

**CITY OF WALDO, FLORIDA**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended September 30, 2015**

**CITY OF WALDO, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended September 30, 2015

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**CITY OF WALDO, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended September 30, 2015

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## INTRODUCTORY SECTION

**CITY OF WALDO, FLORIDA**  
**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2015**

**MAYOR**

**Louie Davis**

**CITY COUNCIL**

**Chuck Hall,  
Council Chairman**

**Rick Pisano,  
Council Vice-Chairman**

**Glen Johnson**

**Irvin Jackson**

**Carolyn Wade**

**CITY CLERK/MANAGER**

**Kim Worley**

**CITY ATTORNEY**

**John McPherson**

## **FINANCIAL SECTION**



**Powell & Jones**  
Certified Public Accountants

Richard C. Powell, Jr., CPA  
Marian Jones Powell, CPA

1359 S.W. Main Blvd.  
Lake City, Florida 32025  
386 / 755-4200  
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admin@powellandjonescpa.com

## INDEPENDENT AUDITOR'S REPORT

To the City Council  
City of Waldo, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waldo, Florida, (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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 an opinion 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 opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waldo, Florida, as of September 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **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 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**

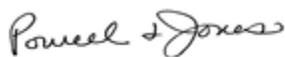
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Waldo, Florida's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of revenues, expenses and changes in net position by function of the proprietary fund is also presented for purposes of additional analysis and is not a required part of the basic financial statements. This schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016, on our consideration of the City of Waldo, 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 City of Waldo, Florida's internal control over financial reporting and compliance.



**POWELL & JONES**  
Certified Public Accountants  
March 22, 2016

**CITY OF WALDO, FLORIDA**  
**Management's Discussion and Analysis**

This discussion and analysis is intended to be an easily readable analysis of the City of Waldo's (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

**Report Layout**

The City implemented Government Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among these guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public works, parks and recreation, human services, community development and general governmental administration. The City's water, sewer, and solid waste management services are reported as business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

*Basic Financial Statements*

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the City's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City has one major governmental fund which is the general fund. Statements for the City's proprietary fund follow the governmental fund statements and include net position, revenue, expenses and changes in net position, and cash flows.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The MD&A is intended to serve as an introduction to the City's basic financial statements and to explain the significant changes in the financial position and differences in operations between the current and prior years.

## City as a Whole

### Government-wide Financial Statements

A condensed version of the Statement of Net Position at September 30, 2015, follows:

#### Net Position at September 30, 2015 and 2014

	Governmental Activities	Business-type Activities	Total Government	
			2015	2014
<b>Assets</b>				
Cash and investments	\$1,122,962	\$ 199,336	\$1,322,298	\$1,071,868
Other assets	11,149	52,712	63,861	261,881
Capital assets, net	300,019	6,982,186	7,282,205	7,544,916
Total assets	<u>1,434,130</u>	<u>7,234,234</u>	<u>8,668,364</u>	<u>8,878,665</u>
<b>Liabilities</b>				
Current liabilities	41,780	124,289	166,069	319,961
Long-term liabilities	<u>33,138</u>	<u>2,394,722</u>	<u>2,427,860</u>	<u>2,498,448</u>
Total liabilities	<u>74,918</u>	<u>2,519,011</u>	<u>2,593,929</u>	<u>2,818,409</u>
<b>Net position</b>				
Invested in capital assets, net of related debt	253,552	4,548,186	4,801,738	4,995,175
Restricted	77,826	108,033	185,859	195,425
Unrestricted	<u>1,027,834</u>	<u>59,004</u>	<u>1,086,838</u>	<u>869,656</u>
Total net position	<u>\$1,359,212</u>	<u>\$4,715,223</u>	<u>\$6,074,435</u>	<u>\$6,060,256</u>

79% of the City's net position reflect its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted assets of \$185,859 consist of earmarked funds as reserves for debt service, police training, drug forfeitures, and Wild Spaces programs. The remaining balance of unrestricted net position \$1,086,838 may be used to meet the City's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net position. The decrease during the year through Governmental net position is due primarily to budgetary management; the increase in Business-type Activities net position is due primarily to the depreciation of new sewer and water infrastructure.

A condensed version of the Statement of Activities follows:

**Change in Net Position  
For the Fiscal Year ended September 30, 2015 and 2014**

	Governmental	Business-type	Total Government	
	Activities	Activities	2015	2014
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 65,812	\$ 470,938	\$ 536,750	\$ 905,810
Grants and contributions	-	21,957	21,957	666,463
General revenues				
Taxes	301,500	-	301,500	300,306
Franchise fees/utility taxes	118,635	-	118,635	113,280
Licenses	9,973	-	9,973	8,467
State shared revenues	101,760	-	101,760	101,745
Interest and other	45,806	7,511	53,317	76,465
Total revenues	<u>643,486</u>	<u>500,406</u>	<u>1,143,892</u>	<u>2,172,536</u>
<b>Expenses</b>				
General government	270,782	-	270,782	212,649
Public safety	82,926	-	82,926	513,037
Transportation	103,978	-	103,978	111,236
Culture/recreation	33,604	-	33,604	29,631
Interest on long-term debt	1,641	52,638	54,279	53,617
Water, sewer, and garbage services	-	584,144	584,144	434,527
Total expenses	<u>492,931</u>	<u>636,782</u>	<u>1,129,713</u>	<u>1,354,697</u>
Change in net position	150,555	(136,376)	14,179	817,839
Beginning net position	1,208,657	4,851,599	6,060,256	5,242,417
Ending net position	<u>\$1,359,212</u>	<u>\$4,715,223</u>	<u>\$6,074,435</u>	<u>\$6,060,256</u>

**Governmental activities:**

Charges for services provided 10% of the revenues for Governmental Activities, taxes provide 47%, while franchise fees provide 18%. Most of the Governmental Activities resources are spent for, General Government (55%), Transportation (21%), and Public Safety (17%).

**Business-type activities:**

Business-type activities decreased the City's net position by \$136,376.

## Budgetary Highlights

In the General Fund budgeted revenue amounts were less than actual revenue amounts by \$40,432, and budgeted expenditures amounts exceeded actual expenditures by \$7,515.

## Capital Assets and Debt Administration

### Capital Assets

At September 30, 2015, the City had \$7.3 million invested in capital assets, including park and recreation facilities, buildings, roads, bridges and water and sewer facilities.

#### Capital Assets at September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 54,724	\$ 54,724	\$ 36,454	\$ 36,454	\$ 91,178	\$ 91,178
Buildings and improvements	446,678	446,678	8,521,220	7,723,868	8,967,898	8,170,546
Equipment	178,679	380,843	174,451	220,951	353,130	601,794
Construction in progress	-	-	-	707,819	-	707,819
Subtotal	680,081	882,245	8,732,125	8,689,092	9,412,206	9,571,337
Accumulated depreciation	(380,062)	(484,354)	(1,749,939)	(1,542,067)	(2,130,001)	(2,026,421)
Capital assets, net	\$ 300,019	\$ 397,891	\$ 6,982,186	\$ 7,147,025	\$ 7,282,205	\$ 7,544,916

### Debt Outstanding

At year-end, the City had \$2,504,965 in debt outstanding versus \$2,573,748 last year, a decrease of \$68,783.

#### Debt Outstanding at September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Notes payable	\$ 46,467	\$ 68,741	\$ 2,434,000	\$ 2,481,000	\$ 2,480,467	\$ 2,549,741
Compensated absences	12,869	15,510	11,629	8,497	24,498	24,007
Total	\$ 59,336	\$ 84,251	\$ 2,445,629	\$ 2,489,497	\$ 2,504,965	\$ 2,573,748

More detailed information on the City long-term liabilities is presented in the notes to the financial statements.

## **OTHER FINANCIAL INFORMATION**

### **Economic Factors and Rates**

- The current unemployment rate for the City was 4.5%, which is the approximate Alachua County rate.
- The estimated population for the City in 2015 was 1,015 and is estimated to be approximately the same in 2016.
- The City's ad valorem tax rate for 2015 was 7.3226 mills, which was the same as the 2014 rate of 7.3226 mills.

### **Financial Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Manager at P.O. Drawer B, Waldo, Florida 32694.

**CITY OF WALDO, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and investments	\$ 1,045,136	\$ 34,927	\$ 1,080,063
Accounts receivable	14,601	37,779	52,380
Prepaid expenses	6,944	-	6,944
Accrued interest receivable	-	161	161
Internal balances	(14,772)	14,772	-
Due from other governmental units	4,376	-	4,376
<b>Total current assets</b>	<b>1,056,285</b>	<b>87,639</b>	<b>1,143,924</b>
<b>Restricted assets</b>			
Cash	77,826	45,384	123,210
Investments	-	119,025	119,025
<b>Total restricted assets</b>	<b>77,826</b>	<b>164,409</b>	<b>242,235</b>
<b>Non-current assets</b>			
Capital assets - net	300,019	6,982,186	7,282,205
<b>Total non-current assets</b>	<b>300,019</b>	<b>6,982,186</b>	<b>7,282,205</b>
<b>Total assets</b>	<b>\$ 1,434,130</b>	<b>\$ 7,234,234</b>	<b>\$ 8,668,364</b>
<b>LIABILITIES</b>			
<b>Current liabilities (payable from current assets)</b>			
Payroll liabilities	\$ 2,061	\$ 1,587	\$ 3,648
Accounts payable	515	17,366	17,881
Deferred revenue	13,006	-	13,006
Compensated absences	3,217	2,907	6,124
<b>Total current liabilities (payable from current assets)</b>	<b>18,799</b>	<b>21,860</b>	<b>40,659</b>
<b>Current liabilities (payable from restricted assets)</b>			
Deposits	-	50,119	50,119
Accrued interest payable	-	4,310	4,310
Loan payable, current portion	22,981	48,000	70,981
<b>Total current liabilities (payable from restricted assets)</b>	<b>22,981</b>	<b>102,429</b>	<b>125,410</b>
<b>Long-term liabilities</b>			
Loan payable, long-term portion	23,486	2,386,000	2,409,486
Compensated absences	9,652	8,722	18,374
<b>Total long-term liabilities</b>	<b>33,138</b>	<b>2,394,722</b>	<b>2,427,860</b>
<b>Total liabilities</b>	<b>74,918</b>	<b>2,519,011</b>	<b>2,593,929</b>

**(continued)**

**CITY OF WALDO, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

**NET POSITION**

Invested in capital assets, net of related debt	\$ 253,552	\$ 4,548,186	\$ 4,801,738
Restricted, debt service	-	108,033	108,033
Restricted, police training	39,991	-	39,991
Restricted, drug forfeitures	19,238	-	19,238
Restricted, Wildspaces	18,597	-	18,597
Unrestricted	1,027,834	59,004	1,086,838
Total net position	<u>\$ 1,359,212</u>	<u>\$ 4,715,223</u>	<u>\$ 6,074,435</u>

**See notes to financial statements.**



**CITY OF WALDO, FLORIDA**

**GOVERNMENTAL FUND**

**BALANCE SHEET**

**September 30, 2015**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 1,122,962
Accounts receivable	14,601
Due from other governmental units	4,376
Prepaid expenses	6,944
Total assets	<u>\$ 1,148,883</u>
<b>LIABILITIES</b>	
Accrued liabilities	\$ 2,061
Accounts payable	515
Deferred revenue	13,006
Due to other funds	14,772
Total liabilities	<u>30,354</u>
<b>FUND BALANCES</b>	
Nonspendable - prepaids	6,944
Restricted - police training	39,991
Restricted - drug forfeitures	19,238
Restricted - Wildspaces	18,597
Unassigned	1,033,759
Total fund balances	<u>1,118,529</u>
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	300,019
Long-term liabilities are not due in the current period and, therefore, are not reported in the funds.	(59,336)
Net position of governmental activities	<u>\$ 1,359,212</u>

See notes to financial statements.

**CITY OF WALDO, FLORIDA**

**GOVERNMENTAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
For the Fiscal Year Ended September 30, 2015**

	<u>General Fund</u>
<b>REVENUES</b>	
Taxes	\$ 420,135
Licenses and permits	9,973
Intergovernmental	101,760
Charges for services	11,092
Fines and forfeitures	54,720
Miscellaneous	105,623
<b>Total revenues</b>	<u>703,303</u>
<b>EXPENDITURES</b>	
Current expenditures	
General government	260,754
Public safety	74,162
Transportation	112,901
Culture/recreation	31,974
<b>Total expenditures</b>	<u>479,791</u>
<b>Excess of revenues over expenditures</b>	223,512
<b>Fund balance at beginning of year</b>	895,017
<b>Fund balance at end of year</b>	<u><u>\$ 1,118,529</u></u>

**See notes to financial statements.**

**CITY OF WALDO, FLORIDA**

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

**For the Fiscal Year Ended September 30, 2015**

Net change in fund balance - total governmental funds		\$ 223,512
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Loss on sale of capital assets	(59,817)	
Less current year depreciation	<u>(38,055)</u>	
		(97,872)
 The payment of loan principal uses current financial resources in governmental funds, however in the statement of activities these costs are offset against the loans liability balance.		 22,274
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds.		
Decrease in compensated absences		<u>2,641</u>
 Change in net position of governmental activities		 <u><u>\$ 150,555</u></u>

See notes to financial statements.

**CITY OF WALDO, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 34,927
Accounts receivable	37,779
Accrued interest receivable	161
Due from other funds	14,772
Total current assets	87,639
Restricted assets	
Cash	45,384
Cash, invested	119,025
Total restricted assets	164,409
Noncurrent assets	
Fixed assets	
Property and equipment	8,732,125
Accumulated depreciation	(1,749,939)
Total noncurrent assets	6,982,186
Total assets	\$ 7,234,234
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Current liabilities (payable from current assets)	
Accounts payable	\$ 17,366
Payroll liabilities	1,587
Compensated absences	2,907
Total current liabilities (payable from current assets)	21,860
Current liabilities (payable from restricted assets)	
Deposits	50,119
Accrued interest payable	4,310
Notes payable, current portion	48,000
Total current liabilities (payable from restricted assets)	102,429
Long-term liabilities	
Compensated absences	8,722
Note payable, less current portion	2,386,000
Total long-term liabilities	2,394,722
Total liabilities	2,519,011
(continued)	

**CITY OF WALDO, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF NET POSITION**  
**September 30, 2015**

**NET POSITION**

Invested in capital assets, net of related debt	4,548,186
Restricted, debt service	108,033
Unrestricted	59,004
Total net position	<u>4,715,223</u>
Total liabilities and net position	<u>\$ 7,234,234</u>

**See notes to financial statements.**

**CITY OF WALDO, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION  
 For the Fiscal Year Ended September 30, 2015**

<b>OPERATING REVENUES</b>	<u>Enterprise Fund</u>
Physical environment	
Turn on fees water	\$ 7,365
Sewer tap fees	5,500
Water utility revenue	150,172
Garbage/solid waste revenue	73,205
Sewer revenue	234,696
Late charges	4,260
Other revenue	738
Total operating revenues	<u>475,936</u>
<b>OPERATING EXPENSES</b>	
Water/sewer services	
Personnel services	119,958
Operating expenses	179,317
Depreciation	207,872
Total water/sewer services	<u>507,147</u>
Solid waste services	
Contractual services	76,997
Total solid waste services	<u>76,997</u>
Total operating expenses	<u>584,144</u>
Operating loss	<u>(108,208)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Grant revenue	21,957
Interest earnings	2,513
Interest expense	(52,638)
Total nonoperating revenues (expenses)	<u>(28,168)</u>
Net loss	(136,376)
Net position, beginning of year	4,851,599
Net position, end of year	<u>\$ 4,715,223</u>

See notes to financial statements.

**CITY OF WALDO, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended September 30, 2015

	<b>Enterprise Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 518,990
Cash paid to employees and benefits	(390,521)
Cash paid to suppliers	(118,017)
<b>Net cash provided by operating activities</b>	<b>10,452</b>
 <b>Cash flow from non-capital financing activities</b>	
Transfers from other funds	14,153
<b>Net cash provided by non-capital financing activities</b>	<b>14,153</b>
 <b>Cash flows from capital related financing activities:</b>	
Purchases of fixed assets	(43,033)
Proceeds from capital grants	133,087
Principal payments	(47,000)
Interest payments	(52,721)
<b>Net cash used in capital and related financing activities</b>	<b>(9,667)</b>
 <b>Cash flows from investing activities</b>	
Investment income	2,463
<b>Net cash provided by investing activities</b>	<b>2,463</b>
 <b>Net increase in cash</b>	<b>17,401</b>
 <b>Cash and cash equivalents at beginning of year</b>	<b>181,935</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 199,336</b>
 <b>Cash as shown in financial statements</b>	
Cash	\$ 34,927
Restricted cash	45,384
Restricted cash invested	119,025
	<b>\$ 199,336</b>

**See notes to financial statements.**

**CITY OF WALDO, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
**RECONCILIATION OF OPERATING LOSS TO NET CASH**  
**PROVIDED BY OPERATING ACTIVITIES**  
For the Fiscal Year Ended September 30, 2015

	<u>Enterprise Fund</u>
Operating loss	\$ (108,208)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	207,872
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	47,607
Accounts payable	(134,207)
Customer deposits	(4,553)
Payroll liabilities	(1,191)
Accrued compensated absences	3,132
Total adjustments	(118,660)
Net cash provided by operating activities	\$ 10,452

See notes to financial statements.

## CITY OF WALDO, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2015

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Waldo (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As provided by GASB 34, the City has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than ten million dollars. The City has implemented all other applicable provisions of this Statement.

**A. Reporting Entity** - The City of Waldo, Florida is a municipality created pursuant to provisions of Chapter 165, *Florida Statutes*, and was specifically organized under and derives its power from Chapter 14451-No. 887 of the *Laws of Florida*. It is governed by a Mayor and a five member City Council, all of whom are individually elected.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that the following component unit existed which should be included within the reporting entity.

**B. Measurement Focus and Basis of Accounting** - The basic financial statements of the City are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

## **1. Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the City. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the City also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

## **2. Fund Financial Statements**

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the City's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate for governmental and enterprise funds, as applicable.

**Governmental Funds** - 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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, 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 only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Any non-current portions of long-term receivables (special assessments) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Proprietary Funds** - The City's Water, Sewer and Solid Waste Enterprise Fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The City applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operation revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

**C. Basis of Accounting** - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The City has used GASB 34 minimum criteria for major fund determination. The City has two major funds as follows:

**1. Governmental Major Fund:**

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

**2. Proprietary Major Fund:**

**Enterprise Fund** - The Enterprise Fund accounts for the revenues, expenses, assets, and liabilities associated with the City operated water, sewer, and solid waste disposal services.

**Non-current Governmental Assets/Liabilities:**

GASB Statement 34 requires non-current governmental assets, such as land and building, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net position.

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

**1. Cash and Investments** - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.

**2. Cash Equivalents** - For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less, excluding money market accounts, to be cash equivalents.

**3. Allowance for Doubtful Accounts** - As applicable year-to-year, the City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2015, there were no amounts exceeding 180 days, therefore no allowance for doubtful accounts was reported. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectible as reported at September 30, 2015.

**4. 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 "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for doubtful accounts. Any receivables in excess of 180 days would comprise the trade accounts receivable allowance for doubtful accounts.

**5. Inventories** - The costs of governmental and enterprise fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.

6. **Restricted Assets** - Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The “revenue bond current debt service” account is used to segregate resources accumulated for debt service payments over the next twelve months. The “revenue bond reserve” account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account, and to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The cash proceeds of enterprise fund customer deposits are also shown as restricted assets. Other restricted assets are classifications by the City Council.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

7. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.
8. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Building and improvements	10 - 50
Machinery and equipment	5 - 14
Street and related infrastructure	20 - 40

9. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the City did not have any capitalized interest.
10. **Deferred Revenues** - Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues

which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

- 11. Accrued Compensated Absences** - The City accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
- 12. Proprietary Activity Accounting and Financial Reporting** - The City applies all applicable Government Accounting Standards (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards (FASB) Statements and Interpretations. Accounting Principles Board (APB) Opinion and Accounting Research Bulletins (ARB's).
- 13. Fund Balances/Net Position**

**A. Governmental Funds**

As of September 30, 2015, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purpose because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's general policy, only the City Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2015, fund balances are composed of the following:

	<u>Amount</u>
Non-Spendable:	\$ 6,944
Restricted for:	
Police training	39,991
Drug forfeitures	19,238
Wildspaces	18,597
Unassigned	<u>1,033,759</u>
	<u><u>\$1,118,529</u></u>

When an expenditure is incurred for purposes to which both restricted and unrestricted fund balance is available, the City considered restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

**B. Proprietary Funds**

Restrictions of equity show amounts that are not appropriated for expenditures or are legally restricted for specific uses.

As of September 30, 2015, net position are composed of the following:

	<u>Amount</u>
Invested in capital assets, net	\$ 4,548,186
Restricted for debt service	108,033
Unrestricted	<u>59,004</u>
	<u><u>\$ 4,715,223</u></u>

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

**A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position.**

“Total fund balances” of the City’s governmental funds \$1,118,529 differs from “net position” of governmental activities \$1,359,212 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 680,081
Accumulated depreciation	<u>(380,062)</u>
Total	<u><u>\$ 300,019</u></u>

**Long-term debt transactions**

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2015, were:

Loan payable	\$ 46,467
Accrued compensated absences	<u>12,869</u>
Total	<u><u>\$ 59,336</u></u>

**CITY OF WALDO, FLORIDA**

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

**A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Statement of Net Position
<b>ASSETS</b>				
Cash and investments	\$ 1,122,962	\$ -	\$ -	\$ 1,122,962
Accounts receivable	14,601	-	-	14,601
Due from other governmental units	4,376	-	-	4,376
Prepaid expenses	6,944	-	-	6,944
Capital assets - net	-	300,019	-	300,019
<b>Total assets</b>	<b>\$ 1,148,883</b>	<b>\$ 300,019</b>	<b>\$ -</b>	<b>\$ 1,448,902</b>
<b>LIABILITIES AND FUND BALANES</b>				
Liabilities				
Accrued liabilities	\$ 2,061	\$ -	\$ -	\$ 2,061
Accounts payable	515	-	-	515
Deferred revenue	13,006	-	-	13,006
Due to other funds	14,772	-	-	14,772
Compensated absences	-	-	12,869	12,869
Loan payable	-	-	46,467	46,467
<b>Total liabilities</b>	<b>30,354</b>	<b>-</b>	<b>59,336</b>	<b>89,690</b>
<b>Fund balance/net position</b>	<b>1,118,529</b>	<b>300,019</b>	<b>(59,336)</b>	<b>1,359,212</b>
<b>Total liabilities and fund balances/net position</b>	<b>\$ 1,148,883</b>	<b>\$ 300,019</b>	<b>\$ -</b>	<b>\$ 1,448,902</b>

**B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” for governmental funds \$223,512 differs from the “change in net position” for governmental activities \$150,555 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charges for the year.

Loss on sale of surplus equipment	\$ (59,817)
Depreciation expense	<u>(38,055)</u>
	<u>\$ (97,872)</u>

Long-term debt transactions

Governmental funds do not report increases or decreases in long-term accrued compensated absences. However, in the statement of activities, the decrease reduces expenses.

Decrease in accrued compensated absences	<u>\$ 2,641</u>
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Loan Principal

Loan principal payments reduce current resources to governmental funds, but are offset against the liabilities on the statement of net position.

\$ 22,274

**CITY OF WALDO, FLORIDA**

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

**B. Explanation of Differences Between Government Fund Operating Statements and the Statement of Activities**

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions	Statement of Activities
<b>REVENUES</b>				
Taxes	\$ 420,135	\$ -	\$ -	\$ 420,135
Licenses and permits	9,973	-	-	9,973
Intergovernmental	101,760	-	-	101,760
Charges for Services	11,092	-	-	11,092
Fines and forfeitures	54,720	-	-	54,720
Miscellaneous	105,623	(59,817)	-	45,806
<b>Total revenues</b>	<b>703,303</b>	<b>(59,817)</b>	<b>-</b>	<b>643,486</b>
<b>EXPENDITURES</b>				
Current expenditures				
General government	260,754	4,859	5,169	270,782
Public safety	74,162	16,189	(7,425)	82,926
Transportation	112,901	15,377	(22,659)	105,619
Culture/recreation	31,974	1,630	-	33,604
Capital outlay				
Public safety	-	-	-	-
Culture/recreation	-	-	-	-
<b>Total expenditures</b>	<b>479,791</b>	<b>38,055</b>	<b>(24,915)</b>	<b>492,931</b>
<b>Excess of revenues over expenditures</b>	<b>223,512</b>	<b>(97,872)</b>	<b>24,915</b>	<b>150,555</b>
<b>Fund balance at beginning of year</b>	<b>895,017</b>	<b>397,891</b>	<b>(84,251)</b>	<b>1,208,657</b>
<b>Fund balance at end of year</b>	<b>\$ 1,118,529</b>	<b>\$ 300,019</b>	<b>\$ (59,336)</b>	<b>\$ 1,359,212</b>

### NOTE 3. LEGAL COMPLIANCE–BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the City Council through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the City Council.
5. Budgets for all City funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to the original appropriations which were amended.

### NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the City deposits were fully insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the City is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. The City's investments in the amount of \$119,025, consist of certificates of deposits in a qualified depository with original maturities in excess of ninety days. The investments were fully insured at September 30, 2015.

#### Schedule of Investments at September 30, 2015

Certificates of deposit	<u><u>\$ 119,025</u></u>
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### NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2014-2015 fiscal year were levied in October 2014. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015, was as follows:

	Beginning Balance	Additions	Reclassifications/ Deletions	Ending Balance
<b>Governmental activities:</b>				
<b>Capital assets:</b>				
Land	\$ 54,724	\$ -	\$ -	\$ 54,724
Buildings and improvements	446,678	-	-	446,678
Construction in progress*	-	-	-	-
Equipment/vehicles	380,843	-	(202,164)	178,679
Total fixed assets	882,245	-	(202,164)	680,081
Less accumulated depreciation	(484,354)	(38,055)	142,347	(380,062)
Governmental activities capital assets, net	<u>\$ 397,891</u>	<u>\$ (38,055)</u>	<u>\$ (59,817)</u>	<u>\$ 300,019</u>
<b>Business-type activities:</b>				
Land	\$ 36,454	\$ -	\$ -	\$ 36,454
Buildings and improvements	7,723,868	797,352	-	8,521,220
Construction in progress	707,819	43,033	(750,852)	-
Equipment	220,951	-	(46,500)	174,451
Total capital assets	8,689,092	840,385	(797,352)	8,732,125
Less accumulated depreciation	(1,542,067)	(207,872)	-	(1,749,939)
Business-type activities capital assets, net	<u>\$ 7,147,025</u>	<u>\$ 632,513</u>	<u>\$ (797,352)</u>	<u>\$ 6,982,186</u>

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

<b>Governmental activities:</b>	
General government	\$ 4,859
Public safety	16,189
Streets/roads	15,377
Recreation	1,630
Total depreciation expense - governmental activities	<u>\$ 38,055</u>
<b>Business-type activities:</b>	
Water	\$ 8,464
Sewer	199,408
Total depreciation expense - business-type activities	<u>\$ 207,872</u>

**NOTE 7. INTERFUND RECEIVABLES/PAYABLES**

The following is a schedule of interfund receivables and payables at September 30, 2015.

Fund	Interfund Receivable	Interfund Payable
General	\$ -	\$ 14,772
Enterprise	14,772	-
	<u>\$ 14,772</u>	<u>\$ 14,772</u>

**NOTE 8. RECEIVABLE AND PAYABLE BALANCES**

**Receivables**

Receivables at September 30, 2015 net of allowances for bad debts, were as follows:

	<u>Accounts</u>	<u>Due from Other Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:			
General	\$ 14,601	\$ 4,376	\$ 18,977
Business-type activities:			
Enterprise	<u>37,779</u>	<u>-</u>	<u>37,779</u>
	<u>\$ 52,380</u>	<u>\$ 4,376</u>	<u>\$ 56,756</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its proprietary funds accounts receivable of \$19,597.

**Payables**

Payables at September 30, 2015, were as follows:

	<u>Vendors</u>
Governmental activities:	
General	<u>\$ 515</u>
Business-type activities:	
Enterprise	<u>\$ 17,366</u>

**NOTE 9. PROPRIETARY LONG-TERM DEBT**

**USDA Wastewater Revenue Bonds 2013**

On June 21, 2013, the City closed on a revenue bond issue from the United States Department of Agriculture in the total amount of \$2,527,000. Proceeds of the revenue bond were used to retire the Capital City anticipation note in the amount of \$1,339,336, with the balance used in the wastewater extension project. The bond is payable over 39 annual payments including interest of 2.125%.

Reserve funds – The following reserves are required to be maintained for these revenue bonds:

1. The bond ordinance requires a sinking fund reserve which accumulates a monthly sum equal to 1/12 of the principal and interest of the bond payment due on the next succeeding September 1.
2. An additional reserve equal to the maximum annual debt service requirement over the period of the bond to be used for; operation and maintenance fund to pay operating expenses pursuant to the annual budget; and payment of any principal and interest if the funds of the Sinking Fund are insufficient. This reserve is maintained by transferring monthly from the revenue account an amount equal to \$10,219 annually until fully funded. This reserve was substantially funded at September 30, 2015.

Revenue bond debt service requirements to maturity, including \$1,069,895 of interest, are as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2016	\$ 48,000	\$ 51,723	\$ 99,723
2017	49,000	50,703	99,703
2018	50,000	49,661	99,661
2019	51,000	48,599	99,599
2020	52,000	47,515	99,515
2021-2023	275,000	220,575	495,575
2026-2030	300,000	190,294	490,294
2031-2035	325,000	157,356	482,356
2036-2040	350,000	121,762	471,762
2041-2045	374,000	83,512	457,512
2046-2050	395,000	42,925	437,925
2051-2052	165,000	5,270	170,270
<b>Total</b>	<b>\$ 2,434,000</b>	<b>\$ 1,069,895</b>	<b>\$ 3,503,895</b>

A summary of changes in proprietary long-term debt follows:

	<u>Balance October 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2015</u>	<u>Due Within One Year</u>
Notes payable:					
USDA Revenue Bonds	\$ 2,481,000	\$ -	\$ (47,000)	\$2,434,000	\$ 48,000
Compensated absences	8,497	4,547	(1,415)	11,629	2,907
	<u>\$ 2,489,497</u>	<u>\$ 4,547</u>	<u>\$ (48,415)</u>	<u>\$2,445,629</u>	<u>\$ 50,907</u>

#### NOTE 10. GOVERNMENTAL LONG-TERM DEBT

A summary of changes in governmental long-term debt follows:

	<u>Balance October 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2015</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 15,510	\$ 6,760	\$ (9,401)	\$ 12,869	\$ 3,217
Capital City Bank	68,741	-	(22,274)	46,467	22,981
	<u>\$ 84,251</u>	<u>\$ 6,760</u>	<u>\$ (31,675)</u>	<u>\$ 59,336</u>	<u>\$ 26,198</u>

Inasmuch as records kept for compensated absences relate only to hours earned, used, and available, the effect of changes in individual employee compensation rates and gross additions and deletions to the reported value of the liability for compensated absences cannot be reasonably determined. Accordingly, only the net change in the accumulated value of compensated absences is shown for the current fiscal year.

**Capital City Bank** – On September 4, 2013, the City obtained a loan from Capital City Bank in the amount of \$90,401. The purpose of the loan was to purchase a road grader. The loan is payable in 48 monthly installments of \$1,993, including interest at 2.76%.

Debt service requirements to maturity including \$1,363 of interest are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 22,981	\$ 934	\$ 23,915
2017	23,486	429	23,915
	<u>\$ 46,467</u>	<u>\$ 1,363</u>	<u>\$ 47,830</u>

#### **NOTE 11. RETIREMENT SYSTEM**

The City maintains a defined contribution retirement plan underwritten by Mutual of America Life Insurance Company. All employees eighteen years of age that have completed six months of service receive monthly contributions of five percent of their salary under the plan. No employee contributions are permitted under the plan. Employees are immediately vested in the plan from the date of their participation. During the year, total contributions to the plan were \$11,164. Contributions for 2014 and 2013 were \$22,361 and 19,923, respectively.

This plan is not subject to the requirements of ERISA or Internal Revenue Service regulations relating to qualified pension plans.

#### **NOTE 12. CONTINGENT LIABILITIES**

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

#### **NOTE 13. RISK MANAGEMENT**

The City is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverage for the past three years. There has been no reduction in insurance coverage from the previous year.

#### **NOTE 14. FIRE PROTECTION SERVICES**

The City entered into an Interlocal agreement with the Alachua County Board of County Commissioners (the County) whereby the County agreed to provide fire protection services within the City, and the City would disband its Fire Department. Under the terms of the agreement, the City transferred its fire station and fire suppression equipment to the County, with the County reimbursing the City for the outstanding related equipment financing. The City's corporate limits are included as taxable property for the County's fire services municipal services taxing district. The effective date of the agreement is October 1, 2009 with termination by either party permitted with one year's notice.

#### **NOTE 15. LONG-TERM CONTRACTS**

Effective March 13, 2011 the City entered into a contract with Gainesville Regional Utilities for the treatment of wastewater. The contract is for a 40 year term. The contract fees are payable monthly and based upon usage. In the current year, \$71,893 was paid under the contract.

#### **NOTE 16. POLICE SERVICES DISCONTINUED**

On October 1, 2014, the City of Waldo, Florida discontinued the operations of its Police Department. Law enforcement services are subsequently provided by the Alachua County Sheriff's Office pursuant to *Florida Statutes*. All current year activity in the Public Safety function is related to the wind down activities for the Police Department.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WALDO, FLORIDA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Ad valorem	\$ 177,702	\$ 180,737	\$ 180,737	\$ -
Sales and use taxes				
Local option gas tax/ alternative fuel	101,005	106,782	105,477	(1,305)
Discretionary sales tax	16,723	3,152	-	(3,152)
Revenue FM Code/Variance BDS	500	200	-	(200)
Communication service tax	16,589	15,286	15,286	-
Utility Franchise fees	50,000	50,823	53,814	2,991
Utility service tax				
Electric	53,000	58,560	63,611	5,051
Propane	1,000	1,210	1,210	-
<b>Total taxes</b>	<b>416,519</b>	<b>416,750</b>	<b>420,135</b>	<b>3,385</b>
Licenses and permits				
Professional and occupational	3,600	2,679	2,679	-
Public Records	-	126	126	-
Election Fees	450	165	165	-
Building permits	3,000	7,003	7,003	-
<b>Total licenses and permits</b>	<b>7,050</b>	<b>9,973</b>	<b>9,973</b>	<b>-</b>
State shared revenue				
State revenue sharing	44,824	45,044	45,044	-
Mobile home licenses	175	410	411	1
Alcoholic beverage licenses	1,000	1,028	1,028	-
Local government half-cent sales tax	53,843	54,802	55,277	475
State fuel tax refund	1,500	510	-	(510)
<b>Total state shared revenue</b>	<b>101,342</b>	<b>101,794</b>	<b>101,760</b>	<b>(34)</b>
<b>Total intergovernmental</b>	<b>101,342</b>	<b>101,794</b>	<b>101,760</b>	<b>(34)</b>

(continued)

**CITY OF WALDO, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Charges for services				
Public safety				
Police accident reports	\$ 1,000	\$ 10	\$ 10	\$ -
Transportation				
Highway lighting	3,930	10,282	10,282	-
Culture/recreation				
Special events			800	800
Total charges for services	<u>4,930</u>	<u>10,292</u>	<u>11,092</u>	<u>800</u>
Fines and forfeitures				
Court cases				
Court fines	375,000	83,950	52,155	(31,795)
Law enforcement education	18,000	1,154	2,565	1,411
Forfeitures	40,000	12,650	-	(12,650)
Total fines and forfeitures	<u>433,000</u>	<u>97,754</u>	<u>54,720</u>	<u>(43,034)</u>
Miscellaneous				
Rents and royalties				
Rent cable	1,284	1,284	1,284	-
Rent telephone	18,251	18,251	18,251	-
Rent library/community center	1	301	302	1
Other miscellaneous				
Sale of surplus	-	85,785	85,786	1
Other miscellaneous income	620	1,551	-	(1,551)
Total miscellaneous	<u>20,156</u>	<u>107,172</u>	<u>105,623</u>	<u>(1,549)</u>
Total revenues	<u>982,997</u>	<u>743,735</u>	<u>703,303</u>	<u>(40,432)</u>

(continued)

**CITY OF WALDO, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General government				
Legislative				
Personnel services	\$ 18,000	\$ 18,000	\$ 18,000	\$ -
Financial and administrative				
Personnel services	97,771	97,507	90,541	6,966
Operating expenses	<u>84,472</u>	<u>126,134</u>	<u>122,987</u>	<u>3,147</u>
Total financial and administrative	200,243	241,641	231,528	10,113
Legal counsel				
Operating expenses	24,000	19,094	18,000	1,094
Comprehensive planning				
Operating expenses	15,000	11,226	11,226	-
Other general government				
Operating expenses			-	-
Total general government	<u>239,243</u>	<u>271,961</u>	<u>260,754</u>	<u>11,207</u>
Public safety				
Law enforcement				
Personnel services	357,944	36,017	35,841	176
Operating expenses	<u>188,377</u>	<u>49,564</u>	<u>30,458</u>	<u>19,106</u>
Total law enforcement	546,321	85,581	66,299	19,282
Protective inspections				
Operating expenses	<u>9,000</u>	<u>7,863</u>	<u>7,863</u>	<u>-</u>
Total public safety	<u>555,321</u>	<u>93,444</u>	<u>74,162</u>	<u>19,282</u>
Transportation				
Roads and streets				
Personnel services	44,085	40,072	34,860	5,212
Operating expenses	<u>59,094</u>	<u>54,125</u>	<u>78,041</u>	<u>(23,916)</u>
Total transportation	<u>103,179</u>	<u>94,197</u>	<u>112,901</u>	<u>(18,704)</u>

(continued)

**CITY OF WALDO, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Culture/recreation				
Parks and recreation				
Personnel services	\$ 9,100	\$ 9,275	\$ 9,275	\$ -
Operating expenses	26,823	11,593	11,592	1
Special events				
Operating expenses	4,000	1,945	1,945	-
Special recreation facilities				
Operating expenses	6,200	4,891	9,162	(4,271)
Total culture/recreation	<u>46,123</u>	<u>27,704</u>	<u>31,974</u>	<u>(4,270)</u>
Total expenditures	<u>943,866</u>	<u>487,306</u>	<u>479,791</u>	<u>7,515</u>
Excess of revenues over expenditures	39,131	256,429	223,512	(32,917)
Fund balance at beginning of year	895,017	895,017	895,017	-
Fund balance at end of year	<u>\$ 934,148</u>	<u>\$ 1,151,446</u>	<u>\$ 1,118,529</u>	<u>\$ (32,917)</u>

See notes to financial statements.

**CITY OF WALDO, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2015**

**I. Stewardship, Compliance, and Accountability**

- A. Budgetary information.** The City, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The City prepares a tentative budget, which is used by the City at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the City's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the City Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the City Council, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the City Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

## **OTHER INFORMATION**

**CITY OF WALDO, FLORIDA  
 PROPRIETARY FUND  
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION BY FUNCTION  
 For the Fiscal Year Ended September 30, 2014**

<b>OPERATING REVENUES</b>	Solid Waste	Water	Sewer	Total
Physical environment				
Turn on fees water	\$ -	\$ 7,365	\$ 5,500	\$ 12,865
Water utility revenue	-	150,172	-	150,172
Garbage/solid waste revenue	73,205	-	-	73,205
Sewer revenue	-	-	234,696	234,696
Late charges	-	1,687	2,573	4,260
Other revenue	-	292	446	738
<b>Total operating revenues</b>	<b>73,205</b>	<b>159,516</b>	<b>243,215</b>	<b>475,936</b>
<b>OPERATING EXPENSES</b>				
Water/sewer services				
Personnel services	-	70,401	49,557	119,958
Operating expenses	-	53,017	126,301	179,317
Depreciation	-	8,464	199,408	207,872
<b>Total water/sewer services</b>	<b>-</b>	<b>131,882</b>	<b>375,266</b>	<b>507,147</b>
Solid waste services				
Contractual services	76,997	-	-	76,997
<b>Total solid waste services</b>	<b>76,997</b>	<b>-</b>	<b>-</b>	<b>76,997</b>
<b>Total operating expenses</b>	<b>76,997</b>	<b>131,882</b>	<b>375,266</b>	<b>584,144</b>
<b>Operating income (loss)</b>	<b>(3,792)</b>	<b>27,635</b>	<b>(132,051)</b>	<b>(108,208)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Grant revenue	-	21,957	-	21,957
Interest earnings	-	995	1,518	2,513
Interest expense	-	-	(52,638)	(52,638)
<b>Total nonoperating revenues (expenses)</b>	<b>-</b>	<b>22,952</b>	<b>(51,120)</b>	<b>(28,168)</b>
<b>Net income</b>	<b>(3,792)</b>	<b>50,587</b>	<b>(183,171)</b>	<b>(136,376)</b>
<b>Net position, beginning of year</b>	<b>627,118</b>	<b>2,118,563</b>	<b>2,105,918</b>	<b>4,851,599</b>
<b>Net position, end of year</b>	<b>\$ 623,326</b>	<b>\$ 2,169,150</b>	<b>\$ 1,922,748</b>	<b>\$ 4,715,223</b>

See notes to financial statements.

## **COMPLIANCE SECTION**

**TOWN OF WALDO, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended September 30, 2015**

<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA #/ CFSA#</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Revenue Received or Receivable</u>	<u>Expenditures</u>
Federal Financial Assistance						
Major programs						
U.S. Department of Housing and Urban Development						
Passed through the Florida Department of						
Economic Opportunity						
Small Cities Community Development						
Block Grant	14.228	12DB-0H-03-11-02-N31	\$ 637,937	\$ 615,980	\$ 21,957	\$ 21,957
Total federal awards			<u>\$ 637,937</u>	<u>\$ 615,980</u>	<u>\$ 21,957</u>	<u>\$ 21,957</u>

See Notes to Schedule of Expenditures of Federal Awards

## **CITY OF WALDO, FLORIDA**

### **Notes to Schedule of Expenditures of Federal Awards**

**For the Fiscal Year Ended September 30, 2015**

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards of the City of Waldo, Florida, (the "City") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations.

##### **A. Reporting Entity**

This reporting entity consists of the City of Waldo, Florida. The City includes a Schedule of Expenditures of Federal Awards in the Compliance Section for the purpose of additional analysis.

##### **B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards. Under the modified accrual basis, revenues are recognized when they become 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 City considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**INDEPENDENT AUDITORS' 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 Mayor and Members  
Of the City Council  
City of Waldo, 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 and the business-type activities and each major fund of the City of Waldo, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Waldo, Florida's basic financial statements, and have issued our report thereon dated March 22, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Waldo, Florida'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 City of Waldo, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Waldo, Florida'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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, we noted the following significant deficiencies:

**Finding 2011-1 (Included in second preceding year)  
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency exists when the City does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

## **MANAGEMENT'S RESPONSE**

***We agree with this finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both the Mayor and City Council review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the City Council.***

***At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future,.***

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.

**Compliance and Other Matters** - As part of obtaining reasonable assurance about whether the City of Waldo, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

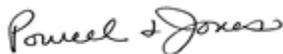
This report is intended solely for the information and use of management and the City Council, the Auditor General of the State of Florida, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



**POWELL & JONES**  
Certified Public Accountants  
March 22, 2016

## MANAGEMENT LETTER

To the Mayor and Members  
of the City Council  
City of Waldo, Florida

We have audited the financial statements of the City of Waldo, as of and for the year ended September 30, 2015, and have issued our report thereon dated March 22, 2016. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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. Additionally our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

### PRIOR YEAR FINDINGS

All prior year findings were substantially corrected during the current year.

### CURRENT YEAR FINDINGS

#### **Finding 2015-1: Accounts Receivable**

From our audit of accounts receivable records relating to the City's utility customers, we found that computer errors occurred at times during the importing of data from the utility billing module to the accounting software. This caused accounts receivable to be overstated at year end, which was corrected during the audit.

We recommend that the City implement a system whereby the accounts receivable records from the utility billing module are regularly reconciled with the control accounts in the financial software.

### AUDITOR GENERAL COMPLIANCE MATTERS

**Annual Local Government Financial Report** - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of Waldo, Florida, for the fiscal year ended September 30, 2015.

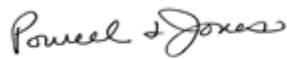
**Financial Condition Assessment** - As required by the *Rules of the Auditor General* (Sections 10.554(7)(c) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

Financial Emergency Status - We determined that the City had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

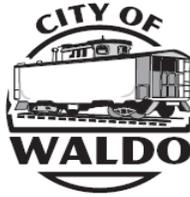
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

## **CONCLUSION**

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the City. We appreciate the helpful assistance and courtesy afforded us by all City employees and look forward to working with you in the future.

A handwritten signature in cursive script that reads "Powell & Jones".

**POWELL & JONES**  
Certified Public Accountants  
March 22, 2016



P.O. Drawer B  
Waldo, FL 32694-0802  
Established 1859

Office: 352-468-1001  
Fax: 352-468-2482

April 19, 2016

Auditor General  
State of Florida  
Local Government Section/342  
Room 410, Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450

Dear Auditor General:

We are providing this letter in connection with the audit of the financial statements for the City of Waldo for the year ending September 30, 2015. We have strived to adopt sound accounting policies, establishing and maintaining effective internal control and preventing and detecting fraud while conforming with U.S. generally accepted accounting principles.

Our response to the current year findings described in the Management letter from Powell & Jones Certified Public Accountant received April 13, 2016.

#### CURRENT YEAR FINDINGS

##### Finding 2015-01: Accounts Receivable

#### RESPONSE

The City Manager is looking into a different computer system that may be more computer friendly for the City of Waldo employees to recommend to Council. The Manager is also going to recommend to Council the hiring of an accountant to help make sure funds are going to the correct areas on a monthly basis.

We have reviewed information regarding the audit for the City of Waldo provided by Powell & Jones, CPAs. We appreciate the high quality of financial knowledge provided by their staff and we look forward to working with them in the future.

Sincerely,  
*Kim A. Worley*  
Kim Worley  
City Manager  
(352) 258-6921 cell

## INDEPENDENT ACCOUNTANT'S REPORT

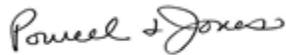
To the Mayor and Members  
of the City Council  
City of Waldo, Florida

We have examined the City of Waldo, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of the City of Waldo, Florida 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.



**POWELL & JONES**  
Certified Public Accountants  
March 22, 2016

## **Communication with Those Charged with Governance**

To the Mayor and Members of the City Council  
City of Waldo, Florida

We have audited the financial statements of the City of Waldo, Florida for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Waldo, Florida are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the City of Waldo, Florida's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated March 22, 2016.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

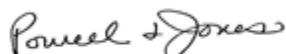
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor and Members of the City Council and management of the City of Waldo, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**POWELL & JONES**  
Certified Public Accountants  
March 22, 2016