

**TOWN OF ZOLFO SPRINGS, FLORIDA**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**SEPTEMBER 30, 2014**

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
SEPTEMBER 30, 2014**

---

**TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUND	12
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND	14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES	15
STATEMENT OF NET POSITION - PROPRIETARY FUNDS	16
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS	17
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	18
NOTES TO FINANCIAL STATEMENTS	19 - 32
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - NON-GAAP BUDGET BASIS	33

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION  
SEPTEMBER 30, 2014**

---

**TABLE OF CONTENTS – CONTINUED**

	<u>PAGE</u>
<b>OTHER SUPPLEMENTAL INFORMATION</b>	
WASTEWATER SYSTEM REVENUE BONDS	34
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – WATER AND WASTEWATER DEPARTMENTS	35
SCHEDULE OF WATER RATES	36
SCHEDULE OF WASTEWATER RATES	37
<b>OTHER AUDITOR’S REPORTS</b>	
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	38 – 39
MANAGEMENT LETTER	40 – 42
MANAGEMENT’S RESPONSE TO AUDIT FINDINGS	43
INDEPENDENT ACCOUNTANT’S REPORT ON INVESTMENT COMPLIANCE	44

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
OFFICIALS  
SEPTEMBER 30, 2014**

---

**Town of Zolfo Springs, Florida**

**September 30, 2014**

**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

---

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, 2014, 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, 2014, 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.

## Change in Accounting Principles

As described in Note 1 to the financial statements, in 2014, the Town adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## 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 34 - 37 is presented for additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was 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 is 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 February 27, 2015, 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.

February 27, 2015  
Bradenton, Florida



# TOWN OF ZOLFO SPRINGS

---

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

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

## 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, 2014. 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 \$10,212,319 (net position). Of this amount, \$1,005,899 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$215,431 during the year. This was primarily due to the grant funding for the wastewater plant improvements that occurred during 2013.
- As of the close of the current fiscal year, the Town's governmental fund reported ending fund balances of \$588,859, an increase of \$200,277 from the prior year. Of this amount, unassigned fund balance represents \$581,745.
- As of the close of the fiscal year the Town's water and wastewater fund unrestricted net position was \$412,816.

### 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 position. 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 is 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, maintenance and physical environment. 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, 2014 with comparative totals as of September 30, 2013.

**Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 605,493	\$ 463,284	\$ 578,772	\$ 604,924	\$ 1,184,265	\$ 1,068,208
Capital assets (net of depreciation)	<u>1,220,519</u>	<u>1,311,588</u>	<u>9,544,043</u>	<u>9,894,386</u>	<u>10,764,562</u>	<u>11,205,974</u>
Total assets	<u>1,826,012</u>	<u>1,774,872</u>	<u>10,122,815</u>	<u>10,499,310</u>	<u>11,948,827</u>	<u>12,274,182</u>
Long-term liabilities outstanding	11,062	65,015	1,624,000	1,654,000	1,635,062	1,719,015
Other liabilities	<u>16,634</u>	<u>21,811</u>	<u>84,812</u>	<u>105,606</u>	<u>101,446</u>	<u>127,417</u>
Total liabilities	<u>27,696</u>	<u>86,826</u>	<u>1,708,812</u>	<u>1,759,606</u>	<u>1,736,508</u>	<u>1,846,432</u>
Net position:						
Net investment in capital assets,						
Net of related debt	1,209,457	1,246,573	7,920,043	8,240,386	9,129,500	9,486,959
Restricted	4,327	9,246	72,593	154,960	76,920	164,206
Unrestricted	<u>584,532</u>	<u>432,227</u>	<u>421,367</u>	<u>344,358</u>	<u>1,005,899</u>	<u>776,585</u>
Total net position	<u>\$ 1,798,316</u>	<u>\$ 1,688,046</u>	<u>\$ 8,414,003</u>	<u>\$ 8,739,704</u>	<u>\$ 10,212,319</u>	<u>\$ 10,427,750</u>

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 \$10,212,319 at the close of September 30, 2014.

The Town's net position include capital assets, (89% 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 \$76,920, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$1,005,899 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, 2014 and 2013**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 9,212	\$ 5,884	\$ 935,870	\$ 849,268	\$ 945,082	\$ 855,152
Operating grants and contributions	-0-	67,398	-0-	-0-	-0-	67,398
Capital grants and contributions	-0-	-0-	-0-	632,098	-0-	632,098
<b>General revenues:</b>						
Taxes	635,503	614,909	-0-	-0-	635,503	614,909
Transfers	21,652	32,692	(21,652)	(32,692)	-0-	-0-
Other	68,277	31,950	1,409	970	69,686	32,920
<b>Total revenues</b>	<b>734,644</b>	<b>752,833</b>	<b>915,627</b>	<b>1,449,644</b>	<b>1,650,271</b>	<b>2,202,477</b>
<b>Expenses:</b>						
General government	191,296	267,404	-0-	-0-	191,296	267,404
Public safety	173,952	149,154	-0-	-0-	173,952	149,154
Maintenance	241,770	247,825	-0-	-0-	241,770	247,825
Physical environment	16,760	10,396	-0-	-0-	16,760	10,396
Interest on long-term debt	596	1,054	37,215	37,855	37,811	38,909
Water	-0-	-0-	270,629	234,434	270,629	234,434
Sewer	-0-	-0-	804,770	780,467	804,770	780,467
Sanitation	-0-	-0-	104,752	105,157	104,752	105,157
<b>Total expenses</b>	<b>624,374</b>	<b>675,833</b>	<b>1,217,366</b>	<b>1,157,913</b>	<b>1,841,740</b>	<b>1,833,746</b>
<b>Change in net position</b>	<b>110,270</b>	<b>77,000</b>	<b>(301,739)</b>	<b>291,731</b>	<b>(191,469)</b>	<b>368,731</b>
Net position - Beginning	1,688,046	1,611,046	8,739,704	8,447,973	10,427,750	10,059,019
Adoption of new Accounting Principle	-0-	-0-	(23,962)	-0-	(23,962)	-0-
<b>Net position - Ending</b>	<b>\$ 1,798,316</b>	<b>\$ 1,688,046</b>	<b>\$ 8,414,003</b>	<b>\$ 8,739,704</b>	<b>\$ 10,212,319</b>	<b>\$ 10,427,750</b>

**Governmental activities:** Governmental activities increased the Town's net position by \$110,270.

The Town had \$9,212 of program revenue. In addition, other key components of revenue were \$635,503 of tax revenue classified as general revenues. The Town also had \$68,277 of other income. Expenses consisted of \$191,296 of general government, \$173,952 of police-public safety, general maintenance and physical environment of \$258,530 and interest on long-term debt of \$596.

**Business-type activities.** Business-type activities decreased the Town's net assets by \$325,701. 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 decreased \$632,098.
- Charges for services increased by \$86,602. Operating revenues consist of water and wastewater department charges, as well as sanitation charges.
- Expenses increased by \$59,453 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 \$588,859, an increase of \$200,277 in comparison with the prior year. \$581,745 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 \$200,277. Activity during the current fiscal year included the following key components:

- Total general fund revenues increased by \$98,633. The most significant component of this increase was due to increases in property taxes and permit fees under a new contract with Florida Beef.
- The general fund expenditures decreased by \$67,844 due primarily to a decrease in capital overlay and reduced grant expenditures.
- The general fund included other financing sources of \$21,652, which includes transfers from the proprietary fund.

**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 \$86,602, over the prior year largely due to sewer impact fees.
- Operating expenses increased by \$60,432, over the prior year. The increase was due mainly to increased personal service costs.
- The non-operating revenues (expense) line, which is a total net loss of \$35,806 decreased from the prior year total net income of \$594,874. This decrease is primarily related to the grant revenues received in the prior year for the replacement of the Town's Wastewater Treatment Plant which were not repeated in the current year.

## General Fund Budgetary Highlights

During the year, the General Fund expenditure budget was amended by \$2,600. The original and final budgeted revenues were \$611,732. The final budgeted expenditures were \$614,332 compared to the original budget of \$611,732. For the current fiscal year, actual revenues exceeded budgeted revenues by \$154,151. Actual expenditures were less than budget by \$27,074.



Actual expenditures were less than budgeted, primarily for less expenditures than anticipated for capital outlay.

**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, 2014, amounts to \$10,764,562 (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 \$90,169 offset by depreciation of \$531,581.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 15,808	\$ 15,808	\$ 658,576	\$ 658,576	\$ 674,384	\$ 674,384
Building and Improvements	717,385	739,387	6,380,889	6,581,787	7,098,274	7,321,174
Infrastructure	426,030	501,220	-0-	-0-	426,030	501,220
Sewer/water system improvements	-0-	-0-	2,364,042	2,530,037	2,364,042	2,530,037
Machinery and equipment	61,296	55,173	140,536	123,986	201,832	179,159
<b>Total</b>	<b>\$ 1,220,519</b>	<b>\$ 1,311,588</b>	<b>\$ 9,544,043</b>	<b>\$ 9,894,386</b>	<b>\$ 10,764,562</b>	<b>\$ 11,205,974</b>

Significant current year activity includes Wastewater Treatment Plant pumps. 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 \$1,624,000. Governmental activities for the Town had \$11,062 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>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenue bonds	\$ -0-	\$ -0-	\$ 1,624,000	\$ 1,654,000	\$ 1,624,000	\$ 1,654,000
Notes payable	11,062	65,015	-0-	-0-	11,062	65,015
<b>Total</b>	<b>\$ 11,062</b>	<b>\$ 65,015</b>	<b>\$ 1,624,000</b>	<b>\$ 1,654,000</b>	<b>\$ 1,635,062</b>	<b>\$ 1,719,015</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 2014 – 15 is the same as the prior year. The Town's total budget for all funds for fiscal year 2014 – 2015 has decreased to \$1,418,812 of revenues and expenses. The decrease from the prior year is principally due to completion of the EDA grant funded project.

### 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, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 398,424	\$ 255,926	\$ 654,350
Certificates of deposit	-	302,888	302,888
Receivables (net of allowance for uncollectibles)	23	67,407	67,430
Internal balances	168,737	(168,737)	-
Due from other governmental units	31,195	-	31,195
Inventory and prepaid expenses	2,787	8,226	11,013
Restricted assets:			
Cash	4,327	113,062	117,389
Capital assets (net of accumulated depreciation)			
Land	15,808	658,576	674,384
Building and improvements	717,385	6,380,889	7,098,274
Infrastructure	426,030	-	426,030
Sewer/water system improvements	-	2,364,042	2,364,042
Machinery and equipment	61,296	140,536	201,832
<b>TOTAL ASSETS</b>	<u>1,826,012</u>	<u>10,122,815</u>	<u>11,948,827</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued expenses	16,634	33,242	49,876
Accrued interest	-	3,101	3,101
Unearned revenue	-	8,000	8,000
Customer deposits	-	40,469	40,469
Noncurrent liabilities:			
Due within one year	3,538	30,000	33,538
Due in more than one year	7,524	1,594,000	1,601,524
<b>Total liabilities</b>	<u>27,696</u>	<u>1,708,812</u>	<u>1,736,508</u>
<b>NET POSITION</b>			
Net investment in capital assets	1,209,457	7,920,043	9,129,500
Restricted for:			
Revenue bond retirement	-	72,593	72,593
Capital improvement	4,327	-	4,327
Unrestricted	584,532	421,367	1,005,899
<b>TOTAL NET POSITION</b>	<u>\$ 1,798,316</u>	<u>\$ 8,414,003</u>	<u>\$ 10,212,319</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, 2014

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	\$ 191,296	\$ -	\$ -	\$ -	\$ (191,296)	\$ -	\$ (191,296)
Police department	173,952	8,932	-	-	(165,020)	-	(165,020)
Maintenance	241,770	280	-	-	(241,490)	-	(241,490)
Physical environment	16,760	-	-	-	(16,760)	-	(16,760)
Interest on long-term debt	596	-	-	-	(596)	-	(596)
Total Governmental Activities	<u>624,374</u>	<u>9,212</u>	<u>-</u>	<u>-</u>	<u>(615,162)</u>	<u>-</u>	<u>(615,162)</u>
Business-type Activities:							
Water	270,629	313,796	-	-	-	43,167	43,167
Wastewater	841,985	498,155	-	-	-	(343,830)	(343,830)
Sanitation	104,752	123,919	-	-	-	19,167	19,167
Total Business-type Activities	<u>1,217,366</u>	<u>935,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(281,496)</u>	<u>(281,496)</u>
Total Government	<u>\$ 1,841,740</u>	<u>\$ 945,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(615,162)</u>	<u>(281,496)</u>	<u>(896,658)</u>
General Revenues:							
Property taxes					209,548	-	209,548
Franchise fees and taxes					205,052	-	205,052
Local government option gas tax					44,355	-	44,355
Half-cent sales tax					50,997	-	50,997
One-cent sales tax					102,596	-	102,596
Motor fuel tax					1,431	-	1,431
State revenue sharing of 1/8 cent					21,524	-	21,524
Investment earnings					2,967	1,409	4,376
Other revenue					65,310	-	65,310
Transfers					21,652	(21,652)	-
Total general revenues and transfers					<u>725,432</u>	<u>(20,243)</u>	<u>705,189</u>
Change in net position					110,270	(301,739)	(191,469)
Net Position - beginning, as previously stated					1,688,046	8,739,704	10,427,750
Adoption of new accounting pronouncement					-	(23,962)	(23,962)
Net Position - beginning, as restated					1,688,046	8,715,742	10,403,788
Net Position - ending					<u>\$ 1,798,316</u>	<u>\$ 8,414,003</u>	<u>\$ 10,212,319</u>

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

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
BALANCE SHEET - GOVERNMENTAL FUND  
SEPTEMBER 30, 2014**

---

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 398,424
Accounts receivable net of allowance	23
Due from other governmental units	31,195
Due from other funds	168,737
Prepaid expenses	2,787
Restricted assets:	
Cash	4,327
Total assets	<u><u>\$ 605,493</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities:	
Accounts payable	\$ 9,603
Accrued expense	7,031
Total liabilities	<u>16,634</u>
 Fund balances:	
Nonspendable	2,787
Spendable:	
Restricted	4,327
Unassigned	581,745
Total fund balances	<u>588,859</u>
Total liabilities and fund balances	<u><u>\$ 605,493</u></u>

---

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



---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014**

---

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

Fund Balance – Governmental Fund	\$ 588,859
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds	1,220,519
Long-term liabilities include notes payable that are not due and payable in the current period and, therefore, are not reported in the funds	(11,062)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 1,798,316</u></b>

---

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, 2014**

	<b>General Fund</b>
<b>Revenues:</b>	
Property taxes	\$ 209,548
Intergovernmental revenue	220,903
Franchise fees and taxes	205,052
Fines and forfeitures	8,932
Charges for services	280
Interest	2,967
Licenses and permits	3,649
Miscellaneous revenues	61,661
Grant revenue and contributions	52,891
Total Revenues	765,883
<b>Expenditures:</b>	
Administration	182,152
Police department	141,293
Maintenance department	159,470
Recreation	10,228
Capital outlay	39,566
Debt service:	
Principal retirement	53,953
Interest	596
Total Expenditures	587,258
<b>Excess of Revenues (Under) Over Expenditures Before Other Financing Sources (uses)</b>	178,625
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in (out)	21,652
Total Other Financing Sources (uses)	21,652
Net Changes in Fund Balance	200,277
<b>FUND BALANCE, October 1, 2013</b>	<b>388,582</b>
<b>FUND BALANCE, September 30, 2014</b>	<b>\$ 588,859</b>

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

---

**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, 2014**

---

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

Net change in fund balance – total governmental fund	\$ 200,277
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	39,566
Depreciation	(130,635)
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.	53,953
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.	<u>(52,891)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 110,270</u></u></b>

---

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

**TOWN OF ZOLFO SPRINGS, FLORIDA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2014**

	<b>Business-Type Activities</b>		<b>Total Enterprise Funds</b>
	<b>Water and Wastewater</b>	<b>Sanitation</b>	
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 255,926	\$ -	\$ 255,926
Certificates of deposit	302,888	-	302,888
Receivables (net of allowance for uncollectibles)	58,856	8,551	67,407
Inventory and prepaid expenses	8,226	-	8,226
Total current assets	<u>625,896</u>	<u>8,551</u>	<u>634,447</u>
Noncurrent assets:			
Restricted assets:			
Cash	113,062	-	113,062
Total restricted assets	<u>113,062</u>	<u>-</u>	<u>113,062</u>
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	501,768	-	501,768
Less accumulated depreciation	<u>(4,208,131)</u>	<u>-</u>	<u>(4,208,131)</u>
Total capital assets (net)	<u>9,544,043</u>	<u>-</u>	<u>9,544,043</u>
Total noncurrent assets	<u>9,657,105</u>	<u>-</u>	<u>9,657,105</u>
<b>TOTAL ASSETS</b>	<b><u>10,283,001</u></b>	<b><u>8,551</u></b>	<b><u>10,291,552</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and other accrued expenses	33,242	-	33,242
Unearned revenue	8,000	-	8,000
Due to other funds	168,737	-	168,737
Total current liabilities	<u>209,979</u>	<u>-</u>	<u>209,979</u>
Current liabilities payable from restricted assets:			
Accrued interest payable	3,101	-	3,101
Customer deposits	40,469	-	40,469
Revenue bonds payable – current portion	30,000	-	30,000
Total current liabilities payable from restricted assets	<u>73,570</u>	<u>-</u>	<u>73,570</u>
Noncurrent liabilities:			
Revenue bonds payable	<u>1,594,000</u>	<u>-</u>	<u>1,594,000</u>
Total noncurrent liabilities	<u>1,594,000</u>	<u>-</u>	<u>1,594,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,877,549</u></b>	<b><u>-</u></b>	<b><u>1,877,549</u></b>
<b>NET POSITION</b>			
Net investment in capital assets	7,920,043	-	7,920,043
Restricted for revenue bond retirement and grants	72,593	-	72,593
Unrestricted	<u>412,816</u>	<u>8,551</u>	<u>421,367</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 8,405,452</u></b>	<b><u>8,551</u></b>	<b><u>\$ 8,414,003</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, 2014**

	<b>Business-Type Activities</b>		
	<b>Water and Wastewater</b>	<b>Sanitation</b>	<b>Total Enterprise Funds</b>
<b>Operating Revenues:</b>			
Charges for services			
Wastewater sales	\$ 442,655	-	\$ 442,655
Water sales	290,571	-	290,571
Sanitation	-	123,919	123,919
Connection fees	23,225	-	23,225
Sewer Impact	55,500	-	55,500
<b>Total Operating Revenues</b>	<b>811,951</b>	<b>123,919</b>	<b>935,870</b>
<b>Operating Expenses:</b>			
Cost of sales and services			
Personal services	289,028	-	289,028
Operating	385,425	104,752	490,177
Depreciation	400,946	-	400,946
<b>Total Operating Expenses</b>	<b>1,075,399</b>	<b>104,752</b>	<b>1,180,151</b>
<b>Operating Income (Loss)</b>	<b>(263,448)</b>	<b>19,167</b>	<b>(244,281)</b>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	1,409	-	1,409
Interest expense	(37,215)	-	(37,215)
<b>Total Non-Operating Revenue (Expenses)</b>	<b>(35,806)</b>	<b>-</b>	<b>(35,806)</b>
<b>Income (Loss) Before Transfers</b>	<b>(299,254)</b>	<b>19,167</b>	<b>(280,087)</b>
<b>Transfers</b>			
Transfers in (out)	-	(21,652)	(21,652)
<b>Change in Net Position</b>	<b>(299,254)</b>	<b>(2,485)</b>	<b>(301,739)</b>
<b>Net Position – Beginning, as previously stated</b>	<b>8,728,668</b>	<b>11,036</b>	<b>8,739,704</b>
<b>Adoption of New Accounting Pronouncement</b>	<b>(23,962)</b>	<b>-</b>	<b>(23,962)</b>
<b>Net Position – Beginning, as restated</b>	<b>8,704,706</b>	<b>11,036</b>	<b>8,715,742</b>
<b>Net Position – Ending</b>	<b>\$ 8,405,452</b>	<b>8,551</b>	<b>\$ 8,414,003</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, 2014**

	Business-Type Activities		
	Water and Wastewater	Sanitation	Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash receipts from customers	\$ 832,126	\$ 126,404	\$ 958,530
Cash payments to suppliers	(415,968)	(104,752)	(520,720)
Cash payments for personal services	(289,028)	-	(289,028)
Net cash provided (used) by operating activities	<u>127,130</u>	<u>21,652</u>	<u>148,782</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in (out)/advances from (to) other funds	99,672	(21,652)	78,020
Net cash provided (used) by noncapital financing activities	<u>99,672</u>	<u>(21,652)</u>	<u>78,020</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital expenditures	(50,603)	-	(50,603)
Capital grant proceeds	35,326	-	35,326
Interest paid on revenue bonds and long-term borrowings	(37,215)	-	(37,215)
Principal payments on long-term debt	(30,000)	-	(30,000)
Net cash provided (used) by capital and related financing activities	<u>(82,492)</u>	<u>-</u>	<u>(82,492)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	1,409	-	1,409
Net cash provided (used) by investing activities	<u>1,409</u>	<u>-</u>	<u>1,409</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	145,719	-	145,719
<b>CASH AT BEGINNING OF YEAR</b>	<u>526,157</u>	<u>-</u>	<u>526,157</u>
<b>CASH AT END OF YEAR</b>	<u><b>\$ 671,876</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 671,876</b></u>
Unrestricted	\$ 558,814	\$ -	\$ 558,814
Restricted	113,062	-	113,062
	<u><b>\$ 671,876</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 671,876</b></u>
<b>RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
OPERATING INCOME (LOSS)	\$ (263,448)	\$ 19,167	\$ (244,281)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	400,946	-	400,946
Change in assets and liabilities:			
Decrease in accounts receivable	11,621	2,485	14,106
Increase in inventory and prepaid expenses	(1,195)	-	(1,195)
Decrease in accounts payable	(29,348)	-	(29,348)
Increase in unearned revenue	8,000	-	8,000
Increase in customer deposits payable	554	-	554
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><b>\$ 127,130</b></u>	<u><b>\$ 21,652</b></u>	<u><b>\$ 148,782</b></u>

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

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

---

**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.

---

TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

---

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.



---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

---

**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.

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.

**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.

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

---

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

**D. CASH AND INVESTMENTS – CONTINUED**

(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, 2014, 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.

**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

TOWN OF ZOLFO SPRINGS, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**F. Property Taxes – Continued**

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 <u>DEPOSITORY</u></b>
Reserve Fund	\$ 72,593
Customer Deposits	40,469
Restricted Assets	<u>\$ 113,062</u>

**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.

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

---

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

**H. CAPITAL ASSETS – CONTINUED**

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.

**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

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

---

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

**L. FUND BALANCE – CONTINUED**

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.
- 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.

---

TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

---

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

**L. FUND BALANCE – CONTINUED**

	<u>General Fund</u>
Non Spendable (prepaid expenses)	\$ 2,787
<u>Spendable:</u>	
Restricted to:	
Debt service	<u>4,327</u>
Committed	-0-
Assigned	-0-
Unassigned	<u>581,745</u>
Total Fund Balances	<u>\$ 588,859</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.

**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.



TOWN OF ZOLFO SPRINGS, FLORIDA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

**Q. CHANGE IN ACCOUNTING PRINCIPLES**

During 2014, the Town implemented GASB No. 65, *Items Previously Reported as Assets and Liabilities* which was issued to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The adoption of GASB No. 65 reduced beginning net position by \$23,962 for business-type activities on the statement of activities and similarly for the water and wastewater fund on the statement of revenues, expenses and changes in fund net position.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

**A. Cash and Investments**

At year-end, the Town’s carrying amount of deposits was \$1,074,627 and the bank balance was \$1,094,025.

**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	\$ 81,356	\$ 12,051
Less: allowance for uncollectibles	—0—	—(22,500)	—(3,500)
<b>Net total receivables</b>	<u>\$ 23</u>	<u>\$ 58,856</u>	<u>\$ 8,551</u>

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2014 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	7,127	-0-	-0-	980,145
Infrastructure	812,090	-0-	-0-	-0-	812,090
Furniture and equipment	189,726	16,440	-0-	-0-	206,166
Machinery and equipment	<u>58,964</u>	<u>15,999</u>	<u>(900)</u>	<u>-0-</u>	<u>74,063</u>
Total capital assets being depreciated	<u>2,033,798</u>	<u>39,566</u>	<u>(900)</u>	<u>-0-</u>	<u>2,072,464</u>
Less accumulated depreciation for:					
Buildings and improvements	(233,631)	(29,129)	-0-	-0-	(262,760)
Infrastructure	(310,870)	(75,190)	-0-	-0-	(386,060)
Machinery and equipment	<u>(193,517)</u>	<u>(26,316)</u>	<u>900</u>	<u>-0-</u>	<u>(218,933)</u>
Total accumulated depreciation	<u>(738,018)</u>	<u>(130,635)</u>	<u>900</u>	<u>-0-</u>	<u>(867,753)</u>
Total capital assets, being depreciated, net	<u>1,295,780</u>	<u>(91,069)</u>	<u>-0-</u>	<u>-0-</u>	<u>1,204,711</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 1,311,588</u></b>	<b><u>\$ (91,069)</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 1,220,519</u></b>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 658,576	\$ -0-	\$ -0-	\$ -0-	\$ 658,576
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total capital assets, not being depreciated	<u>658,576</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>658,576</u>
Capital assets, being depreciated:					
Buildings and improvements	7,581,635	-0-	-0-	-0-	7,581,635
Sewer line improvements	4,081,851	-0-	-0-	-0-	4,081,851
Water system improvements	928,344	-0-	-0-	-0-	928,344
Machinery and equipment	<u>451,165</u>	<u>50,603</u>	<u>-0-</u>	<u>-0-</u>	<u>501,768</u>
Total capital assets being depreciated	<u>13,042,995</u>	<u>50,603</u>	<u>-0-</u>	<u>-0-</u>	<u>13,093,598</u>
Less accumulated depreciation for:					
Buildings and improvements	(999,848)	(200,898)	-0-	-0-	(1,200,746)
Sewer line improvements	(2,284,338)	(138,307)	-0-	-0-	(2,422,645)
Water system improvements	(195,820)	(27,688)	-0-	-0-	(223,508)
Machinery and equipment	<u>(327,179)</u>	<u>(34,053)</u>	<u>-0-</u>	<u>-0-</u>	<u>(361,232)</u>
Total accumulated depreciation	<u>(3,807,185)</u>	<u>(400,946)</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,208,131)</u>
Total capital assets, being depreciated, net	<u>9,235,810</u>	<u>(350,343)</u>	<u>-0-</u>	<u>-0-</u>	<u>8,885,467</u>
<b>Business-type activities capital assets, net</b>	<b><u>\$ 9,894,386</u></b>	<b><u>\$ (350,343)</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 9,544,043</u></b>

TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

**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	\$ 9,144
Public Safety	32,659
Maintenance	82,300
Recreation	<u>6,532</u>

**Total depreciation expense – governmental activities** **\$ 130,635**

**Business-type activities:**

Water & Wastewater **\$ 400,946**

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

The composition of interfund balances as of September 30, 2014 is as follows:

<u>Interfund Transfers:</u>		<u>Due To/From:</u>
<u>Transfer In:</u>	<u>Transfer Out:</u>	<u>Wastewater</u>
General Fund:	Enterprise Fund:	Due to General
<u>\$ 21,652</u>	<u>\$ 21,652</u>	<u>\$ 168,737</u>

At September 30, 2014, the general fund was owed \$168,737 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, 2014:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
USDA Revenue Bond	\$ 14,460	\$ -0-	\$ (3,398)	\$ 11,062	\$ 3,538
Note Payable–FDOT Utilities Relocation	<u>50,555</u>	<u>-0-</u>	<u>(50,555)</u>	<u>-0-</u>	<u>-0-</u>
Governmental activities	<b><u>\$ 65,015</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ (53,953)</u></b>	<b><u>\$ 11,062</u></b>	<b><u>\$ 3,538</u></b>

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**E. Long-Term Debt – Continued**

At September 30, 2014, 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. **\$ 11,062**

Total annual future payments for all long-term debt – governmental activities as of September 30, 2014 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 3,538	\$ 456	\$ 3,994
2016	3,684	310	3,994
2017	<u>3,840</u>	<u>154</u>	<u>3,994</u>
Total	<b><u>\$ 11,062</u></b>	<b><u>\$ 920</u></b>	<b><u>\$ 11,982</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-	\$ (30,000)	\$ 1,624,000	\$ 30,000
<b>Business-type activities:</b>	<b><u>\$ 1,654,000</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ (30,000)</u></b>	<b><u>\$ 1,624,000</u></b>	<b><u>\$ 30,000</u></b>

**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.

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

Revenue Bonds and Notes – Continued

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 Bonds **\$ 1,624,000**

Total annual debt service requirements for all outstanding enterprise fund revenue bonds as of September 30, 2014 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	33,000	33,750	66,750
2020 – 2024	176,000	157,298	333,298
2025 – 2029	192,000	136,665	328,665
2030 – 2034	210,000	114,413	324,413
2035 – 2039	235,000	89,663	324,663
2040 – 2044	257,000	62,213	319,213
2045 – 2049	278,000	32,310	310,310
2050 – 2051	119,000	4,028	123,028
<b>Total</b>	<b><u>\$ 1,624,000</u></b>	<b><u>\$ 772,383</u></b>	<b><u>\$ 2,396,383</u></b>

**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 name of the Plan is the Retirement Plan and Trust for the Employees of the Town of Zolfo Springs. The plan is administered by the Florida League of Cities, Inc. and Florida Municipal Pension Trust Fund is the Trustee. 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 \$11,246 for the year. Employer contributions vest in full after six years.

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

---

**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**

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, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<b>Revenues</b>				
Property taxes	\$ 179,915	\$ 179,915	\$ 209,548	\$ 29,633
Intergovernmental revenue	203,388	203,388	220,903	17,515
Franchise fees and taxes	155,158	155,158	205,052	49,894
Fines and forfeitures	-	-	8,932	8,932
Charges for services	271	271	280	9
Interest	200	200	2,967	2,767
Licenses and permits	1,800	1,800	3,649	1,849
Miscellaneous revenues	9,000	9,000	61,661	52,661
Grant revenue	62,000	62,000	52,891	(9,109)
<b>Total Revenues</b>	<u>611,732</u>	<u>611,732</u>	<u>765,883</u>	<u>154,151</u>
<b>Expenditures</b>				
Administration	188,746	187,746	182,152	5,594
Police department	158,756	150,256	141,293	8,963
Maintenance department	155,654	173,154	159,470	13,684
Recreation	9,500	12,100	10,228	1,872
Capital outlay	90,031	83,441	39,566	43,875
Debt service	9,045	7,635	54,549	(46,914)
<b>Total Expenditures</b>	<u>611,732</u>	<u>614,332</u>	<u>587,258</u>	<u>27,074</u>
<b>Net Changes in Fund Balance</b>	-	(2,600)	178,625	181,225
<b>Fund Balance – October 1, 2013</b>	<u>388,582</u>	<u>388,582</u>	<u>388,582</u>	<u>-</u>
<b>Fund Balance – September 30, 2014</b>	<u><u>\$ 388,582</u></u>	<u><u>\$ 385,982</u></u>	<u><u>\$ 567,207</u></u>	<u><u>\$ 181,225</u></u>

**NOTE 1 – BUDGETARY BASIS**

The general fund budget is presented on a basis consistent with U.S. generally accepted accounting principles with the exception of transfers as noted in NOTE 2.

**NOTE 2 – RECONCILIATION OF DIFFERENCES BETWEEN NON-GAAP BUDGETARY BASIS AND GAAP (MODIFIED ACCRUAL) BASIS**

The Town did not budget for transfers in. As a result \$21,652 of transfers in 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>	<u>\$ 178,625</u>	<u>\$ -</u>	<u>\$ 178,625</u>
<b>Other Financing Sources</b>			
Transfers in	<u>\$ 21,652</u>	<u>\$ (21,652)</u>	<u>\$ -</u>
<b>Total Other Financing Sources</b>	<u>\$ 21,652</u>	<u>\$ (21,652)</u>	<u>\$ -</u>
<b>Net Changes in Fund Balance</b>	<u><u>\$ 200,277</u></u>	<u><u>\$ (21,652)</u></u>	<u><u>\$ 178,625</u></u>



## OTHER SUPPLEMENTAL INFORMATION

**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>
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>\$ 772,383</u>	<u>\$ 1,624,000</u>	<u>\$ 2,396,383</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, 2014

	ENTERPRISE FUNDS		TOTAL
	WATER	WASTEWATER	
<b>OPERATING REVENUES</b>			
Charges for services			
Wastewater	\$ -	\$ 498,155	\$ 498,155
Water	313,796	-	313,796
<b>Total Operating Revenues</b>	<b><u>313,796</u></b>	<b><u>498,155</u></b>	<b><u>811,951</u></b>
<b>OPERATING EXPENSES</b>			
Personal services	125,618	163,410	289,028
Operating	107,322	278,103	385,425
Depreciation	37,689	363,257	400,946
<b>Total Operating Expenses</b>	<b><u>270,629</u></b>	<b><u>804,770</u></b>	<b><u>1,075,399</u></b>
Operating income (loss)	<u>43,167</u>	<u>(306,615)</u>	<u>(263,448)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Interest income	1,409	-	1,409
Interest expense	-	(37,215)	(37,215)
<b>Total Non-Operating Revenues (Expenses)</b>	<b><u>1,409</u></b>	<b><u>(37,215)</u></b>	<b><u>(35,806)</u></b>
<b>CHANGE IN NET POSITION</b>	<b><u>\$ 44,576</u></b>	<b><u>\$ (343,830)</u></b>	<b><u>\$ (299,254)</u></b>

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
SCHEDULE OF WATER RATES  
SEPTEMBER 30, 2014**

---

**RESIDENTIAL**

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.13 per thousand
3,001 to 4,999	\$3.20 per thousand
5,000 to 9,999	\$3.32 per thousand
10,000 to 14,999	\$3.53 per thousand
15,000 to 19,999	\$3.76 per thousand
Over 20,000	\$3.97 per thousand
Minimum bill and surcharge when vacant	\$10.47

**COMMERCIAL**

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.23 per thousand
3,001 to 4,999	\$3.53 per thousand
5,000 to 9,999	\$3.76 per thousand
10,000 to 14,999	\$3.97 per thousand
15,000 to 19,999	\$4.20 per thousand
Over 20,000	\$4.51 per thousand
Minimum bill and surcharge when vacant	\$12.67

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

---

**TOWN OF ZOLFO SPRINGS, FLORIDA  
SCHEDULE OF WASTEWATER RATES  
SEPTEMBER 30, 2014**

---

**RESIDENTIAL**

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.66 per thousand
Over 3,000	\$4.97 per thousand
Minimum Charge	\$27.54
Surcharge when Vacant	\$27.54

**COMMERCIAL**

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.66 per thousand
over 3,000	\$4.97 per thousand
Surcharge in Mobile Home Parks	\$11.03 per site
Surcharge in RV parks	\$3.32 per site
Apartments (Multi-structure)	\$6.60 per unit
Motels	\$3.32 per room
Minimum Charge	\$38.55
Surcharge when Vacant	\$38.55

**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**

**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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated February 27, 2015.

#### 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.

February 27, 2015  
Bradenton, Florida



---

MANAGEMENT LETTER

To the Honorable Town Commission  
Town of Zolfo Springs, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Town of Zolfo Springs, Florida as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated February 27, 2015.

**Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601 regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 27, 2015, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

**Prior Year Findings and Recommendations**

2013-2      Segregation of Duties

Comment

As a reminder, due to the small size of the Town's business office, a lack of segregation of duties exists. 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

Comment

During the current year audit, various 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.

**Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

**Financial Condition**

Section 10.554(1)(i)5.a., Rules of the auditor General, requires that we report the results of our determination as to whether or not the Town of Zolfo Springs, Florida 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, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Zolfo Springs, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town of Zolfo Springs, Florida for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

## Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations, except as noted under Prior Audit Findings.

Section 10.554(1)(i)3., 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.

## Purpose of this Letter

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.

February 27, 2015  
Bradenton, Florida

# TOWN OF ZOLFO SPRINGS

---

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

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

March 2, 2015

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 2014:

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. The Town has put in password controls and the Town Clerk no longer has access to the general ledger.

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

INDEPENDENT ACCOUNTANT'S REPORT  
ON INVESTMENT COMPLIANCE

To the Honorable Town Commission  
Town of Zolfo Springs, Florida

We have examined the Town of Zolfo Springs, Florida's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2014. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the Town of Zolfo Springs and the Auditor General, State of Florida, 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.

February 27, 2015  
Bradenton, Florida