

CITY OF WALDO, FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2013

CITY OF WALDO, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2013

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ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2013

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INTRODUCTORY SECTION

CITY OF WALDO, FLORIDA
LIST OF PRINCIPAL OFFICIALS
September 30, 2013

MAYOR

Louie Davis

CITY COUNCIL

Chuck Hall,
Council Chairman

Glen Johnson

Rick Pisano

Carolyn Wade
Council Vice-Chairman

Irvin Jackson

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

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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, 2013, 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, 2013, 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.

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 as required by the U.S. Office of Management and Budget Circular A-133 *Audits of States, Governments and Non-profit Organizations*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2014, 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
June 12, 2014

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 law enforcement and fire control, 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, 2013, follows:

Net Position at September 30, 2013 and 2012

	Governmental	Business-type	Total Government	
	Activities	Activities	2013	2012
Assets				
Cash and investments	\$ 679,937	\$ 163,344	\$ 843,281	\$ 616,753
Other assets	43,032	249,024	292,056	247,652
Capital assets, net	450,972	6,547,319	6,998,291	1,579,475
Total assets	1,173,941	6,959,687	8,133,628	2,443,880
Liabilities				
Current liabilities	35,153	282,346	317,499	304,495
Long-term liabilities	87,950	2,485,762	2,573,712	13,145
Total liabilities	123,103	2,768,108	2,891,211	317,640
Net position				
Invested in capital assets, net of related debt	360,571	4,020,319	4,380,890	1,508,365
Restricted	80,459	98,525	178,984	76,579
Unrestricted	609,808	72,735	682,543	541,296
Total net position	\$1,050,838	\$4,191,579	\$5,242,417	\$2,126,240

84% 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 \$178,984 consist of earmarked funds as reserves for debt service, police training, drug forfeitures, and Wild Spaces programs. The remaining balance of unrestricted net position \$682,543 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 increase during the year through Governmental net position is due primarily to budgetary management; the decrease through Business-type Activities net position is due primarily to depreciation expense.

A condensed version of the Statement of Activities follows:

Change in Net Position
For the Fiscal Year ended September 30, 2013 and 2012

	Governmental Activities	Business-type Activities	Total Government	
			2013	2012
Revenues				
Program revenues				
Charges for services	\$ 452,250	\$ 413,186	\$ 865,436	\$ 883,674
Grants and contributions	60,039	2,966,288	3,026,327	46,870
General revenues				
Taxes	273,528	-	273,528	266,391
Franchise fees/utility taxes	120,369	-	120,369	112,323
Licenses	5,897	-	5,897	9,158
State shared revenues	99,898	-	99,898	97,035
Interest and other	26,385	8,383	34,768	62,999
Total revenues	1,038,366	3,387,857	4,426,223	1,478,450
Expenses				
General government	224,682	-	224,682	234,740
Public safety	518,163	-	518,163	524,119
Transportation	112,666	-	112,666	123,551
Culture/recreation	72,908	-	72,908	30,922
Interest on long-term debt	-	15,067	15,067	3,842
Bond issuance costs	-	15,054	15,054	-
Water, sewer, and garbage services	-	351,506	351,506	490,146
Total expenses	928,419	381,627	1,310,046	1,407,320
Change in net position	109,947	3,006,230	3,116,177	71,130
Beginning net position	940,891	1,185,349	2,126,240	2,123,595
Prior period adjustment	-	-	-	(68,485)
Ending net position	\$1,050,838	\$4,191,579	\$5,242,417	\$2,126,240

Governmental activities:

Charges for services provided 44% of the revenues for Governmental Activities, taxes provide 26%, while franchise fees provide 12%. Most of the Governmental Activities resources are spent for Public Safety (56%), General Government (24%), and Transportation (12%).

Business-type activities:

Business-type activities increased the City's net position by \$3,006,230. Key elements of this increase are as follows:

- Utility revenues during the year totaled \$413,186.
- Capital grants related to the sewer project totaled \$2,966,288.

Budgetary Highlights

In the General Fund budgeted revenue amounts exceeded actual revenue amounts by \$57,543, and budgeted expenditures amounts exceeded actual expenditures by \$84,080.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2013, the City had \$6.99 million invested in capital assets, including park and recreation facilities, buildings, roads, bridges and water and sewer facilities.

Capital Assets at September 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$ 54,724	\$ 54,724	\$ 36,454	\$ 36,454	\$ 91,178	\$ 91,178
Buildings and improvements	243,904	231,905	7,695,033	2,444,429	7,938,937	2,676,334
Equipment	561,392	427,615	220,951	108,984	782,343	536,599
Construction in progress	42,767	65,196	79,521	60,234	122,288	125,430
Subtotal	902,787	779,440	8,031,959	2,650,101	8,934,746	3,429,541
Accumulated depreciation	(451,815)	(423,557)	(1,484,640)	(1,426,509)	(1,936,455)	(1,850,066)
Capital assets, net	<u>\$ 450,972</u>	<u>\$ 355,883</u>	<u>\$ 6,547,319</u>	<u>\$ 1,223,592</u>	<u>\$ 6,998,291</u>	<u>\$ 1,579,475</u>

Debt Outstanding

At year-end, the City had \$2,650,334 in debt outstanding versus \$91,736 last year, an increase of \$2,558,598.

Debt Outstanding at September 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Notes payable	\$ 90,401	\$ -	\$ 2,527,000	\$ 71,110	\$ 2,617,401	\$ 71,110
Compensated absences	26,583	13,145	6,350	7,481	32,933	20,626
Total	<u>\$ 116,984</u>	<u>\$ 13,145</u>	<u>\$ 2,533,350</u>	<u>\$ 78,591</u>	<u>\$ 2,650,334</u>	<u>\$ 91,736</u>

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 6.3%, which is the approximate Alachua County rate.
- The estimated population for the City in 2013 was 969 and is estimated to be approximately the same in 2014.
- The City's ad valorem tax rate for 2013 was 5.8686 mills, which was the same as the prior year.

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, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and investments	\$ 679,937	\$ 34,892	\$ 714,829
Accounts receivable	15,111	75,970	91,081
Prepaid expenses	842	-	842
Accrued interest receivable	-	159	159
Due from other funds	413	-	413
Due from other governmental units	26,666	172,895	199,561
Total current assets	<u>722,969</u>	<u>283,916</u>	<u>1,006,885</u>
Restricted assets			
Cash	-	10,001	10,001
Investments	-	118,451	118,451
Total restricted assets	<u>-</u>	<u>128,452</u>	<u>128,452</u>
Non-current assets			
Capital assets - net	<u>450,972</u>	<u>6,547,319</u>	<u>6,998,291</u>
Total non-current assets	<u>450,972</u>	<u>6,547,319</u>	<u>6,998,291</u>
Total assets	<u>\$ 1,173,941</u>	<u>\$ 6,959,687</u>	<u>\$ 8,133,628</u>
LIABILITIES			
Current liabilities (payable from current assets)			
Accounts payable	\$ -	\$ 173,373	\$ 173,373
Due to other funds	-	413	413
Due to other governmental units	-	771	771
Payroll liabilities	6,119	1,832	7,951
Compensated absences	7,341	1,588	8,929
Total current liabilities (payable from current assets)	<u>13,460</u>	<u>177,977</u>	<u>191,437</u>
Current liabilities (payable from restricted assets)			
Deposits	-	53,894	53,894
Accrued interest payable	-	4,475	4,475
Loan payable, current portion	21,693	46,000	67,693
Total current liabilities (payable from restricted assets)	<u>21,693</u>	<u>104,369</u>	<u>126,062</u>
Long-term liabilities			
Loan payable, long-term portion	68,708	2,481,000	2,549,708
Compensated absences	19,242	4,762	24,004
Total long-term liabilities	<u>87,950</u>	<u>2,485,762</u>	<u>2,573,712</u>
Total liabilities	<u>123,103</u>	<u>2,768,108</u>	<u>2,891,211</u>

(continued)

CITY OF WALDO, FLORIDA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

NET POSITION			
Invested in capital assets, net of related debt	360,571	4,020,319	4,380,890
Restricted, debt service	-	98,525	98,525
Restricted, police training	31,705	-	31,705
Restricted, drug forfeitures	23,205	-	23,205
Restricted, Wildspaces	25,549	-	25,549
Unrestricted	609,808	72,735	682,543
Total net position	<u>\$ 1,050,838</u>	<u>\$ 4,191,579</u>	<u>\$ 5,242,417</u>

CITY OF WALDO, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2013

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position		
					Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental Activities							
General government	\$ 224,682	\$ -	\$ -	\$ -	\$ (224,682)	\$ -	\$ (224,682)
Public safety	518,163	442,668	-	46,459	(29,036)	-	(29,036)
Transportation	112,666	8,270	-	-	(104,396)	-	(104,396)
Culture/recreation	72,908	1,312	-	13,580	(58,016)	-	(58,016)
Total governmental activities	<u>928,419</u>	<u>452,250</u>	<u>-</u>	<u>60,039</u>	<u>(416,130)</u>	<u>-</u>	<u>(416,130)</u>
Business-type activities							
Water/sewer services	272,053	339,617	-	2,966,288	-	3,033,852	3,033,852
Solid waste	79,453	73,569	-	-	-	(5,884)	(5,884)
Interest on long-term debt	15,067	-	-	-	-	(15,067)	(15,067)
Bond issuance costs	15,054	-	-	-	-	(15,054)	(15,054)
Total business-type activities	<u>381,627</u>	<u>413,186</u>	<u>-</u>	<u>2,966,288</u>	<u>-</u>	<u>2,997,847</u>	<u>2,997,847</u>
Total government	<u>\$ 1,310,046</u>	<u>\$ 865,436</u>	<u>\$ -</u>	<u>\$ 3,026,327</u>	<u>(416,130)</u>	<u>2,997,847</u>	<u>2,581,717</u>
			General revenues				
			Property taxes		154,153	-	154,153
			Sales and use taxes		97,659	-	97,659
			Franchise fees and utility taxes		120,369	-	120,369
			Communications service tax		21,716	-	21,716
			Licenses and permits		5,897	-	5,897
			State shared revenues		99,898	-	99,898
			Rents and royalties		19,536	-	19,536
			Interest		1,008	696	1,704
			Sales of surplus property		5,450	-	5,450
			Other fees and miscellaneous		391	7,687	8,078
			Total general revenues		<u>526,077</u>	<u>8,383</u>	<u>534,460</u>
			Change in net position		109,947	3,006,230	3,116,177
			Net position - beginning		940,891	1,185,349	2,126,240
			Net position - ending		<u>\$ 1,050,838</u>	<u>\$ 4,191,579</u>	<u>\$ 5,242,417</u>

See notes to financial statements.

CITY OF WALDO, FLORIDA

GOVERNMENTAL FUND

BALANCE SHEET

September 30, 2013

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 679,937
Accounts receivable	15,111
Due from other funds	413
Due from other governmental units	26,666
Prepaid expenses	842
Total assets	<u>\$ 722,969</u>
LIABILITIES	
Accrued liabilities	\$ 6,119
Total liabilities	<u>6,119</u>
FUND BALANCES	
Restricted - police training	31,705
Restricted - drug forfeitures	23,205
Restricted - Wildspaces	25,549
Unassigned	636,391
Total fund balances	<u>716,850</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	450,972
Long-term liabilities are not due in the current period and, therefore, are not reported in the funds.	(116,984)
Net position of government activities	<u>\$ 1,050,838</u>

CITY OF WALDO, FLORIDA

GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended September 30, 2013

	<u>General Fund</u>
REVENUES	
Taxes	\$ 393,897
Licenses and permits	5,897
Intergovernmental	159,937
Charges for Services	10,120
Fines and forfeitures	442,130
Miscellaneous	26,385
Total revenues	<u>1,038,366</u>
EXPENDITURES	
Current expenditures	
General government	219,808
Public safety	463,854
Transportation	106,527
Culture/recreation	45,838
Capital outlay	
General government	12,000
Public safety	58,251
Transportation	100,401
Culture/recreation	3,391
Total expenditures	<u>1,010,070</u>
Excess of revenues over expenditures	28,296
OTHER FINANCING SOURCES	
Loan proceeds	90,401
Total other financing sources	<u>90,401</u>
Net change in fund balance	118,697
Fund balance at beginning of year	598,153
Fund balance at end of year	<u>\$ 716,850</u>

CITY OF WALDO, FLORIDA

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

For the Fiscal Year Ended September 30, 2013

Net change in fund balance - total governmental funds		\$ 118,697
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.		
Expenditures for capital assets	174,043	
Less capital abandoned projects	(25,820)	
Less current year depreciation	<u>(53,134)</u>	
		95,089
The issuance of loans provides current financial resources to governmental funds. This transaction, however, has no effect on net position.		(90,401)
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.		
Increase in compensated absences		<u>(13,438)</u>
Change in net position of governmental activities		<u>\$ 109,947</u>

CITY OF WALDO
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2013

	Enterprise Fund
ASSETS	
Current assets	
Cash	\$ 34,892
Accounts receivable	75,970
Accrued interest receivable	159
Due from other governments	172,895
Total current assets	283,916
Restricted assets	
Cash	10,001
Cash, invested	118,451
Total restricted assets	128,452
Noncurrent assets	
Fixed assets	
Construction in progress	79,521
Property and equipment	7,952,438
Accumulated depreciation	(1,484,640)
Total noncurrent assets	6,547,319
Total assets	\$ 6,959,687
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities (payable from current assets)	
Accounts payable	\$ 173,373
Payroll liabilities	1,832
Due to other funds	413
Due to other governmental units	771
Compensated absences	1,588
Total current liabilities (payable from current assets)	177,977
Current liabilities (payable from restricted assets)	
Deposits	53,894
Accrued interest payable	4,475
Notes payable, current portion	46,000
Total current liabilities (payable from restricted assets)	104,369
Long-term liabilities	
Compensated absences	4,762
Note payable, less current portion	2,481,000
Total long-term liabilities	2,485,762
Total liabilities	2,768,108

(continued)

CITY OF WALDO
PROPRIETARY FUND
STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

NET POSITION	
Invested in capital assets, net of related debt	4,020,319
Restricted, debt service	98,525
Unrestricted	<u>72,735</u>
Total net position	<u>4,191,579</u>
Total liabilities and net position	<u><u>\$ 6,959,687</u></u>

CITY OF WALDO, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 For the Fiscal Year Ended September 30, 2013

OPERATING REVENUES	<u>Enterprise Fund</u>
Physical environment	
Turn on fees water	\$ 4,475
Water utility revenue	151,977
Garbage/solid waste revenue	73,569
Sewer revenue	183,165
Late charges	7,295
Miscellaneous income	392
Total operating revenues	<u>420,873</u>
OPERATING EXPENSES	
Water/sewer services	
Personnel services	122,252
Operating expenses	91,670
Depreciation	58,131
Total water/sewer services	<u>272,053</u>
Solid waste services	
Contractual services	79,453
Total solid waste services	<u>79,453</u>
Total operating expenses	<u>351,506</u>
Operating income	<u>69,367</u>
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	2,966,288
Interest earnings	696
Bond issuance costs	(15,054)
Interest expense	(15,067)
Total nonoperating revenues (expenses)	<u>2,936,863</u>
Net income	3,006,230
Net position, beginning of year	1,185,349
Net position, end of year	<u>\$ 4,191,579</u>

See notes to financial statements.

CITY OF WALDO, FLORIDA

PROPRIETARY FUND
STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2013

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 401,411
Cash paid to employees and benefits	(121,551)
Cash paid to suppliers	(12,901)
Net cash provided by operating activities	<u>266,959</u>
Cash flow from non-capital financing activities	
Transfers to other funds	(119,629)
Net cash used in non-capital financing activities	<u>(119,629)</u>
Cash flows from capital related financing activities:	
Purchases of fixed assets	(5,396,913)
Loan proceeds	2,527,000
Proceeds from capital grants	2,793,393
Principal payments	(71,110)
Interest payments	(10,592)
Net cash used in capital and related financing activities	<u>(158,222)</u>
Cash flows from investing activities	
Investment income	537
Net cash provided by investing activities	<u>537</u>
Net decrease in cash	(10,355)
Cash and cash equivalents at beginning of year	173,699
Cash and cash equivalents at end of year	<u>\$ 163,344</u>
Cash as shown in financial statements	
Cash	\$ 34,892
Restricted cash	10,001
Restricted cash invested	118,451
	<u>\$ 163,344</u>

CITY OF WALDO, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 RECONCILIATION OF OPERATING INCOME TO NET CASH
 PROVIDED BY OPERATING ACTIVITIES
 For the Fiscal Year Ended September 30, 2013

	Enterprise Fund
Operating Income	\$ 69,367
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	58,131
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	(17,864)
Accounts payable	158,221
Due to other governmental units	63
Customer deposits	(1,661)
Payroll liabilities	1,833
Accrued compensation	(1,131)
Total adjustments	197,592
Net cash provided by operating activities	\$ 266,959

CITY OF WALDO, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2013

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, 2013, 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, 2013.

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, 2013, 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, 2013, fund balances are composed of the following:

	<u>Amount</u>
Restricted for:	
Police training	\$ 31,705
Drug forfeitures	23,205
Wildspaces	25,549
Unassigned	<u>636,391</u>
	<u>\$716,850</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, 2013, net position are composed of the following:

	<u>Amount</u>
Invested in capital assets, net	\$ 4,020,319
Restricted for debt service	98,525
Unrestricted	<u>72,735</u>
	<u>\$ 4,191,579</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 \$716,850 differs from "net position" of governmental activities \$1,050,838 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	\$ 902,787
Accumulated depreciation	<u>(451,815)</u>
Total	<u>\$ 450,972</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, 2013, were:

Loan payable	\$ 90,401
Accrued compensated absences	<u>26,583</u>
Total	<u>\$ 116,984</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
ASSETS				
Cash and investments	\$ 679,937	\$ -	\$ -	\$ 679,937
Accounts receivable	15,111	-	-	15,111
Due from other funds	413	-	-	413
Due from other governmental units	26,666	-	-	26,666
Prepaid expenses	842	-	-	842
Capital assets - net	-	450,972	-	450,972
Total assets	\$ 722,969	\$ 450,972	\$ -	\$ 1,173,941
LIABILITIES AND FUND BALANES				
Liabilities				
Loan payable	\$ -	\$ -	\$ 90,401	\$ 90,401
Accrued Liabilites	6,119	-	-	6,119
Compensated absences	-	-	26,583	26,583
Total liabilities	6,119	-	116,984	123,103
 Fund balance/net position	 716,850	 450,972	 (116,984)	 1,050,838
 Total liabilities and fund balances/net position	 \$ 722,969	 \$ 450,972	 \$ -	 \$ 1,173,941

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

The "net change in fund balances" for governmental funds \$118,697 differs from the "change in net position" for governmental activities \$109,947 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.

Capital outlay	\$ 174,043
Depreciation expense	(53,134)
Abandoned capital projects	(25,820)
	<u>\$ 95,089</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 increase increases expenses.

Increase in accrued compensated absences	<u>\$ (13,438)</u>
	<u>\$ (13,438)</u>

Loan Proceeds

Loan proceeds provide current resources to governmental funds, but issuing debt increased liabilities on the statement of net position.	<u>\$(90,401)</u>
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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
REVENUES				
Taxes	\$ 393,897	\$ -	\$ -	\$ 393,897
Licenses and permits	5,897	-	-	5,897
Intergovernmental	159,937	-	-	159,937
Charges for Services	10,120	-	-	10,120
Fines and forfeitures	442,130	-	-	442,130
Miscellaneous	26,385	-	-	26,385
Total revenues	<u>1,038,366</u>	<u>-</u>	<u>-</u>	<u>1,038,366</u>
EXPENDITURES				
Current expenditures				
General government	219,808	4,509	365	224,682
Public safety	463,854	42,518	11,791	518,163
Transportation	106,527	4,857	1,282	112,666
Culture/recreation	45,838	27,070	-	72,908
Capital outlay				
General government	12,000	(12,000)	-	-
Public safety	58,251	(58,251)	-	-
Transportation	100,401	(100,401)	-	-
Culture/recreation	3,391	(3,391)	-	-
Total expenditures	<u>1,010,070</u>	<u>(95,089)</u>	<u>13,438</u>	<u>928,419</u>
Excess of revenues over expenditures	28,296	95,089	(13,438)	109,947
OTHER FINANCING SOURCES				
Loan proceeds	90,401	-	(90,401)	-
Total other financing sources	<u>90,401</u>	<u>-</u>	<u>(90,401)</u>	<u>-</u>
Net change in fund balance	118,697	95,089	(103,839)	109,947
Fund balance at beginning of year	598,153	355,883	(13,145)	940,891
Fund balance at end of year	<u>\$ 716,850</u>	<u>\$ 450,972</u>	<u>\$ (116,984)</u>	<u>\$ 1,050,838</u>

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 \$118,451, 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, 2013.

Schedule of Investments at September 30, 2013

Certificates of deposit	\$ 118,451
	<u>\$ 118,451</u>

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 2012-2013 fiscal year were levied in October 2012. 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, 2013, was as follows:

	Beginning Balance	Additions	Reclassifications/ Deletions	Ending Balance
<u>Governmental activities:</u>				
Capital assets:				
Land	\$ 54,724	\$ -	\$ -	\$ 54,724
Buildings and improvements	231,905	12,000	-	243,905
Equipment and vehicles	427,615	3,391	(25,820)	405,186
Construction in progress	65,196	158,652	(24,875)	198,973
Total capital assets	<u>779,440</u>	<u>174,043</u>	<u>(50,695)</u>	<u>902,788</u>
Less accumulated depreciation	<u>(423,557)</u>	<u>(53,134)</u>	<u>24,875</u>	<u>(451,816)</u>
Governmental activities capital assets, net	<u>\$ 355,883</u>	<u>\$ 120,909</u>	<u>\$ (25,820)</u>	<u>\$ 450,972</u>
<u>Business-type activities:</u>				
Land	\$ 36,454	\$ -	\$ -	\$ 36,454
Buildings and improvements	2,444,429	5,362,571	(111,967)	7,695,033
Construction in progress	60,234	79,522	(60,235)	79,521
Equipment	108,984	111,967	-	220,951
Total capital assets	<u>2,650,101</u>	<u>5,554,060</u>	<u>(172,202)</u>	<u>8,031,959</u>
Less accumulated depreciation	<u>(1,426,509)</u>	<u>(58,131)</u>	<u>-</u>	<u>(1,484,640)</u>
Business-type activities capital assets, net	<u>\$ 1,223,592</u>	<u>\$ 5,495,929</u>	<u>\$ (172,202)</u>	<u>\$ 6,547,319</u>

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

Governmental activities:	
General government	\$ 4,509
Public safety	42,518
Transportation	4,857
Culture/recreation	1,250
Total depreciation expense - governmental activities	<u>\$ 53,134</u>
Business -type activities:	
Water and sewer utility	<u>\$ 58,131</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2013.

Fund	Interfund Receivable	Interfund Payable
General	\$ 413	\$ -
Enterprise	-	413
	<u>\$ 413</u>	<u>\$ 413</u>

NOTE 8. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2013, were as follows:

	<u>Accounts</u>	<u>Due from Other Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:			
General	\$ 15,111	\$ 26,666	\$ 41,777
Business-type activities:			
Enterprise	<u>75,970</u>	<u>172,895</u>	<u>248,865</u>
	<u>\$ 91,081</u>	<u>\$ 199,561</u>	<u>\$ 290,642</u>

Payables

Payables at September 30, 2013, were as follows:

	<u>Vendors</u>	<u>Other Governments</u>
Governmental activities:		
General	<u>\$ -</u>	<u>\$ -</u>
Business-type activities		
Enterprise	<u>\$173,373</u>	<u>\$ 771</u>

NOTE 9. PROPRIETARY LONG-TERM DEBT

Note Payable - On June 29, 2001, the City obtained a loan from Columbia Bank in the amount of \$594,500. The purpose of the loan was to pay off the existing revenue bond issues in that total amount. This loan is payable over 14 years in quarterly installments of \$14,827, including interest at 5%. This loan is collateralized by the operating income of the Enterprise Fund, and secondarily by the Guaranteed Entitlement portion of the City's annual distribution of State Revenue Sharing. This note was paid in full during the current year.

Capital City Bank

On November 13, 2012, the City entered into a loan agreement with Capital City Bank for \$2,527,000 for the purpose of interim financing for the sewer line extension project. The loan required one principal payment plus interest of 2.60% on November 13, 2013. The loan was secured by a pledge of loan proceeds from the United States Department of Agriculture (USDA). The total amount drawn on this loan was \$1,339,336. Proceeds of this loan were used to retire the Columbia Bank loan in the amount of \$52,725, and the balance was used for the wastewater extension project. This loan was paid in full on June 21, 2013 with funds from USDA revenue bonds described below.

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 38 annual payments including interest of 2.125%.

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

1. A sinking fund reserve is required by the bond ordinance to accumulate sufficient funds to be used for: to monthly accumulate a sum equal to 1/12 of the principal and interest of the bond payment due on the net 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, 2013.

Revenue bond debt service requirements to maturity, including \$1,176,315 of interest, are as follows:

<u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2014	\$ 46,000	\$ 53,699	\$ 99,699
2015	47,000	52,721	99,721
2016	48,000	51,722	99,722
2017	49,000	50,703	99,703
2018	50,000	49,661	99,661
2019-2023	265,000	231,944	496,944
2024-2028	290,000	202,725	492,725
2029-2033	315,000	170,850	485,850
2034-2038	340,000	136,319	476,319
2039-2043	365,000	99,131	464,131
2044-2048	386,000	59,415	445,415
2049-2052	326,000	17,425	343,425
Total	<u>\$ 2,527,000</u>	<u>\$ 1,176,315</u>	<u>\$ 3,703,315</u>

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

	<u>Balance October 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2013</u>	<u>Due Within One Year</u>
Notes payable:					
Columbia Bank	\$ 71,110	\$ -	\$ (71,110)	\$ -	\$ -
Capital City Bank	-	1,339,336	(1,339,336)	-	-
USDA Revenue Bonds	-	2,527,000	-	2,527,000	46,000
Compensated absences	7,481	4,962	(6,093)	6,350	1,589
	<u>\$ 78,591</u>	<u>\$3,871,298</u>	<u>\$ (1,416,539)</u>	<u>\$2,533,350</u>	<u>\$ 47,589</u>

NOTE 10. GOVERNMENTAL LONG-TERM DEBT

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

	<u>Balance October 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2013</u>	<u>Due Within One Year</u>
Accrued compensated absences	\$ 13,145	\$ 18,778	\$ (5,340)	\$ 26,583	\$ 7,341
Capital City Bank	-	90,401	-	90,401	21,693
	<u>\$ 13,145</u>	<u>\$ 109,179</u>	<u>\$ (5,340)</u>	<u>\$ 116,984</u>	<u>\$ 29,034</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 \$5,182 of interest are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2014	\$ 21,693	\$ 2,222	\$ 23,915
2015	22,299	1,616	23,915
2016	22,923	992	23,915
2017	23,486	352	23,838
	<u>\$ 90,401</u>	<u>\$ 5,182</u>	<u>\$ 95,583</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 \$19,923. Contributions for 2013 and 2012 were \$25,219 and \$21,598, 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.

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, 2013

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes			
Ad valorem	\$ 142,375	\$ 154,153	\$ 11,778
Sales and use taxes			
Local option gas tax/ alternative fuel	99,562	97,659	(1,903)
Discretionary sales tax	25,559	-	(25,559)
Communication service tax	23,521	21,716	(1,805)
Franchise fees			
Electric	50,000	51,402	1,402
Garbage	2,200	3,296	1,096
Utility service tax			
Electric	53,000	64,952	11,952
Propane	400	719	319
Total taxes	<u>396,617</u>	<u>393,897</u>	<u>(2,720)</u>
Licenses and permits			
Professional and occupational	4,100	2,082	(2,018)
Building permits	4,600	3,815	(785)
Total licenses and permits	<u>8,700</u>	<u>5,897</u>	<u>(2,803)</u>
Intergovernmental			
Federal grants			
Public safety			
Edward Byrne Grants	3,000	26,459	23,459
USDA Grant	20,000	20,000	-
Recreation/culture			
Boating Grant	39,400	13,580	(25,820)
Total federal grants	<u>62,400</u>	<u>60,039</u>	<u>(2,361)</u>
State share revenue			
State revenue sharing	44,695	44,520	(175)
Mobile home licenses	340	176	(164)
Alcoholic beverage licenses	425	280	(145)
Local government half-cent sales tax	51,749	52,276	527
State fuel tax refund	-	2,646	2,646
Total state shared revenue	<u>97,209</u>	<u>99,898</u>	<u>2,689</u>
Total intergovernmental	<u>159,609</u>	<u>159,937</u>	<u>328</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, 2013

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Charges for services			
Public safety			
Police accident reports	\$ 2,200	\$ 538	\$ (1,662)
Transportation			
Highway lighting	6,531	8,270	1,739
Culture/recreation			
Special events	2,000	1,312	(688)
Total charges for services	<u>10,731</u>	<u>10,120</u>	<u>(611)</u>
Fines and forfeitures			
Court cases			
Court fines	420,000	396,722	(23,278)
Law enforcement education	36,000	16,081	(19,919)
Forfeitures	41,700	29,327	(12,373)
Total fines and forfeitures	<u>497,700</u>	<u>442,130</u>	<u>(55,570)</u>
Miscellaneous			
Interest earnings			
Interest on investments	1,500	1,008	(492)
Rents and royalties			
Rent cable	2,500	1,284	(1,216)
Rent telephone	18,251	18,251	-
Rent library	1	1	-
Other miscellaneous			
Sale of surplus property	-	5,450	5,450
Other miscellaneous income	300	391	91
Total miscellaneous	<u>22,552</u>	<u>26,385</u>	<u>3,833</u>
Total revenues	<u>1,095,909</u>	<u>1,038,366</u>	<u>(57,543)</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, 2013

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
EXPENDITURES			
General government			
Legislative			
Personnel services	\$ 18,000	\$ 17,750	\$ 250
Financial and administrative			
Personnel services	91,161	90,020	1,141
Operating expenses	91,991	80,037	11,954
Capital outlay	17,000	12,000	5,000
Total financial and administrative	<u>218,152</u>	<u>199,807</u>	<u>18,345</u>
Legal counsel			
Operating expenses	<u>22,000</u>	<u>18,490</u>	<u>3,510</u>
Comprehensive planning			
Operating expenses	<u>15,000</u>	<u>12,750</u>	<u>2,250</u>
Other general government			
Operating expenses	<u>800</u>	<u>761</u>	<u>39</u>
Total general government	<u>255,952</u>	<u>231,808</u>	<u>24,144</u>
Public safety			
Law enforcement			
Personnel services	374,407	284,889	89,518
Operating expenses	175,094	171,982	3,112
Capital outlay	37,000	58,251	(21,251)
Total law enforcement	<u>586,501</u>	<u>515,122</u>	<u>71,379</u>
Protective inspections			
Operating expenses	<u>9,000</u>	<u>6,983</u>	<u>2,017</u>
Total public safety	<u>595,501</u>	<u>522,105</u>	<u>73,396</u>
Transportation			
Roads and streets			
Personnel services	58,450	54,795	3,655
Operating expenses	73,440	51,732	21,708
Capital outlay	6,000	100,401	(94,401)
Total transportation	<u>137,890</u>	<u>206,928</u>	<u>(69,038)</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, 2013

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Culture/recreation			
Parks and recreation			
Personnel services	\$ 11,248	\$ 8,925	\$ 2,323
Operating expenses	40,159	23,434	16,725
Capital outlay	39,400	3,391	36,009
Special events			
Operating expenses	4,000	2,853	1,147
Special recreation facilities			
Operating expenses	10,000	10,626	(626)
Total culture/recreation	<u>104,807</u>	<u>49,229</u>	<u>55,578</u>
Total expenditures	<u>1,094,150</u>	<u>1,010,070</u>	<u>84,080</u>
Excess of revenues over expenditures	1,759	28,296	26,537
OTHER FINANCING SOURCES			
Loan proceeds	-	90,401	90,401
Total other financing sources	<u>-</u>	<u>90,401</u>	<u>90,401</u>
Net change in fund balance	1,759	118,697	116,938
Fund balance at beginning of year	481,368	598,153	116,785
Fund balance at end of year	<u>\$ 483,127</u>	<u>\$ 716,850</u>	<u>\$ 233,723</u>

SINGLE AUDIT AND COMPLIANCE SECTION

CITY OF WALDO, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended September 30, 2013

<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA #</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 Awards						
Major programs						
U.S. Department of Agriculture	10.760	N/A	\$ 5,364,300	\$ 60,233	\$ 5,304,067	\$ 5,304,067
Non-major programs						
National Highway Traffic Safety Administration						
Passed Through Florida Department of Transportation						
State and Community Highway Safety	20.600	AQY11001	15,850	-	15,850	15,850
U.S. Department of Justice						
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-JAGD-ALAC-4-B3-130	6,609	-	6,609	6,609
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-JAGD-ALAC-1-D8-035	1,000	-	1,000	1,000
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-JAGD-ALAC-2-D7-081	3,000	-	3,000	3,000
			<u>10,609</u>	<u>-</u>	<u>10,609</u>	<u>10,609</u>
U.S. Fish and Wildlife Service						
Sport Fish Restoration Boat Access Grant	15.605	11142	39,400	25,820	13,580	13,580
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-OH-03-11-02-N31	650,000	-	79,522	79,522
U.S. Department of Agriculture						
Community Facilities Grants	10.766	N/A	20,000	-	20,000	20,000
Total non-major federal awards			<u>735,859</u>	<u>25,820</u>	<u>139,561</u>	<u>139,561</u>
Total federal awards			<u>\$ 6,100,159</u>	<u>\$ 86,053</u>	<u>\$ 5,443,628</u>	<u>\$ 5,443,628</u>

CITY OF WALDO, FLORIDA

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended September 30, 2013

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance 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, 2013, 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 20, 2014.

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*.

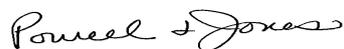
This report is intended solely for the information and use of management and the City Council, the Auditor General of the State of Florida, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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
June 12, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

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

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

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

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



POWELL & JONES
Certified Public Accountants
June 12, 2014

CITY OF WALDO, FLORIDA
 SCHEDULE OF FINDINGS
 For the Fiscal Year Ended September 30, 2013

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting	
? Material weakness identified?	No
? Reportable condition identified not considered to be material weaknesses?	Yes (see page 49)
Noncompliance material to financial statements	No

Federal Awards

Internal control over major programs:

? Material weaknesses identified?	No
? Reportable condition identified not considered to be material weaknesses?	None reported

Type of auditor's report issued on compliance for major programs	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
10.760	Water and Sewer Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

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, 2013, and have issued our report thereon dated June 12, 2014. 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

There were no reportable findings in the current year.

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, 2013.

Investment of Public Funds - The City complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the fiscal year.

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 met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

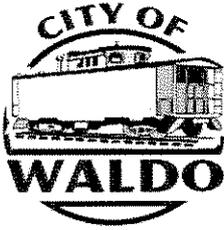
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

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
June 12, 2014



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

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

June 24, 2014

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, 2013. 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 June 24, 2013

CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

RESPONSE

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