,475
2049 – 2051	176,000	7,988	183,988
<b>Total</b>	<b><u>\$ 1,654,000</u></b>	<b><u>\$ 809,598</u></b>	<b><u>\$ 2,463,598</u></b>

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

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**NOTE 3 – EMPLOYEE BENEFIT PLAN**

The Town adopted a defined contribution retirement plan, effective October 1, 1999 for all full-time employees over 18 years of age and with a minimum of 12 months of service. The plan is administered by the Florida League of Cities, Inc. The Town may amend the plan by giving the trustee written notification of such Amendments as adopted. Under the provisions of the plan, the Town contributes 5% of each participant's base compensation. The employees may elect to contribute to the plan a percentage not to exceed 10% of their compensation. Plan expense was \$9,749 for the year. Employer contributions vest in full after six years.

**NOTE 4 – 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; and natural disasters for which the Town carries commercial insurance. There has been no significant reduction in coverage from the prior year. The Town has not experienced any settlements in excess of coverage over the past three years.

**NOTE 5 – CONTINGENCIES AND SUBSEQUENT EVENTS**

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

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWN OF ZOLFO SPRINGS, FLORIDA**  
**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**  
**NON-GAAP BUDGET BASIS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)
<b>Revenues</b>				
Property taxes	\$ 183,331	\$ 183,331	\$ 189,319	\$ 5,988
Intergovernmental revenue	197,439	205,527	211,148	5,621
Franchise fees and taxes	168,640	185,598	214,441	28,843
Fines and forfeitures	-	-	5,604	5,604
Charges for services	271	271	280	9
Interest	100	100	350	250
Licenses and permits	1,450	3,550	3,831	281
Miscellaneous revenues	13,000	12,000	27,770	15,770
Grant revenue	-	73,914	14,507	(59,407)
<b>Total Revenues</b>	<b>564,231</b>	<b>664,291</b>	<b>667,250</b>	<b>2,959</b>
<b>Expenditures</b>				
Administration	215,465	185,658	184,770	888
Police department	120,558	123,200	118,013	5,187
Maintenance department	154,220	187,166	169,350	17,816
Recreation	6,000	4,220	4,168	52
Grant expenditures	-	73,914	73,914	-
Capital outlay	58,655	100,300	95,606	4,694
Debt service	9,333	9,333	9,281	52
<b>Total Expenditures</b>	<b>564,231</b>	<b>683,791</b>	<b>655,102</b>	<b>28,689</b>
<b>Net Changes in Fund Balance</b>	<b>-</b>	<b>(19,500)</b>	<b>12,148</b>	<b>31,648</b>
<b>Fund Balance – October 1, 2012</b>	<b>293,187</b>	<b>293,187</b>	<b>293,187</b>	<b>-</b>
<b>Fund Balance – September 30, 2013</b>	<b>\$ 293,187</b>	<b>\$ 273,687</b>	<b>\$ 305,335</b>	<b>\$ 31,648</b>

**Note 1 – RECONCILIATION OF DIFFERENCES BETWEEN NON-GAAP BUDGETARY BASIS AND GAAP (MODIFIED ACCRUAL) BASIS**

The Town did not budget for transfers in or loan proceeds. As a result \$32,692 of transfers in and \$50,555 of loan proceeds were not included in the general fund budget.

	Actual On GAAP Basis	To Budgetary Basis	Actual On Budget Basis
<b>Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)</b>	<b>\$ 12,148</b>	<b>\$ -</b>	<b>\$ 12,148</b>
<b>Other Financing Sources</b>			
Transfers in	\$ 32,692	\$ (32,692)	\$ -
Loan Proceeds	\$ 50,555	\$ (50,555)	\$ -
<b>Total Other Financing Sources</b>	<b>\$ 83,247</b>	<b>\$ (83,247)</b>	<b>\$ -</b>
<b>Net Changes in Fund Balance</b>	<b>\$ 95,395</b>	<b>\$ (83,247)</b>	<b>\$ 12,148</b>

## OTHER SUPPLEMENTAL INFORMATION



TOWN OF ZOLFO SPRINGS, FLORIDA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Federal or State Grantor/Pass-Through Grantor/ Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Expenditures
<b><u>FEDERAL AWARDS</u></b>			
<b><u>U.S. Department of Agriculture</u></b>			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 632,098
<b>Total U.S. Department of Agriculture</b>			<b>632,098</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 632,098</b>

The Independent Auditor's Report should be read in connection with this schedule.

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Zolfo Springs, Florida and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 – CONTINGENCIES**

Grant monies received and disbursed by the Town of Zolfo Springs, Florida are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the Town of Zolfo Springs does not believe that such disallowances, if any, would have a material effect on the financial position of the Town. As of January 17, 2014, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**TOWN OF ZOLFO SPRINGS, FLORIDA  
WATER AND WASTEWATER SYSTEM REVENUE BONDS  
SCHEDULE OF DEBT SERVICE REQUIREMENTS**

<u>Year Ending September 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2014	\$ 37,215	\$ 30,000	\$ 67,215
2015	36,540	30,000	66,540
2016	35,865	31,000	66,865
2017	35,168	31,000	66,168
2018	34,470	32,000	66,470
2019	33,750	33,000	66,750
2020	33,008	34,000	67,008
2021	32,243	34,000	66,243
2022	31,477	35,000	66,477
2023	30,690	36,000	66,690
2024	29,880	37,000	66,880
2025	29,048	38,000	67,048
2026	28,193	38,000	66,193
2027	27,337	38,000	65,337
2028	26,483	39,000	65,483
2029	25,605	39,000	64,605
2030	24,728	40,000	64,728
2031	23,828	41,000	64,828
2032	22,904	42,000	64,904
2033	21,960	43,000	64,960
2034	20,993	44,000	64,993
2035	20,002	45,000	65,002
2036	18,990	46,000	64,990
2037	17,955	47,000	64,955
2038	16,898	48,000	64,898
2039	15,818	49,000	64,818
2040	14,715	50,000	64,715
2041	13,590	50,000	63,590
2042	12,464	51,000	63,464
2043	11,318	53,000	64,318
2044	10,125	53,000	63,125
2045	8,933	54,000	62,933
2046	7,717	55,000	62,717
2047	6,480	56,000	62,480
2048	5,220	56,000	61,220
2049	3,960	57,000	60,960
2050	2,678	59,000	61,678
2051	1,350	60,000	61,350
	<u>\$ 809,598</u>	<u>\$ 1,654,000</u>	<u>\$ 2,463,598</u>

TOWN OF ZOLFO SPRINGS, FLORIDA  
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
WATER AND WASTEWATER DEPARTMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	ENTERPRISE FUNDS		TOTAL
	WATER	WASTEWATER	
<b>OPERATING REVENUES</b>			
Charges for services			
Wastewater	\$ -	\$ 443,618	\$ 443,618
Water	282,305	-	282,305
<b>Total Operating Revenues</b>	<b>282,305</b>	<b>443,618</b>	<b>725,923</b>
<b>OPERATING EXPENSES</b>			
Personal services	100,736	137,318	238,054
Operating	89,782	295,033	384,815
Depreciation	43,916	347,777	391,693
<b>Total Operating Expenses</b>	<b>234,434</b>	<b>780,128</b>	<b>1,014,562</b>
Operating income (loss)	47,871	(336,510)	(288,639)
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	970	-	970
Interest expense	-	(37,855)	(37,855)
Loss on disposition of capital assets	-	(339)	(339)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>970</b>	<b>(38,194)</b>	<b>(37,224)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>48,841</b>	<b>(374,704)</b>	<b>(325,863)</b>
<b>CONTRIBUTIONS, TRANSFERS &amp; GRANT ACTIVITY</b>			
Grant income	-	632,098	632,098
Transfers in (out)	-	(13,165)	(13,165)
<b>Total Contributions and Transfers</b>	<b>-</b>	<b>618,933</b>	<b>618,933</b>
<b>CHANGE IN NET POSITION</b>	<b>\$ 48,841</b>	<b>\$ 244,229</b>	<b>\$ 293,070</b>

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**TOWN OF ZOLFO SPRINGS, FLORIDA  
SCHEDULE OF WATER RATES  
SEPTEMBER 30, 2013**

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**RESIDENTIAL**

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.11 per thousand
3,001 to 4,999	\$3.16 per thousand
5,000 to 9,999	\$3.27 per thousand
10,000 to 14,999	\$3.48 per thousand
15,000 to 19,999	\$3.71 per thousand
Over 20,000	\$3.91 per thousand
Minimum bill and surcharge when vacant	\$10.32

**COMMERCIAL**

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.21 per thousand
3,001 to 4,999	\$3.48 per thousand
5,000 to 9,999	\$3.71 per thousand
10,000 to 14,999	\$3.91 per thousand
15,000 to 19,999	\$4.14 per thousand
Over 20,000	\$4.45 per thousand
Minimum bill and surcharge when vacant	\$12.49

A 10% utility tax is to be added to all statements with the exception of the Post Office and School.



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**TOWN OF ZOLFO SPRINGS, FLORIDA  
SCHEDULE OF WASTEWATER RATES  
SEPTEMBER 30, 2013**

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**RESIDENTIAL**

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.64 per thousand
Over 3,000	\$4.90 per thousand
Minimum Charge	\$27.16
Surcharge when Vacant	\$27.16

**COMMERCIAL**

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.64 per thousand
over 3,000	\$4.90 per thousand
Surcharge in Mobile Home Parks	\$10.88 per site
Surcharge in RV parks	\$3.27 per site
Apartments (Multi-structure)	\$6.51 per unit
Motels	\$3.27 per room
Minimum Charge	\$38.01
Surcharge when Vacant	\$38.01

**OTHER INDEPENDENT AUDITOR'S REPORTS**

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR  
A-133**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**MANAGEMENT LETTER**

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

To the Honorable Town Commission  
Town of Zolfo Springs, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Zolfo Springs, Florida (Town), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 17, 2014.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Christopher, Smith, Leonard,  
Bristow + Stanell, P.A.*

CHRISTOPHER SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

January 17, 2014  
Bradenton, Florida





INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
OMB CIRCULAR A-133

To the Honorable Town Commission  
Town of Zolfo Springs, Florida

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Zolfo Springs, Florida's (Town) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended September 30, 2013. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Town of Zolfo Springs, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.



## Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Christopher, Smith, Leonard,  
Bristow + Stanell, P.A.*  
CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

January 17, 2014  
Bradenton, Florida





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**TOWN OF ZOLFO SPRINGS, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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**Section II – Financial Statement Findings**

See the Management Letter for this information.

**PRIOR YEAR FINDINGS**

See the Management Letter for this information.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

**PRIOR YEAR FINDINGS**

No matters were reported.

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MANAGEMENT LETTER

To the Honorable Town Commission  
Town of Zolfo Springs, Florida

We have audited the financial statements of the Town of Zolfo Springs, Florida as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated January 17, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Chapter 10.550 Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements for Each Major Federal Program and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated January 17, 2014, 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.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Zolfo Springs complied with Section 218.415, Florida Statutes.
- The Rules of the Auditor General, Section 10.554(1)(i)3., require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendations:

2013 - 1. Utility Rates

During our testing of utility revenues during the current audit, we noted the utility rate for one class of commercial customers was not entered correctly in the system. As a result, various customers were not charged the correct rate. The result was immaterial under billings to the impacted customers.

Recommendation

We recommend the Town ensure that all customer rates are properly coded in the utility system and that proper controls be instituted over rates being charged.



2013 – 2. Segregation of Duties – Reminder

As a reminder, due to the small size of the Town's business office, there is a lack of segregation of duties that exist. The Town Clerk position has access to the general ledger and also is an authorized signer on bank accounts. The basic premise is that no one person should have unlimited access to assets or to all phases of a transaction.

Recommendation

The Town has put mitigating controls in place, and we recommend the Town review those and ensure controls are adequate and being followed to ensure proper review and oversight.

2013 – 3. Adjustments

During the current year audit, numerous adjustments were required during the audit process.

Recommendation

The Town should adopt a monthly closing process to ensure accounts are reconciled and adjusted on a monthly basis to ensure accurate and timely financial reporting.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the Town of Zolfo Springs has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Town of Zolfo Springs is not in a state of financial emergency, as it did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- As required by Section 10.554(1)(i)6.b of the Rules of the Auditor General, we determined that the annual financial report for the Town of Zolfo Springs for the fiscal year ended September 30, 2013, 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, 2013.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7) of the Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Zolfo Springs 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.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Christopher, Smith, Leonard,  
Bristow + Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

January 17, 2014  
Bradenton, Florida

# TOWN OF ZOLFO SPRINGS

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3210 U.S. Hwy. 17 S.  
P.O. Box 162  
Zolfo Springs, FL 33890-0162

Phone: (863) 735-0405  
Fax: (863) 735-1684

January 24, 2014

Auditor General  
111 West Madison Street  
Post Office Box 1735  
Tallahassee, FL 32303

Dear Sir:

Following are the Town's responses to the audit report for fiscal year ending September 2013:

2013-1. Utility Rates The Town will ensure that all customer rates are properly coded in the utility system and that proper controls will be instituted over rates being charged.

2013-2. Segregation of Duties – Reminder The Town has put mitigating controls in place, and will review those and ensure controls are adequate and being followed to ensure proper review and oversight.

2013-3. Adjustments The Town will adopt a monthly closing process to ensure accounts are reconciled and adjusted on a monthly basis to ensure accurate and timely financial reporting.

Please advise if I may be of any further assistance.

Sincerely,



Linda Roberson  
Town Manager/Finance Director