

TOWN OF ZOLFO SPRINGS, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2017

**TOWN OF ZOLFO SPRINGS, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2017**

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 - 31
REQUIRED SUPPLEMENTAL INFORMATION	
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - NON-GAAP BUDGET BASIS	32

**TOWN OF ZOLFO SPRINGS, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2017**

TABLE OF CONTENTS – CONTINUED

	<u>PAGE</u>
OTHER SUPPLEMENTAL INFORMATION	
WATER AND WASTEWATER SYSTEM REVENUE BONDS – SCHEDULE OF DEBT SERVICE REQUIREMENTS	33
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – WATER AND WASTEWATER DEPARTMENTS	34
SCHEDULE OF WATER RATES	35
SCHEDULE OF WASTEWATER RATES	36
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	37
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE	38
OTHER 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 <i>GOVERNMENT AUDITING STANDARDS</i>	39 – 40
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL	41 – 42
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS	43 – 44
MANAGEMENT LETTER	45 – 47
INDEPENDENT ACCOUNTANT’S REPORT ON INVESTMENT COMPLIANCE	48

**TOWN OF ZOLFO SPRINGS, FLORIDA
OFFICIALS
SEPTEMBER 30, 2017**

Town of Zolfo Springs, Florida

September 30, 2017

TOWN COMMISSION

DIDI WHITE - MAYOR
VIRGINIA IRBY - VICE MAYOR
GUADALUPE DELEON
SARA SCHOFIELD
RON CANNON

TOWN OFFICIALS

TOWN MANAGER, LINDA ROBERSON
TOWN CLERK, AMANDA WALLACE
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, 2017, 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, 2017, 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 32 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 33 – 36 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of state financial assistance on pages 37–38 are presented for purposes of additional analysis as required by the Florida Single Audit Act and Rules of the Auditor General of the State of Florida, and are also not a required part of the basic financial statements.

The other supplemental information and schedule of expenditures of state financial assistance are 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 and the schedule of expenditures of state financial assistance 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 29, 2018, 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.

January 29, 2018
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, 2017. 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 \$10,371,693 (net position). Of this amount, \$1,015,786 (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 \$685,034 during the year. This was primarily due to grants received for park improvements, roadway improvements, and water main replacement.
- As of the close of the current fiscal year, the Town's governmental fund reported ending fund balances of \$622,167, a decrease of \$18,825 from the prior year. Of this amount, unassigned fund balance represents \$615,832.
- As of the close of the fiscal year the Town's water and wastewater fund unrestricted net position was \$284,591.

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 on the General Fund Budget can be found on page 32 of this report.

Government-wide Financial Analysis

The following table presents a condensed statement of net position as of September 30, 2017 with comparative totals as of September 30, 2016.

	Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 788,322	\$ 682,069	\$ 560,021	\$ 546,399	\$ 1,348,343	\$ 1,228,468
Capital assets (net of depreciation)	1,200,551	1,218,248	9,614,767	8,918,376	10,815,318	10,136,624
Total assets	1,988,873	1,900,317	10,174,788	9,464,775	12,163,661	11,365,092
Long-term liabilities outstanding	5,781	7,887	1,540,480	1,568,629	1,546,261	1,576,516
Other liabilities	57,247	36,077	188,460	65,840	245,707	101,917
Total liabilities	63,028	43,964	1,728,940	1,634,469	1,791,968	1,678,433
Net position:						
Invested in capital assets, net of related debt	1,200,551	1,214,408	8,082,767	7,355,376	9,283,318	8,569,784
Restricted	-0-	4,327	72,589	72,561	72,589	76,888
Unrestricted	725,294	637,618	290,492	402,369	1,015,786	1,039,987
Total net position	<u>\$ 1,925,845</u>	<u>\$ 1,856,353</u>	<u>\$ 8,445,848</u>	<u>\$ 7,830,306</u>	<u>\$ 10,371,693</u>	<u>\$ 9,686,659</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 \$10,371,693 at the close of September 30, 2017.

The Town's net position include capital assets, (90% 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 \$72,589, represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$1,015,786 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, 2017 and 2016**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,222	\$ 1,519	\$ 919,105	\$ 875,220	\$ 923,327	\$ 876,739
Operating grants and contributions	-0-	-0-	-0-	-0-	-0-	-0-
Capital grants and contributions	359,401	5,000	978,867	72,711	1,338,268	77,711
General revenues:						
Taxes	645,456	618,569	-0-	-0-	645,465	618,569
Transfers	16,236	18,057	(16,236)	(18,057)	-0-	-0-
Other	<u>67,321</u>	<u>34,724</u>	<u>1,204</u>	<u>1,504</u>	<u>68,525</u>	<u>36,228</u>
Total revenues	1,092,645	677,869	1,882,940	931,378	2,975,585	1,609,247
Expenses:						
General government	231,784	218,284	-0-	-0-	231,784	218,284
Public safety	197,714	187,541	-0-	-0-	197,714	187,541
Maintenance	551,875	319,906	-0-	-0-	551,875	319,906
Physical environment	41,622	29,378	-0-	-0-	41,622	29,378
Interest on long-term debt	158	310	35,168	35,865	35,326	36,175
Water	-0-	-0-	305,096	250,608	305,096	250,608
Sewer	-0-	-0-	818,808	808,762	818,808	808,762
Sanitation	-0-	-0-	<u>108,326</u>	<u>106,929</u>	<u>108,326</u>	<u>106,929</u>
Total expenses	<u>1,023,153</u>	<u>755,419</u>	<u>1,267,398</u>	<u>1,202,164</u>	<u>2,290,551</u>	<u>1,957,583</u>
Change in net position	69,492	(77,550)	615,542	(270,786)	685,034	(348,336)
Net position - Beginning	<u>1,856,353</u>	<u>1,933,903</u>	<u>7,830,306</u>	<u>8,101,092</u>	<u>9,686,659</u>	<u>10,034,995</u>
Net position - Ending	<u>\$ 1,925,845</u>	<u>\$ 1,856,353</u>	<u>\$ 8,445,848</u>	<u>\$ 7,830,306</u>	<u>\$ 10,371,693</u>	<u>\$ 9,686,659</u>

Governmental activities: Governmental activities increased the Town's net position by \$69,492.

Key components of revenue were \$645,465 of tax revenue classified as general revenues, \$359,401 of grants and \$67,321 of other income. Expenses consisted of \$231,784 of general government, \$197,714 of police-public safety, \$593,497 of general maintenance and physical environment and interest on long-term debt of \$158.

Business-type activities. Business-type activities increased the Town's net assets by \$615,542. Key elements for the difference between the current year and prior year are:

- Charges for services increased by \$43,885. Operating revenues consist of water and wastewater department charges, as well as sanitation charges.
- Grant revenues were received for water main replacement. Grant revenues increased \$906,156 over the prior year.
- Expenses increased by \$65,234 from the prior year which was largely related to additional depreciation expense.

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 \$622,167, a decrease of \$18,825 in comparison with the prior year. \$615,832 of this total amount constitutes unassigned fund balance, which is available for spending at the Town's discretion.

The fund balance of the Town's general fund decreased by \$18,825. Activity during the current fiscal year included the following key components:

- Total general fund revenues increased by \$317,689 mainly due to a grants received for road and park improvements.
- The general fund expenditures increased by \$374,114 due to an increase in capital outlay related to road and park improvements.
- The general fund also included other financing sources of \$16,236, which are 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 \$43,885, over the prior year largely due to increases in water and wastewater rates.
- Operating expenses increased by \$65,931, over the prior year. The increase was due mainly to an increase in depreciation expense and personal services.
- The non-operating revenues (expense) line, which is a total net expense of \$33,964 was consistent with prior year and is due largely to interest on the revenue bond.
- Grants of \$978,867 were received mainly for water projects and included as part of capital contributions.

General Fund Budgetary Highlights

During the year, the General Fund budget was not amended. Budgeted revenues were \$1,052,866 and budgeted expenditures were \$1,061,686. For the current fiscal year, actual revenues were less than budgeted revenues by \$80,365. Actual expenditures were less than budget by \$54,124.

Actual revenues were less than budget primarily due to less grant proceeds than expected as projects did not begin as expected. 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, 2017, amounts to \$10,815,318 (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 \$1,246,301 offset by depreciation of \$567,607. The majority of the capital asset additions were for water system improvements.

Town of Zolfo Springs Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 15,808	\$ 15,808	\$ 658,576	\$ 658,576	\$ 674,384	\$ 674,384
Building and Improvements	746,552	658,335	5,780,174	5,980,413	6,526,726	6,638,748
Infrastructure	382,835	481,558	-0-	-0-	382,835	481,558
Sewer/water system improvements	-0-	-0-	2,920,987	2,034,736	2,920,987	2,034,736
Machinery and equipment	23,587	32,684	255,030	232,240	278,617	264,924
Construction in progress	31,769	29,863	-0-	12,411	31,769	42,274
Total	<u>\$ 1,200,551</u>	<u>\$ 1,218,248</u>	<u>\$ 9,614,767</u>	<u>\$ 8,918,376</u>	<u>\$ 10,815,318</u>	<u>\$ 10,136,624</u>

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 \$1,532,000.

Town of Zolfo Springs Revenue Bonds and Notes Payable

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenue bonds	\$ -0-	\$ -0-	\$ 1,532,000	\$ 1,563,000	\$ 1,532,000	\$ 1,563,000
Notes payable	-0-	3,840	-0-	-0-	-0-	3,840
Total	<u>\$ -0-</u>	<u>\$ 3,840</u>	<u>\$ 1,532,000</u>	<u>\$ 1,563,000</u>	<u>\$ 1,532,000</u>	<u>\$ 1,566,840</u>

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 2017 - 2018 is the same as the prior year. The Town's total budget for all funds for fiscal year 2017 - 2018 has budgeted revenues and expenses of \$1,857,919, a decrease over 2016 - 2017 of \$1,245,489. The decrease from the prior year is principally due to the substantial completion of U.S. 17 realignment and other road improvements, City park improvements, and the water main replacement.

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, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 484,909	\$ 431,378	\$ 916,287
Receivables (net of allowance for uncollectibles)	11,427	95,932	107,359
Grants receivable	108,908	62,362	171,270
Internal balances	154,479	(154,479)	-
Due from other governmental units	22,264	-	22,264
Prepaid expenses	6,335	6,478	12,813
Restricted assets:			
Cash	-	118,350	118,350
Capital assets (net of accumulated depreciation)			
Land	15,808	658,576	674,384
Building and improvements	746,552	5,780,174	6,526,726
Infrastructure	382,835	-	382,835
Sewer/water system improvements	-	2,920,987	2,920,987
Machinery and equipment	23,587	255,030	278,617
Construction in progress	31,769	-	31,769
TOTAL ASSETS	<u>1,988,873</u>	<u>10,174,788</u>	<u>12,163,661</u>
LIABILITIES			
Accounts payable and other accrued expenses	57,247	139,598	196,845
Accrued interest	-	3,101	3,101
Customer deposits	-	45,761	45,761
Noncurrent liabilities:			
Due within one year	-	32,000	32,000
Due in more than one year	5,781	1,508,480	1,514,261
Total liabilities	<u>63,028</u>	<u>1,728,940</u>	<u>1,791,968</u>
NET POSITION			
Net investment in capital assets	1,200,551	8,082,767	9,283,318
Restricted for:			
Revenue bond retirement	-	72,589	72,589
Unrestricted	725,294	290,492	1,015,786
TOTAL NET POSITION	<u>\$ 1,925,845</u>	<u>\$ 8,445,848</u>	<u>\$ 10,371,693</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, 2017

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:							
General government	\$ 231,784	\$ 3,218	\$ -	\$ -	\$ (228,566)	\$ -	\$ (228,566)
Police department	197,714	724	-	-	(196,990)	-	(196,990)
Maintenance	551,875	280	-	359,401	(192,194)	-	(192,194)
Physical environment	41,622	-	-	-	(41,622)	-	(41,622)
Interest on long-term debt	158	-	-	-	(158)	-	(158)
Total Governmental Activities	<u>1,023,153</u>	<u>4,222</u>	<u>-</u>	<u>359,401</u>	<u>(659,530)</u>	<u>-</u>	<u>(659,530)</u>
Business-type Activities:							
Water	305,096	313,875	-	978,867	-	987,646	987,646
Wastewater	853,976	480,245	-	-	-	(373,731)	(373,731)
Sanitation	108,326	124,985	-	-	-	16,659	16,659
Total Business-type Activities	<u>1,267,398</u>	<u>919,105</u>	<u>-</u>	<u>978,867</u>	<u>-</u>	<u>630,574</u>	<u>630,574</u>
Total Government	<u>\$ 2,290,551</u>	<u>\$ 923,327</u>	<u>\$ -</u>	<u>\$ 1,338,268</u>	<u>(659,530)</u>	<u>630,574</u>	<u>(28,956)</u>
General Revenues:							
Property taxes					202,009	-	202,009
Franchise fees and taxes					207,124	-	207,124
Local government option gas tax					36,430	-	36,430
Half-cent sales tax					52,636	-	52,636
One-cent sales tax					114,876	-	114,876
Motor fuel tax					4,385	-	4,385
State revenue sharing of 1/8 cent					28,005	-	28,005
Investment earnings					622	1,204	1,826
Other revenue					66,699	-	66,699
Total general revenues					<u>712,786</u>	<u>1,204</u>	<u>713,990</u>
Transfers					16,236	(16,236)	-
Total general revenues and transfers					<u>729,022</u>	<u>(15,032)</u>	<u>713,990</u>
Change in net position					69,492	615,542	685,034
Net Position - beginning					1,856,353	7,830,306	9,686,659
Net Position - ending					<u>\$ 1,925,845</u>	<u>\$ 8,445,848</u>	<u>\$ 10,371,693</u>

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

TOWN OF ZOLFO SPRINGS, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUND
SEPTEMBER 30, 2017

	General Fund
ASSETS	
Cash	\$ 484,909
Accounts receivable net of allowance	11,427
Grants receivable	108,908
Due from other governmental units	22,264
Due from other funds	154,479
Prepaid items	6,335
Total assets	\$ 788,322
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 45,488
Accrued expense	11,759
Total liabilities	57,247
Deferred inflows of resources:	
Unavailable revenue	108,908
Fund balances:	
Nonspendable - Prepaid items	6,335
Spendable:	
Unassigned	615,832
Total fund balances	622,167
Total liabilities, deferred inflows of resources and fund balances	\$ 788,322

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, 2017**

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

Fund Balance – Governmental Fund	\$ 622,167
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	1,200,551
Long-term liabilities include compensated absences that are not due and payable in the current period and, therefore, are not reported in the funds.	(5,781)
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 inflows of resources until available in the fund statements.	<u>108,908</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,925,845</u></u>

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, 2017

	General Fund
REVENUES	
Property taxes	\$ 202,009
Intergovernmental revenue	236,332
Franchise fees and taxes	207,124
Fines and forfeitures	724
Charges for services	280
Interest	622
Licenses and permits	3,218
Grant revenue	255,493
Miscellaneous revenues	66,699
Total Revenues	972,501
EXPENDITURES	
General government	220,214
Police department	164,085
Maintenance department	466,881
Recreation	28,348
Capital outlay	124,036
Debt service:	
Principal retirement	3,840
Interest	158
Total Expenditures	1,007,562
Excess of Revenues (Under) Over Expenditures Before Other Financing Sources (Uses)	(35,061)
OTHER FINANCING SOURCES (USES)	
Transfers in (out)	16,236
Total Other Financing Sources (Uses)	16,236
Net Changes in Fund Balance	(18,825)
FUND BALANCE, October 1, 2016	640,992
FUND BALANCE, September 30, 2017	\$ 622,167

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, 2017

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

Net change in fund balance – total governmental fund	\$ (18,825)
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	124,036
Depreciation	(141,733)
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.	
	3,840
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.	
Change in compensated absences	(1,734)
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 General Fund. This amount represents the change in deferred inflows of resources.	
	<u>103,908</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 69,492</u>

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

TOWN OF ZOLFO SPRINGS, FLORIDA
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-Type Activities		Total Enterprise Funds
	Water and Wastewater	Sanitation	
ASSETS			
Current Assets:			
Cash	\$ 431,378	\$ -	\$ 431,378
Accounts receivable (net of allowance for uncollectibles)	90,031	5,901	95,932
Grants receivable (net of allowance for uncollectibles)	62,362	-	62,362
Prepaid expenses	6,478	-	6,478
Total current assets	<u>590,249</u>	<u>5,901</u>	<u>596,150</u>
Noncurrent assets:			
Restricted assets:			
Cash	118,350	-	118,350
Total restricted assets	<u>118,350</u>	<u>-</u>	<u>118,350</u>
Capital assets:			
Land	658,576	-	658,576
Building and improvements	7,581,635	-	7,581,635
Sewer/water system improvements	6,061,423	-	6,061,423
Machinery and equipment	747,854	-	747,854
Less accumulated depreciation	<u>(5,434,721)</u>	<u>-</u>	<u>(5,434,721)</u>
Total capital assets (net)	<u>9,614,767</u>	<u>-</u>	<u>9,614,767</u>
Total noncurrent assets	<u>9,733,117</u>	<u>-</u>	<u>9,733,117</u>
TOTAL ASSETS	<u>10,323,366</u>	<u>5,901</u>	<u>10,329,267</u>
LIABILITIES			
Current Liabilities:			
Accounts payable and other accrued expenses	139,598	-	139,598
Due to other funds	154,479	-	154,479
Total current liabilities	<u>294,077</u>	<u>-</u>	<u>294,077</u>
Current liabilities payable from restricted assets:			
Accrued interest payable	3,101	-	3,101
Customer deposits	45,761	-	45,761
Revenue bonds payable – current portion	32,000	-	32,000
Total current liabilities payable from restricted assets	<u>80,862</u>	<u>-</u>	<u>80,862</u>
Noncurrent liabilities:			
Compensated absences	8,480	-	8,480
Revenue bonds payable	1,500,000	-	1,500,000
Total noncurrent liabilities	<u>1,508,480</u>	<u>-</u>	<u>1,508,480</u>
TOTAL LIABILITIES	<u>1,883,419</u>	<u>-</u>	<u>1,883,419</u>
NET POSITION			
Net investment in capital assets	8,082,767	-	8,082,767
Restricted for revenue bond retirement and grants	72,589	-	72,589
Unrestricted	<u>284,591</u>	<u>5,901</u>	<u>290,492</u>
TOTAL NET POSITION	<u>\$ 8,439,947</u>	<u>5,901</u>	<u>\$ 8,445,848</u>

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, 2017

	Business-Type Activities		
	Water and Wastewater	Sanitation	Total Enterprise Funds
OPERATING REVENUES			
Charges for services			
Wastewater sales	\$ 480,245	-	\$ 480,245
Water sales	310,995	-	310,995
Sanitation	-	124,985	124,985
Connection fees	2,880	-	2,880
Total Operating Revenues	<u>794,120</u>	<u>124,985</u>	<u>919,105</u>
OPERATING EXPENSES			
Cost of sales and services			
Personal services	343,014	-	343,014
Operating	355,016	108,326	463,342
Depreciation	425,874	-	425,874
Total Operating Expenses	<u>1,123,904</u>	<u>108,326</u>	<u>1,232,230</u>
Operating Income (Loss)	<u>(329,784)</u>	<u>16,659</u>	<u>(313,125)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	1,204	-	1,204
Interest expense	(35,168)	-	(35,168)
Total Non-Operating Revenue (Expenses)	<u>(33,964)</u>	<u>-</u>	<u>(33,964)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(363,748)</u>	<u>16,659</u>	<u>(347,089)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital contributions	978,867	-	978,867
Transfers in (out)	-	(16,236)	(16,236)
Total Capital Contributions and Transfers	<u>978,867</u>	<u>(16,236)</u>	<u>962,631</u>
Change in Net Position	<u>615,119</u>	<u>423</u>	<u>615,542</u>
Net Position – Beginning	<u>7,824,828</u>	<u>5,478</u>	<u>7,830,306</u>
Net Position – Ending	<u>\$ 8,439,947</u>	<u>\$ 5,901</u>	<u>\$ 8,445,848</u>

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, 2017

	Business-Type Activities		
	Water and Wastewater	Sanitation	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash receipts from customers	\$ 765,268	\$ 124,562	\$ 889,830
Cash payments to suppliers	(238,053)	(108,326)	(346,379)
Cash payments for personal services	(343,014)	-	(343,014)
Net cash provided (used) by operating activities	<u>184,201</u>	<u>16,236</u>	<u>200,437</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in (out)/advances from (to) other funds	(4,188)	(16,236)	(20,424)
Net cash provided (used) by noncapital financing activities	<u>(4,188)</u>	<u>(16,236)</u>	<u>(20,424)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital expenditures	(1,122,265)	-	(1,122,265)
Capital grant proceeds	916,505	-	916,505
Interest paid on revenue bonds and long-term borrowings	(35,168)	-	(35,168)
Principal payments on long-term debt	(31,000)	-	(31,000)
Net cash provided (used) by capital and related financing activities	<u>(271,928)</u>	<u>-</u>	<u>(271,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	1,204	-	1,204
Net cash provided (used) by investing activities	<u>1,204</u>	<u>-</u>	<u>1,204</u>
NET INCREASE (DECREASE) IN CASH	(90,711)	-	(90,711)
CASH AT BEGINNING OF YEAR	640,439	-	640,439
CASH AT END OF YEAR	<u>\$ 549,728</u>	<u>\$ -</u>	<u>\$ 549,728</u>
Unrestricted	\$ 431,378	\$ -	\$ 431,378
Restricted	118,350	-	118,350
	<u>\$ 549,728</u>	<u>\$ -</u>	<u>\$ 549,728</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ (329,784)	\$ 16,659	\$ (313,125)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	425,874	-	425,874
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(30,882)	(423)	(31,305)
(Increase) decrease in inventory and prepaid expenses	(6,478)	-	(6,478)
Increase (decrease) in accounts payable	123,441	-	123,441
Increase (decrease) in customer deposits payable	2,030	-	2,030
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 184,201</u>	<u>\$ 16,236</u>	<u>\$ 200,437</u>

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

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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 and deferred outflows less liabilities and 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, 2017

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. Expenditures paid in this fund include general operating expenditures, 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, 2017**

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, 2017**

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, 2017, 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). 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 1st 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, 2017

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 statement of net position 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:

	QUALIFIED PUBLIC DEPOSITORY
Reserve Fund	\$ 72,589
Customer Deposits	45,761
Restricted Assets	<u>\$ 118,350</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, 2017**

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 which 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

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. FUND BALANCE – CONTINUED

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 classifies 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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. FUND BALANCE – CONTINUED

	<u>General Fund</u>
Non Spendable (prepaid expenses)	\$ 6,335
<u>Spendable:</u>	
Restricted	-0-
Committed	-0-
Assigned	-0-
Unassigned	<u>615,832</u>
 Total Fund Balances	 <u>\$ 622,167</u>

M. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category. Unavailable revenue for those revenues not received and not meeting the availability criteria for revenue recognition are classified as deferred inflows of resources.

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, 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, 2017**

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

At year-end, the Town's carrying amount of deposits was \$1,034,637 and the bank balance was \$1,052,577.

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	\$ 11,427	\$ 112,531	\$ 9,401
Less: allowance for uncollectibles	<u>-0-</u>	<u>(22,500)</u>	<u>(3,500)</u>
Net total receivables	<u>\$ 11,427</u>	<u>\$ 90,031</u>	<u>\$ 5,901</u>

C. Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 15,808	\$ -0-	\$ -0-	\$ -0-	\$ 15,808
Construction in progress	<u>29,863</u>	<u>7,406</u>	<u>-0-</u>	<u>(5,500)</u>	<u>31,769</u>
Total capital assets, not being depreciated	<u>45,671</u>	<u>7,406</u>	<u>-0-</u>	<u>(5,500)</u>	<u>47,577</u>
Capital assets, being depreciated:					
Buildings and improvements	980,145	112,430	-0-	5,500	1,098,075
Infrastructure	1,047,415	-0-	-0-	-0-	1,047,415
Furniture and equipment	193,943	4,200	-0-	-0-	198,143
Machinery and equipment	<u>55,477</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>55,477</u>
Total capital assets being depreciated	<u>2,276,980</u>	<u>116,630</u>	<u>-0-</u>	<u>5,500</u>	<u>2,399,110</u>
Less accumulated depreciation for:					
Buildings and improvements	(321,810)	(29,713)	-0-	-0-	(351,523)
Infrastructure	(565,857)	(98,723)	-0-	-0-	(664,580)
Machinery and equipment	<u>(216,736)</u>	<u>(13,297)</u>	<u>-0-</u>	<u>-0-</u>	<u>(230,033)</u>
Total accumulated depreciation	<u>(1,104,403)</u>	<u>(141,733)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,246,136)</u>
Total capital assets, being depreciated, net	<u>1,172,577</u>	<u>(25,103)</u>	<u>-0-</u>	<u>5,500</u>	<u>1,152,974</u>
Governmental activities capital assets, net	<u>\$ 1,218,248</u>	<u>\$ (17,697)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,200,551</u>

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

Business-type activities:

Capital assets, not being depreciated:					
Land	\$ 658,576	\$ -0-	\$ -0-	\$ -0-	\$ 658,576
Construction in progress	<u>12,411</u>	<u>-0-</u>	<u>-0-</u>	<u>(12,411)</u>	<u>-0-</u>
Total capital assets, not being depreciated	<u>670,987</u>	<u>-0-</u>	<u>-0-</u>	<u>(12,411)</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	23,450	-0-	-0-	4,105,301
Water system improvements	928,344	1,015,367	-0-	12,411	1,956,122
Machinery and equipment	<u>664,406</u>	<u>83,448</u>	<u>-0-</u>	<u>-0-</u>	<u>747,854</u>
Total capital assets being depreciated	<u>13,256,236</u>	<u>1,122,265</u>	<u>-0-</u>	<u>12,411</u>	<u>14,390,912</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,601,222)	(200,239)	-0-	-0-	(1,801,461)
Sewer line improvements	(2,699,259)	(138,649)	-0-	-0-	(2,837,908)
Water system improvements	(276,200)	(26,328)	-0-	-0-	(302,528)
Machinery and equipment	<u>(432,166)</u>	<u>(60,658)</u>	<u>-0-</u>	<u>-0-</u>	<u>(492,824)</u>
Total accumulated depreciation	<u>(5,008,847)</u>	<u>(425,874)</u>	<u>-0-</u>	<u>-0-</u>	<u>(5,434,721)</u>
Total capital assets, being depreciated, net	<u>8,247,389</u>	<u>696,391</u>	<u>-0-</u>	<u>-0-</u>	<u>8,956,191</u>
Business-type activities capital assets, net	<u>\$ 8,918,376</u>	<u>\$ 696,391</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 9,614,767</u>

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

Governmental activities:

Administration	\$ 9,836
Public Safety	33,629
Maintenance	84,994
Recreation	<u>13,274</u>
Total depreciation expense – governmental activities	<u>\$ 141,733</u>

Business-type activities:

Water & Wastewater	<u>\$ 425,874</u>
--------------------	--------------------------

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2017 is as follows:

<u>Interfund Transfers:</u>		<u>Due To/From:</u>
Transfer In:	Transfer Out:	Due from Wastewater
<u>General Fund:</u>	<u>Enterprise Fund:</u>	<u>Due to General</u>
<u>\$ 16,236</u>	<u>\$ 16,236</u>	<u>\$ 154,479</u>

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Interfund Receivables, Payables, and Transfers – Continued

At September 30, 2017, the general fund was owed \$154,479 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, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
USDA Revenue Bond	\$ 3,840	\$ -0-	\$ (3,840)	\$ -0-	\$ -0-
Compensated absences	4,047	9,689	(7,955)	5,781	-0-
Governmental activities	<u>\$ 7,887</u>	<u>\$ 9,689</u>	<u>\$ (11,795)</u>	<u>\$ 5,781</u>	<u>\$ -0-</u>

The Town had a capital improvement revenue bond payable to the USDA secured by the Town's Communications Service Tax. Principal and interest was due in 10 equal annual installments of \$3,994 including interest at 4.125%. At September 2017 there was no amount outstanding on this loan.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 1,563,000	\$ -0-	\$ (31,000)	\$ 1,532,000	\$ 32,000
Compensated absences	5,629	14,211	(11,360)	8,480	-0-
Business-type activities:	<u>\$ 1,568,629</u>	<u>\$ 14,211</u>	<u>\$ (42,360)</u>	<u>\$ 1,540,480</u>	<u>\$ 32,000</u>

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, 2017**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

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

Water and Wastewater System Revenue Bonds **\$ 1,532,000**

Total annual debt service requirements for all outstanding enterprise fund revenue bonds as of September 30, 2017 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 32,000	\$ 34,470	\$ 66,470
2019	33,000	33,750	66,750
2020	34,000	33,008	67,008
2021	34,000	32,243	66,243
2022	35,000	31,478	66,478
2023 – 2027	187,000	145,148	332,148
2028 – 2032	201,000	123,548	324,548
2033 – 2037	225,000	99,900	324,900
2038 – 2042	248,000	73,485	321,485
2043 – 2047	271,000	44,573	315,573
2048 – 2051	<u>232,000</u>	<u>13,208</u>	<u>245,208</u>
Total	<u>\$ 1,532,000</u>	<u>\$ 664,811</u>	<u>\$ 2,196,811</u>

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 and the plan is administered by the Florida League of Cities, Inc. The 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.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Town's Commission. For each employee in the pension plan, the Town is required to contribute 5 percent of annual salary, exclusive of overtime pay, to an individual employee account. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits and not to exceed 10 percent of their compensation. For the year ended September 30, 2017, employee contributions totaled \$13,141, and the Town recognized pension expense of \$13,285.

**TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 3 – EMPLOYEE BENEFIT PLAN – CONTINUED

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Town contributions and earnings on Town contributions after completion of 5 years of creditable service with the Town. Nonvested Town contributions are forfeited upon termination of employment. Such forfeitures are to be used to cover a portion of the pension plan's administrative expenses. For the year ended September 30, 2017, the Town applied available forfeitures towards the Town's contribution expense in the amount of \$5,393.

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 or the state of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures (or expenses) 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, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues				
Property taxes	\$ 189,972	\$ 189,972	\$ 202,009	\$ 12,037
Intergovernmental revenue	226,294	226,294	236,332	10,038
Franchise fees and taxes	178,228	178,228	207,124	28,896
Fines and forfeitures	-	-	724	724
Charges for services	271	271	280	9
Interest	400	400	622	222
Licenses and permits	1,600	1,600	3,218	1,618
Grant revenue	442,101	442,101	255,493	(186,608)
Miscellaneous revenues	14,000	14,000	66,699	52,699
Total Revenues	<u>1,052,866</u>	<u>1,052,866</u>	<u>972,501</u>	<u>(80,365)</u>
Expenditures				
Administration	169,125	169,125	220,214	(51,089)
Police department	172,510	172,510	164,085	8,425
Maintenance department	230,156	230,156	466,881	(236,725)
Recreation	221,500	221,500	28,348	193,152
Capital outlay	264,401	264,401	124,036	140,365
Debt service	3,994	3,994	3,998	(4)
Total Expenditures	<u>1,061,686</u>	<u>1,061,686</u>	<u>1,007,562</u>	<u>54,124</u>
Net Changes in Fund Balance	(8,820)	(8,820)	(35,061)	(26,241)
Fund Balance – October 1, 2016	<u>640,992</u>	<u>640,992</u>	<u>640,992</u>	<u>-</u>
Fund Balance – September 30, 2017	<u><u>\$ 632,172</u></u>	<u><u>\$ 632,172</u></u>	<u><u>\$ 605,931</u></u>	<u><u>\$ (26,241)</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 \$16,236 of transfers in were not included in the general fund budget.

	Actual On GAAP Basis	To Budgetary Basis	Actual On Budget Basis
Excess of Revenues Over (Under) Expenditures Before Other Financing Sources (Uses)	\$ (35,061)	\$ -	\$ (35,061)
Other Financing Sources Transfers in	<u>\$ 16,236</u>	<u>\$ (16,236)</u>	<u>\$ -</u>
Total Other Financing Sources	<u>\$ 16,236</u>	<u>\$ (16,236)</u>	<u>\$ -</u>
Net Changes in Fund Balance	<u><u>\$ (18,825)</u></u>	<u><u>\$ (16,236)</u></u>	<u><u>\$ (35,061)</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>
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	31,478	35,000	66,478
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>\$ 664,811</u>	<u>\$ 1,532,000</u>	<u>\$ 2,196,811</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, 2017

	ENTERPRISE FUNDS		TOTAL
	WATER	WASTEWATER	
OPERATING REVENUES			
Charges for services			
Wastewater	\$ -	\$ 480,245	\$ 480,245
Water	313,875	-	313,875
Total Operating Revenues	<u>313,875</u>	<u>480,245</u>	<u>794,120</u>
OPERATING EXPENSES			
Personal services	152,300	190,714	343,014
Operating	89,060	265,956	355,016
Depreciation	63,736	362,138	425,874
Total Operating Expenses	<u>305,096</u>	<u>818,808</u>	<u>1,123,904</u>
Operating Income (Loss)	<u>8,779</u>	<u>(338,563)</u>	<u>(329,784)</u>
NON-OPERATING REVENUES AND EXPENSES			
Interest income	1,204	-	1,204
Interest expense	-	(35,168)	(35,168)
Total Non-Operating Revenues (Expenses)	<u>1,204</u>	<u>(35,168)</u>	<u>(33,964)</u>
Income (Loss) Before Capital Contributions	<u>9,983</u>	<u>(373,731)</u>	<u>(363,748)</u>
CAPITAL CONTRIBUTIONS			
Capital contributions	978,867	-	978,867
Total Capital Contributions	<u>978,867</u>	<u>-</u>	<u>978,867</u>
CHANGE IN NET POSITION	<u>\$ 988,850</u>	<u>\$ (373,731)</u>	<u>\$ 615,119</u>

**TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF WATER RATES
SEPTEMBER 30, 2017**

RESIDENTIAL

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.18 per thousand
3,001 to 4,999	\$3.34 per thousand
5,000 to 9,999	\$3.46 per thousand
10,000 to 14,999	\$3.69 per thousand
15,000 to 19,999	\$3.93 per thousand
Over 20,000	\$4.14 per thousand
Minimum bill and surcharge when vacant	\$10.93

COMMERCIAL

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.29 per thousand
3,001 to 4,999	\$3.69 per thousand
5,000 to 9,999	\$3.93 per thousand
10,000 to 14,999	\$4.14 per thousand
15,000 to 19,999	\$4.40 per thousand
Over 20,000	\$4.71 per thousand
Minimum bill and surcharge when vacant	\$13.24

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, 2017**

RESIDENTIAL

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.74 per thousand
Over 3,000	\$5.20 per thousand
Minimum Charge	\$28.76
Surcharge when Vacant	\$28.76

COMMERCIAL

<u>USAGE IN GALLONS</u>	<u>AMOUNT</u>
0 to 3,000	\$1.74 per thousand
over 3,000	\$5.20 per thousand
Surcharge in Mobile Home Parks	\$11.51 per site
Surcharge in RV parks	\$3.46 per site
Apartments (Multi-structure)	\$6.89 per unit
Motels	\$3.46 per room
Minimum Charge	\$40.27
Surcharge when Vacant	\$40.27

TOWN OF ZOLFO SPRINGS, FLORIDA
 SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

State Grantor/Pass-Through Grantor/ Project	CSFA Number	Pass-Through Entity Identifying Number	Expenditures
<u>STATE FINANCIAL ASSISTANCE</u>			
Florida Department of Transportation			
Small County Outreach Program	55.009	G0968	\$ 264,401
Total Florida Department of Transportation			<u>264,401</u>
Florida Department of Environmental Protection			
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP25026	395,000
Florida Recreation Development Assistance Program	37.017	A16071	48,000
Florida Recreation Development Assistance Program	37.017	A16064	<u>48,000</u>
Total Florida Department of Environmental Protection			<u>491,000</u>
Total Expenditures of State Financial Assistance			<u><u>\$ 755,401</u></u>

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

TOWN OF ZOLFO SPRINGS, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
SEPTEMBER 30, 2017

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes the state grant activity of the Town of Zolfo Springs, Florida (Town) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Florida State Single Audit Act and Rules of the Auditor General of the State of Florida, Chapter 10.550. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – CONTINGENCIES

Grant monies received and distributed by the Town 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 does not believe that such allowances, if any, would have a material effect on the financial position of the Town. As of January 29, 2018, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

OTHER 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 FOR EACH MAJOR STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF
THE AUDITOR GENERAL**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS

MANAGEMENT LETTER

INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

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, 2017, 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 29, 2018.

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

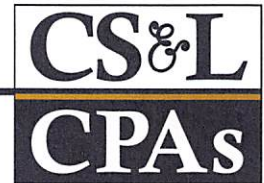
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Town'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 29, 2018
Bradenton, Florida



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Honorable Town Commission
Town of Zolfo Springs, Florida

Report on Compliance for Each Major State Project

We have audited the Town of Zolfo Springs, Florida's (Town) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the Town's major State projects for the year ended September 30, 2017. The Town's major State projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs - State projects.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State projects applicable to its State projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major State projects 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 Chapter 10.550, Rules of the Auditor General. Those standards, and Chapter 10.550, Rules of the Auditor General, 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 State project 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 State project. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Project

In our opinion, the Town 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 State projects for the year ended September 30, 2017.

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 State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, 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 State project 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 State project 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 the type of compliance requirement of a State project 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 Chapter 10.550, Rules of the Auditor General. 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 29, 2018
Bradenton, Florida

TOWN OF ZOLFO SPRINGS, FLORIDA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – STATE PROJECTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements

Type of Auditor’s report issued:	<u>Unmodified</u>
Internal Control over financial reporting:	
Material weakness(es) identified?	___ yes <u> x </u> no
Significant deficiency(ies) identified?	___ yes <u> x </u> none reported
Noncompliance material to financial statements noted?	___ yes <u> x </u> no

State Projects

Internal Control over major projects:	
Material weakness(es) identified?	___ yes <u> x </u> no
Significant deficiency(ies) identified?	___ yes <u> x </u> none reported
Type of auditor’s report issued on compliance for major projects:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557	___ yes <u> x </u> no

Identification of Major State Projects:

CSFA Number

Small County Outreach Program	55.009
Statewide Surface Water Restoration and Wastewater Projects	37.039
Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$226,620 </u>

**TOWN OF ZOLFO SPRINGS, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - STATE PROJECTS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Section II – Financial Statement Findings

No matters were reported.

PRIOR YEAR FINDINGS

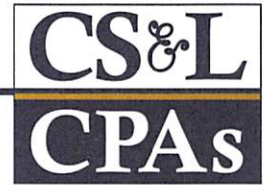
Comment 2013-3 included in the prior year management letter was corrected.

Section III – State Project Award Findings and Questioned Costs

No matters were reported.

PRIOR YEAR FINDINGS

No summary schedule of prior audit findings is required because there were no prior audit findings related to state projects.



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 (Town) as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated January 29, 2018.

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 Reporting Requirements

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*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs - State Projects; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated January 29, 2018, 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.

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 and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town was not in a state of financial emergency, as it 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 for the Town. It is management's responsibility to monitor the Town'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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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, Town Commission, 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 29, 2018
Bradenton, Florida



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 (Town) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2017. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 specified requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Town 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.

January 29, 2018
Bradenton, Florida