

CITY OF HIGH SPRINGS, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2013

CITY OF HIGH SPRINGS, FLORIDA  
ANNUAL FINANCIAL REPORT  
September 30, 2013

TABLE OF CONTENTS

	PAGE NO.
Independent Auditor's Report	3 - 4
Management's Discussion and Analysis	5 - 11
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	16
Statement of Net Position - Proprietary Funds	17
Statement of Revenues Expenditures, Expenses and Changes in Fund Net Position - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Fiduciary Net Position - Trust and Agency Funds	20
Notes to Financial Statements	21 - 40
Required Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budget and Actual	42
Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Funds - Budget and Actual	43
Other Supplementary Information	
Combining Balance Sheet - Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	46
Schedule of Expenditures of Federal Awards	47
SINGLE AUDIT AND COMPLIANCE SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government         Auditing Standards</i>	49 - 50
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	51 - 52
Schedule of Findings	53
Management Letter	54 - 56



**Powell & Jones**  
Certified Public Accountants

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

1359 S.W. Main Blvd.  
Lake City, Florida 32025  
386 / 755-4200  
Fax: 386 / 719-5504  
powellandjones@bellsouth.net

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

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

*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 High Springs, Florida, as of September 30, 2013, and the respective changes in financial position and where applicable, cash flows 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.

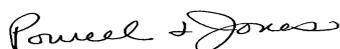
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of High Springs, Florida's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* is not a required part of the basic financial statements. The combining nonmajor fund financial statements are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2014, on our consideration of the City of High Springs, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of High Springs, Florida's internal control over financial reporting and compliance.



POWELL & JONES  
Certified Public Accountants  
June 5, 2014

CITY OF HIGH SPRINGS, FLORIDA  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2013

As management of the City of High Springs, Florida, we offer readers of the City of High Springs, Florida's financial statements this narrative overview and analysis of the financial activities of the City of High Springs, Florida for the fiscal years ended September 30, 2013.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the City of High Springs, Florida that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of High Springs, Florida include general government, public safety, physical environment, transportation, economic environment, and culture/recreation. The business-type activities of the City of High Springs, Florida include water, solid waste, and sewer operations.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of High Springs, Florida, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of High Springs, Florida can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City of High Springs, Florida maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, fire control fund, and downtown development fund which are all considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of High Springs, Florida adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and major special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 - 15 of this report.

*Proprietary funds.* The City of High Springs, Florida maintains proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of High Springs, Florida uses enterprise funds to account for its water, solid waste, and sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, solid waste, and sewer operation, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 17 - 19 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of High Springs, Florida's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statement can be found on page 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 - 40 of this report.

Other information. The combining statements referred to earlier in connection with required supplemental and non-major governmental funds are presented immediately following the notes to the financial statements. Combining statements can be found on pages 45 - 46 of this report.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of High Springs, Florida, assets exceeded liabilities by \$13,965,380 at the close of the most recent fiscal year.

By far the largest portion of the City of High Springs, Florida's net position (88 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of High Springs, Florida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of High Springs, Florida'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.

### City of High Springs, Florida's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$1,666,046	\$1,624,642	\$1,164,114	\$1,189,960	\$ 2,830,160	\$ 2,814,602
Capital assets	5,260,886	5,033,416	16,017,543	15,864,846	21,278,429	20,898,262
Total assets	<u>6,926,932</u>	<u>6,658,058</u>	<u>17,181,657</u>	<u>17,054,806</u>	<u>24,108,589</u>	<u>23,712,864</u>
Long-term liabilities outstanding	750,461	504,980	8,170,817	8,288,501	8,921,278	8,793,481
Other liabilities	342,524	270,807	879,407	887,537	1,221,931	1,158,344
Total liabilities	<u>1,092,985</u>	<u>775,787</u>	<u>9,050,224</u>	<u>9,176,038</u>	<u>10,143,209</u>	<u>9,951,825</u>
Net position:						
Invested in capital assets, net of related debt	4,832,989	4,832,989	7,527,671	7,007,709	12,360,660	11,840,698
Restricted	365,850	527,254	557,832	687,301	923,682	1,214,555
Unrestricted	635,108	522,028	45,930	183,758	681,038	705,786
	<u>\$5,833,947</u>	<u>\$5,882,271</u>	<u>\$8,131,433</u>	<u>\$7,878,768</u>	<u>\$ 13,965,380</u>	<u>\$ 13,761,039</u>

An additional portion of the City of High Springs, Florida's net position (7 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$681,038) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of High Springs, Florida is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities decreased the City of High Springs, Florida's net position by \$48,324 due to an increase in public safety expenditures.

### City of High Springs, Florida's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 362,630	\$ 570,848	\$ 1,824,333	\$1,718,945	\$ 2,186,963	\$ 2,289,793
Operating grants and contributions	10,738	419,638	-	-	10,738	419,638
Capital grants and contributions	8,702	7,073	653,216	-	661,918	7,073
General revenues:						
Taxes	2,459,078	2,742,576	-	-	2,459,078	2,742,576
Other	795,752	5,600	5,905	6,580	801,657	12,180
Total revenues	<u>3,636,900</u>	<u>3,745,735</u>	<u>2,483,454</u>	<u>1,725,525</u>	<u>6,120,354</u>	<u>5,471,260</u>
Expenses:						
General government	895,888	635,086	-	-	895,888	635,086
Public safety	2,221,373	2,144,452	-	-	2,221,373	2,144,452
Physical environment	48,882	46,344	-	-	48,882	46,344
Transportation	444,998	405,258	-	-	444,998	405,258
Economic environment	131,782	178,888	-	-	131,782	178,888
Culture and recreation	175,195	149,388	-	-	175,195	149,388
Water	-	-	297,013	288,504	297,013	288,504
Solid waste	-	-	488,876	491,256	488,876	491,256
Sewer	-	-	859,306	-	859,306	-
Debt service	6,029	-	355,035	1,179,262	361,064	1,179,262
Total expenses	<u>3,924,147</u>	<u>3,559,416</u>	<u>2,000,230</u>	<u>1,959,022</u>	<u>5,924,377</u>	<u>5,518,438</u>
Increase (decrease) in net position before transfers	(287,247)	186,319	483,224	(233,497)	195,977	(47,178)
Gain on disposal of fixed assets	8,364	2,850	-	-	8,364	2,850
Transfers	230,559	90,056	(230,559)	(90,056)	-	-
Increase (decrease) in net position	(48,324)	279,225	252,665	(323,553)	204,341	(44,328)
Net position, beginning of year	<u>5,882,271</u>	<u>5,603,046</u>	<u>7,878,768</u>	<u>8,202,321</u>	<u>13,761,039</u>	<u>13,805,367</u>
Net position, end of year	<u>\$5,833,947</u>	<u>\$5,882,271</u>	<u>\$ 8,131,433</u>	<u>\$7,878,768</u>	<u>\$ 13,965,380</u>	<u>\$ 13,761,039</u>

Business-type activities. Business-type activities increased the City of High Springs, Florida's net position by \$252,665, due to an increase in utility revenue and a decrease in expenses.

## Financial Analysis of the Government's Funds

As noted earlier, the City of High Springs, Florida uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City of High Springs, Florida's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of High Springs, Florida's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of High Springs, Florida's governmental funds reported combined ending fund balances of \$1,519,197 an increase of \$165,362 in comparison with the prior year. Approximately 76 percent of this total amount \$1,153,347 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *restricted or assigned* to indicate that it is not available for new spending because it has already been committed for assessments, capital projects, debt service, public safety, physical environment, transportation, economic environment, or culture/recreation expenditures.

The general fund is the chief operating fund of the City of High Springs, Florida. At the end of the current fiscal year, unassigned fund balance was \$1,242,160 and total fund balance of the general fund was \$1,326,289. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents percent of total general fund expenditures.

The fund balance of the City of High Springs, Florida's general fund increased by \$395,649 during the current fiscal year due to delaying large capital projects in the transportation and culture/recreation departments.

*Proprietary funds.* The City of High Springs, Florida's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water, Solid Waste, and Sewer funds at the end of the year amounted to \$46,822, \$90,845, and \$(91,737), respectively. The decreases in net position for the Water, and Solid Waste funds were \$50,505 and \$16,318, respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of High Springs, Florida's business-type activities.

## Capital Asset and Debt Administration

*Capital assets.* The City of High Springs, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2013 amounts to \$21,278,429 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, vehicles, park facilities and roads. The total increase in the City of High Springs, Florida's investment in capital assets for the current fiscal year was \$380,167.

Major capital asset events during the current fiscal year included the following:

- Additional construction in progress for Phase 4 of the wastewater treatment system
- Fire Station improvements
- New fire truck

City of High Springs, Florida's Capital Assets  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 631,590	\$ 631,590	\$ 404,668	\$ 404,668	\$ 1,036,258	\$ 1,036,258
Buildings	2,122,243	1,919,612	1,708,676	1,766,157	3,830,919	3,685,769
Improvements other than buildings	1,716,418	1,879,094	13,229,907	12,926,373	14,946,325	14,805,467
Construction in progress	-	-	625,776	702,768	625,776	702,768
Machinery and equipment	790,635	603,120	48,516	64,880	839,151	668,000
Total	<u>\$5,260,886</u>	<u>\$5,033,416</u>	<u>\$ 16,017,543</u>	<u>\$ 15,864,846</u>	<u>\$ 21,278,429</u>	<u>\$ 20,898,262</u>

Additional information on the City of High Springs, Florida's capital assets can be found in Note IV. C. on pages 32 - 33 of this report.

Long-term debt. At the end of the current fiscal year, the City of High Springs, Florida had total bonded debt outstanding of \$8,278,460. This debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of High Springs, Florida's Outstanding Debt  
Notes Payable and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Leases payable	\$ 492,950	\$ 216,315	\$ -	\$ -	\$ 492,950	\$ 216,315
Notes payable	58,194	71,977	211,412	458,872	269,606	530,849
Revenue bonds	-	-	8,278,460	8,398,264	8,278,460	8,398,264
Total	<u>\$ 551,144</u>	<u>\$ 288,292</u>	<u>\$8,489,872</u>	<u>\$ 8,857,136</u>	<u>\$9,041,016</u>	<u>\$ 9,145,428</u>

Additional information on the City of High Springs, Florida's long-term debt can be found in note IV.F. on pages 34 - 36 of this report.

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

- The City has completed Phase 2 & 3 of the wastewater treatment system project. A bond issue in the amount of \$6,353,000 replaced the bond anticipation note on October 30, 2009. Grant funding awarded from the USDA Rural Development Program were be used to complete Phases 2 and 3 of the project. These two phases added approximately 800 new users. In fiscal year 2008-2009 the City applied for and received loan and grant assistance in the amount of \$8,938,200 for Phase 4 of the Sewer Systems Improvement Plan. In November 2009 the City obtained a \$1,200,000 bridge loan from a regional bank in order to begin engineering on this phase of the plan.
- The City was a participant in the Alachua County Half Cent Local Infrastructure Tax (Wild Spaces) that was imposed from January 1, 2009 until December 31, 2010. The use of the surtax proceeds is to acquire and improve conservations lands and to create, improve and maintain parks and recreational facilities throughout the county. The City will be using its portion of the tax to add bathrooms to Catherine Taylor Park, to continue renovations of the old school and to complete renovations and upgrades to the Civic Center and Civic Center Park. The City began these projects in FY 2009-2010 with work on the Civic Center and park and the Catherine Taylor Park. Funds in the amount of \$45,350 were expended in FY 2009-2010 and in FY 2010-2011 funds in the amount of \$17,873 were expended. Renovation work on the old school was continued in FY 2011-2012 and funds in the amount of \$123,636 were expended. Revenues in the amount of \$535,238 were received from the state over the period of time the tax was in place. Remaining funds in the amount of \$350,943 are budgeted to be expended on these projects in FY 2012-2013.
- On October 21, 2008 the City received a bequest from the Clora Belle Watson Simpson Living Trust in the amount of \$288,491. The will provided for a distribution of a share of the Trust to the City "for the exclusive use by the High Springs fire department". It was requested of the City that a portion of the gift be used to establish a memorial with a plaque listing those volunteer firefighters that served with Harry Simpson when the fire station was built. The City received an additional amount of \$5,017 during FY 2009-2010. The City has obtained architectural drawing for renovations to the existing Fire Department building. The FY 2011-2012 budget includes a fund balance rollforward of the bequest funds and a capital outlay for the renovation of the building. Upon completion of the renovations a plaque and memorial will be placed in honor of the volunteer firefighters. These renovations were substantially completed during the year.
- The City has conservatively budgeted income in the areas of property taxes, gas tax and sales tax for FY 2012-2013 due to the slowing economy. Expenditures in certain areas were also budgeted to decrease. The City will monitor revenues through the year and hold expenditures as needed to ensure fiscal responsibility.

All of these factors were considered in preparing the City of High Springs, Florida's budget for the 2013-2014 fiscal year.

## Requests for Information

This financial report is designed to provide a general overview of the City of High Springs, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Ed Booth, City Manager, 110 NW 1<sup>st</sup> Avenue, High Springs, Florida 32643.

CITY OF HIGH SPRINGS, FLORIDA  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,475,663	\$ -	\$ 1,475,663
Investments		60,044	60,044
Interest Receivable	225	-	225
Receivables, net of allowance for uncollectibles	139,586	155,876	295,462
Due from other governments	67,252	76,145	143,397
Due to/from other funds	(16,680)	16,680	-
Inventories	-	89,442	89,442
Restricted cash	-	747,186	747,186
Deferred charges	-	18,741	18,741
Capital assets, not being depreciated	631,590	1,030,444	1,662,034
Capital assets, being depreciated, net	4,629,296	14,987,099	19,616,395
Total assets	<u>\$ 6,926,932</u>	<u>\$ 17,181,657</u>	<u>\$ 24,108,589</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 145,109	\$ 490,309	\$ 635,418
Accrued interest payable	-	27,757	27,757
Deferred revenue	1,740	-	1,740
Noncurrent liabilities:			
Due within one year	195,675	193,238	388,913
Due in more than one year	750,461	8,338,920	9,089,381
Total liabilities	<u>1,092,985</u>	<u>9,050,224</u>	<u>10,143,209</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,832,989	7,527,671	12,360,660
Restricted for:			
Debt service	-	244,281	244,281
Capital projects	-	313,551	313,551
Physical environment	120,065	-	120,065
Economic environment	150,193	-	150,193
Transportation	84,129	-	84,129
Cultural environment	11,463	-	11,463
Unrestricted	635,108	45,930	681,038
Total net position	<u>\$ 5,833,947</u>	<u>\$ 8,131,433</u>	<u>\$ 13,965,380</u>

The accompanying notes to financial statements  
are an integral part of this statement.

CITY OF HIGH SPRINGS, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
Functions/Programs							
Primary government:							
Governmental activities							
General government	\$ 895,888	\$ 137,828	\$ -	\$ -	\$ (758,060)	\$ -	\$ (758,060)
Public safety	2,221,373	192,677	8,585	8,702	(2,011,409)	-	(2,011,409)
Physical environment	48,882	-	-	-	(48,882)	-	(48,882)
Transportation	444,998	-	-	-	(444,998)	-	(444,998)
Economic environment	131,782	-	-	-	(131,782)	-	(131,782)
Culture/recreation	175,195	32,125	2,153	-	(140,917)	-	(140,917)
Debt service expense	6,029	-	-	-	(6,029)	-	(6,029)
Total governmental activities	<u>3,924,147</u>	<u>362,630</u>	<u>10,738</u>	<u>8,702</u>	<u>(3,542,077)</u>	<u>-</u>	<u>(3,542,077)</u>
Business-type activities							
Water	297,013	561,024	-	-	-	264,011	264,011
Solid waste	488,876	648,979	-	-	-	160,103	160,103
Sewer	859,306	614,330	-	653,216	-	408,240	408,240
Debt service expense	355,035	-	-	-	-	(355,035)	(355,035)
Total business-type activities	<u>2,000,230</u>	<u>1,824,333</u>	<u>-</u>	<u>653,216</u>	<u>-</u>	<u>477,319</u>	<u>477,319</u>
Total primary government	<u>\$ 5,924,377</u>	<u>\$ 2,186,963</u>	<u>\$ 10,738</u>	<u>\$ 661,918</u>	<u>(3,542,077)</u>	<u>477,319</u>	<u>(3,064,758)</u>
			General revenues:				
			Taxes		2,459,078	-	2,459,078
			Licenses and permits		136,072	-	136,072
			Intergovernmental		604,519	-	604,519
			Fines and forfeitures		11,383	-	11,383
			Rents and royalties		31,031	-	31,031
			Miscellaneous		11,049	-	11,049
			Unrestricted investment earnings		1,698	5,905	7,603
			Gain on sale of capital assets		8,364	-	8,364
			Transfers		230,559	(230,559)	-
			Total general revenues and transfers		<u>3,493,753</u>	<u>(224,654)</u>	<u>3,269,099</u>
			Change in net assets		(48,324)	252,665	204,341
			Net position, beginning of year		5,882,271	7,878,768	13,761,039
			Net position, end of year		<u>\$ 5,833,947</u>	<u>\$ 8,131,433</u>	<u>\$ 13,965,380</u>

The accompanying notes to financial statements  
are an integral part of this statement.

CITY OF HIGH SPRINGS, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2013

	General Fund	Special Revenue		Other Governmental Funds	Total Governmental Funds
		Fire Control Fund	Downtown Development Fund		
<b>ASSETS</b>					
Cash	\$ 1,273,366	\$ -	\$ 50	\$ -	\$ 1,273,416
Certificates of deposit	202,247	-	-	-	202,247
Receivables, net	138,176	1,410	-	-	139,586
Interest Receivable	225	-	-	-	225
Due from other governments	67,252	-	-	-	67,252
Due from other funds	-	-	150,143	131,528	281,671
Total assets	<u>\$ 1,681,266</u>	<u>\$ 1,410</u>	<u>\$ 150,193</u>	<u>\$ 131,528</u>	<u>\$ 1,964,397</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 115,832	\$ 29,277	\$ -	\$ -	\$ 145,109
Due to other funds	237,405	60,946	-	-	298,351
Deferred revenue	1,740	-	-	-	1,740
Total liabilities	<u>354,977</u>	<u>90,223</u>	<u>-</u>	<u>-</u>	<u>445,200</u>
<b>FUND BALANCES</b>					
Restricted					
Transportation	84,129	-	-	-	84,129
Economic environment	-	-	150,193	-	150,193
Assigned					
Physical Environment	-	-	-	120,065	120,065
Culture/Recreation	-	-	-	11,463	11,463
Unassigned					
General fund	<u>1,242,160</u>	<u>(88,813)</u>	<u>-</u>	<u>-</u>	<u>1,153,347</u>
Total fund balances	<u>1,326,289</u>	<u>(88,813)</u>	<u>150,193</u>	<u>131,528</u>	<u>1,519,197</u>
Total liabilities and fund balances	<u>\$ 1,681,266</u>	<u>\$ 1,410</u>	<u>\$ 150,193</u>	<u>\$ 131,528</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	5,260,886
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.	(946,136)

Net position of governmental activities	<u>\$ 5,833,947</u>
---	---------------------

The accompanying notes to financial statements  
are an integral part of this statement.

CITY OF HIGH SPRINGS, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Special Revenue		Other Governmental Funds	Governmental Funds
		Fire Control	Downtown Development Funds		
<b>REVENUES</b>					
Taxes	\$ 2,265,856	\$ -	\$ 193,222	\$ -	\$ 2,459,078
Licenses and permits	136,072	-	-	-	136,072
Intergovernmental	456,740	156,364	-	-	613,104
Charges for service	152,951	191,079	-	-	344,030
Fines and forfeitures	11,383	-	-	-	11,383
Rents and royalties	31,031	-	-	-	31,031
Cemetery lot sales	-	-	-	18,600	18,600
Interest	1,406	102	54	136	1,698
Miscellaneous	11,049	-	-	-	11,049
Total revenues	<u>3,066,488</u>	<u>347,545</u>	<u>193,276</u>	<u>18,736</u>	<u>3,626,045</u>
<b>EXPENDITURES</b>					
Current:					
General government	805,820	-	-	-	805,820
Public safety	1,247,656	701,048	-	-	1,948,704
Physical environment	38,339	-	-	1,080	39,419
Transportation	339,972	-	-	-	339,972
Economic environment	-	-	87,199	-	87,199
Culture/recreation	88,197	-	-	-	88,197
Debt service:					
Principal	41,685	31,704	-	-	73,389
Interest	4,562	1,467	-	-	6,029
Capital outlay:					
General government	15,622	-	-	-	15,622
Public safety	20,012	616,340	-	-	636,352
Physical environment	-	-	-	6,060	6,060
Transportation	1,763	-	-	-	1,763
Total expenditures	<u>2,603,628</u>	<u>1,350,559</u>	<u>87,199</u>	<u>7,140</u>	<u>4,048,526</u>
Excess (deficiency) of revenues over (under) expenditures	<u>462,860</u>	<u>(1,003,014)</u>	<u>106,077</u>	<u>11,596</u>	<u>(422,481)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	10,188	-	-	-	10,188
Loan proceeds	15,622	320,619	-	-	336,241
Contributions	10,680	175	-	-	10,855
Transfers in	255,559	359,260	-	-	614,819
Transfers out	(359,260)	(25,000)	-	-	(384,260)
Total other financing sources (uses)	<u>(67,211)</u>	<u>655,054</u>	<u>-</u>	<u>-</u>	<u>587,843</u>
Net change in fund balances	395,649	(347,960)	106,077	11,596	165,362
Fund balances, beginning of year	930,640	259,147	44,116	119,932	1,353,835
Fund balances, end of year	<u>\$ 1,326,289</u>	<u>\$ (88,813)</u>	<u>\$ 150,193</u>	<u>\$ 131,528</u>	<u>\$ 1,519,197</u>

The accompanying notes to financial statements  
are an intergral part of this statement.

CITY OF HIGH SPRINGS, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

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

Net change in fund balances-total governmental funds		\$ 165,362
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Expenditures for capital assets	659,797	
Less current year depreciation	(430,503)	229,294
<p>The net effect of various miscellaneous transactions involving capital assets (ie., sales, trade-ins, and disposals) is to decrease net assets</p>		
Loss on disposal of fixed assets		(1,824)
<p>The issuance of long-term debt (eg. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related issues.</p>		
Loan proceeds	(336,241)	
Less note principal payments	73,389	(262,852)
<p>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.</p>		
Net increase in compensated absences	(125,949)	
Net increase in other post employment benefits	(52,355)	(178,304)
Change in net position of governmental activities		\$ (48,324)

The accompanying notes to financial statements  
are an integral part of this statement.

CITY OF HIGH SPRINGS, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			
	Water	Solid Waste	Sewer	Totals
<b>ASSETS</b>				
Current assets:				
Investments	\$ 60,044	\$ -	\$ -	\$ 60,044
Restricted cash:				
Customer deposits	99,500	89,854	-	189,354
Revenue bond covenant accounts	27,000	-	217,281	244,281
Capital Improvements	-	-	143,756	143,756
Impact fee	101,362	-	68,433	169,795
Accounts receivable, net	53,472	56,754	45,650	155,876
Due from other funds	-	73,818	27,000	100,818
Due from other governments	-	-	76,145	76,145
Inventories	32,173	-	57,269	89,442
Total current assets	<u>373,551</u>	<u>220,426</u>	<u>635,534</u>	<u>1,229,511</u>
Noncurrent assets:				
Deferred charges	-	-	18,741	18,741
Capital assets, not being depreciated	31,668	-	998,776	1,030,444
Capital assets, being depreciated, net	703,787	-	14,283,312	14,987,099
Total noncurrent assets	<u>735,455</u>	<u>-</u>	<u>15,300,829</u>	<u>16,036,284</u>
<b>Total Assets</b>	<u><u>\$ 1,109,006</u></u>	<u><u>\$ 220,426</u></u>	<u><u>\$ 15,936,363</u></u>	<u><u>\$ 17,265,795</u></u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable and accrued expenses	\$ 13,792	\$ 39,727	\$ 247,436	\$ 300,955
Due to other funds	50,907	-	33,231	84,138
Compensated absences	3,135	-	365	3,500
Accrued interest payable	204	-	27,553	27,757
Customer deposits payable	99,500	89,854	-	189,354
Bridge loan payable	-	-	51,774	51,774
Revenue bonds payable, current portion	27,000	-	110,964	137,964
Total current liabilities	<u>194,538</u>	<u>129,581</u>	<u>471,323</u>	<u>795,442</u>
Noncurrent liabilities:				
Compensated absences	7,628	-	837	8,465
Accrued long term employee benefits	23,201	-	7,120	30,321
Bridge loan payable	-	-	159,638	159,638
Revenue bonds payable	28,000	-	8,112,496	8,140,496
Total noncurrent liabilities	<u>58,829</u>	<u>-</u>	<u>8,280,091</u>	<u>8,338,920</u>
<b>Total Liabilities</b>	<u>253,367</u>	<u>129,581</u>	<u>8,751,414</u>	<u>9,134,362</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	680,455	-	6,847,216	7,527,671
Restricted for:				
Debt service	27,000	-	217,281	244,281
Capital projects	101,362	-	212,189	313,551
Unrestricted	46,822	90,845	(91,737)	45,930
<b>Total Net Position</b>	<u><u>\$ 855,639</u></u>	<u><u>\$ 90,845</u></u>	<u><u>\$ 7,184,949</u></u>	<u><u>\$ 8,131,433</u></u>

The accompanying notes to financial statements  
are an integral part of this statement.

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

	Business-type Activities - Enterprise Funds			Totals
	Water	Solid Waste	Sewer	
Operating revenues				
Water service	\$ 556,932	\$ -	\$ -	\$ 556,932
Garbage/solid waste service	-	630,539	-	630,539
Garbage penalties	-	18,440	-	18,440
Sewer service	-	-	604,948	604,948
Impact fees	4,092	-	9,382	13,474
Total operating revenues	<u>561,024</u>	<u>648,979</u>	<u>614,330</u>	<u>1,824,333</u>
Operating expenses				
Personnel services	102,228	-	107,863	210,091
Operating expenses	150,404	488,876	322,745	962,025
Depreciation	44,381	-	428,698	473,079
Total operating expenses	<u>297,013</u>	<u>488,876</u>	<u>859,306</u>	<u>1,645,195</u>
Operating income (loss)	<u>264,011</u>	<u>160,103</u>	<u>(244,976)</u>	<u>179,138</u>
Nonoperating revenues (expenses)				
Interest income	5,040	-	865	5,905
Interest expense	(3,936)	-	(350,475)	(354,411)
Grant revenue	-	-	653,216	653,216
Amortization of bond issuance costs	-	-	(624)	(624)
Total nonoperating revenues (expenses)	<u>1,104</u>	<u>-</u>	<u>302,982</u>	<u>304,086</u>
Income before transfers	<u>265,115</u>	<u>160,103</u>	<u>58,006</u>	<u>483,224</u>
Transfers in	-	-	261,482	261,482
Transfers out	(315,620)	(176,421)	-	(492,041)
Change in net position	(50,505)	(16,318)	319,488	252,665
Total net position, beginning of year	906,144	107,163	6,865,461	7,878,768
Total net position, end of year	<u>\$ 855,639</u>	<u>\$ 90,845</u>	<u>\$ 7,184,949</u>	<u>\$ 8,131,433</u>

The accompanying notes to financial statements  
are an integral part of this statement.

CITY OF HIGH SPRINGS, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			Totals
	Water	Solid Waste	Sewer	
Cash flows from operating activities				
Cash received from customers	\$ 577,867	\$ 673,509	\$ 639,593	\$ 1,890,969
Cash payments to suppliers for goods and services	(148,706)	(488,711)	(74,929)	(712,346)
Cash payments to employees	(88,457)	-	(104,141)	(192,598)
Net cash provided by operating activities	<u>340,704</u>	<u>184,798</u>	<u>460,523</u>	<u>986,025</u>
Cash flows from noncapital financing activities				
Transfers in from other funds	-	-	217,713	217,713
Transfers out to other funds	(310,713)	(204,239)	-	(514,952)
Net cash provided by (used in) noncapital financing activities	<u>(310,713)</u>	<u>(204,239)</u>	<u>217,713</u>	<u>(297,239)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of fixed assets	199	-	(625,776)	(625,577)
Proceeds from capital grants	-	-	577,071	577,071
Loan issue costs	-	-	(12,636)	(12,636)
Interest paid on bonds	(4,065)	-	(355,670)	(359,735)
Principal paid on bonds	(26,000)	-	(341,264)	(367,264)
Net cash used in capital and related financing activities	<u>(29,866)</u>	<u>-</u>	<u>(758,275)</u>	<u>(788,141)</u>
Cash flows from investing activities				
Interest received	5,040	-	865	5,905
Net increase (decrease) in cash and restricted cash	<u>5,165</u>	<u>(19,441)</u>	<u>(79,174)</u>	<u>(93,450)</u>
Cash and restricted cash, beginning of year	282,741	109,295	508,644	900,680
Cash and restricted cash, end of year	<u>\$ 287,906</u>	<u>\$ 89,854</u>	<u>\$ 429,470</u>	<u>\$ 807,230</u>
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	<u>\$ 264,011</u>	<u>\$ 160,103</u>	<u>\$ (244,976)</u>	<u>\$ 179,138</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	44,181	-	428,698	472,879
Decrease in accounts receivable	15,373	22,705	25,263	63,341
Decrease in inventories	11,602	-	12,291	23,893
Increase (decrease) in accounts payable	(9,704)	165	235,525	225,986
Increase in accrued expenses	2,202	-	2,119	4,321
Increase (decrease) in compensated absences	5,720	-	(192)	5,528
Increase in customer deposits	1,470	1,825	-	3,295
Increase in post employment benefits	5,849	-	1,795	7,644
Total adjustments	<u>76,693</u>	<u>24,695</u>	<u>705,499</u>	<u>806,887</u>
Net cash provided by operating activities	<u>\$ 340,704</u>	<u>\$ 184,798</u>	<u>\$ 460,523</u>	<u>\$ 986,025</u>

The accompanying notes to financial statements  
are an integral part of this statement.

CITY OF HIGH SPRINGS, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS  
SEPTEMBER 30, 2013

	Motor Vehicle Tag Agency Fund
<b>ASSETS</b>	
Cash	\$ 14,380
Total assets	14,380
 <b>LIABILITIES</b>	
Due to other governments	14,380
 <b>NET POSITION</b>	
Undesignated fund balances	\$ -

The accompanying notes to financial statements  
are an integral part of this statement.

CITY OF HIGH SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013

I. Summary of Significant Accounting Policies

A. Reporting entity

The City of High Springs, Florida (the City) was created pursuant to provisions of Chapter 165, *Florida Statutes*, and specifically has legal Authority under Chapter 61.2230, *Laws of Florida*. The accompanying financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations.

Blended component unit. The financial activity of The High Springs, Florida Community Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established under Chapter 163, *Florida Statutes*, for the fostering of economic development in the downtown area of the City. The members of the Agency's board are appointed by the City Commissioners. The Agency is fiscally dependent on the City, and the City Commission approves the Agency's annual budget. The Agency is presented as a governmental fund type.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *fire control fund* is a special revenue fund used to account for receipts for fire protection services and the subsequent expenditures of these funds.

The *downtown development fund* is a special revenue used to account for tax increment and other revenues associated with the City's Community Redevelopment Agency and the expenditures of these funds in the redevelopment district.

The City reports the following major proprietary funds:

The *water fund* accounts for the activities of the City's water distribution operations.

The *solid waste fund* accounts for the activities of the City's solid waste collection system.

The *sewer fund* accounts for the construction activities and City's wastewater treatment system.

Additionally, the City reports the following fund types:

The *motor vehicle tag agency fund* accounts for the collection of fees associated with the sale of motor vehicle tags, title transfers, and sales taxes and the remittance of these funds collected to the State of Florida and Alachua County Tax Collector.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first.

#### D. Assets, liabilities, and net position or fund balance

##### 1. *Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City does not have an investment policy, however state statutes authorize the City to invest in direct obligations of the U.S. Treasury or direct obligations for which the faith and credit of the United States is pledged, Local Government Surplus Trust Fund administered by the State Board of Administration, Federal agencies and instrumentalities, SEC registered money market funds with the highest credit quality rating, and savings and certificate of deposit accounts in State-certified public depositories.

Investments of the City are reported at fair value.

##### 2. *Receivables and payables*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Property taxes are billed and collected for the City by the County Tax Collector according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1 of the following year

3. *Inventories and prepaid items*

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. *Restricted assets*

Certain proceeds from 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 operations and maintenance" account is used to report resources set aside to subsidize potential deficiencies from the City's operations that could adversely affect debt service payments. The "revenue bond and interest sinking fund" 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 debt service account, and to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

5. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

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

Assets	Years
Buildings	25 - 60
Improvements other than buildings	15
Machinery and equipment	5 - 15

#### 6. *Bond Issuance Costs*

In the proprietary funds, bond issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method.

#### 7. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

#### 8. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the near term of the related debt.

#### 9. *Fund Balances*

##### 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 spend only for specific purposes 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 Commission. The Commission is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved through the Commission.

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 adopted policy, only the Commission may assign amounts for specific purposes.

Unassigned – all other spendable amounts, including negative fund balances of governmental funds.

As of September 30, 2013, fund balances are composed of the following:

	<u>General Fund</u>
Restricted, Transportation	84,129
Restricted, Downtown development	150,193
Assigned, Cemetery trust	120,065
Assigned, Recreation	11,463
Unassigned	1,153,347
	<u>\$ 1,519,197</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers 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 Commission has provided otherwise in its commitment or assignment actions.

B. Proprietary Funds

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

As of September 30, 2013, net position balances are composed of the following:

	<u>Amount</u>
Invested in capital assets, net	\$ 7,527,671
Restricted, Debt service	244,281
Restricted, Capital projects	313,551
Unrestricted	45,930
	<u>\$ 8,131,433</u>

II. Reconciliation of Government -Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund balance sheet and the government -wide statement of net position

"Total fund balances" of the City's governmental funds \$1,519,197 differs from "net position" of governmental activities \$5,833,947 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 costs 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	\$ 11,708,956
Accumulated depreciation	(6,448,070)
Total	<u>\$ 5,260,886</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:

Capital leases	\$ 492,950
Notes payable	58,194
Net Other Post Employment Benefits Obligation	207,677
Compensated absences	187,315
	<u>\$ 946,136</u>

CITY OF HIGH SPRINGS, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions/ Eliminations	Statement of Net Position
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,475,663	\$ -	\$ -	\$ 1,475,663
Accounts receivable	139,586	-	-	139,586
Interest receivable	225	-	-	225
Due from other governmental units	67,252	-	-	67,252
Due from other funds	281,671	-	-	281,671
Capital assets - net	-	5,260,886	-	5,260,886
<b>Total assets</b>	<b><u>\$ 1,964,397</u></b>	<b><u>\$ 5,260,886</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,225,283</u></b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$ 145,109	\$ -	\$ -	\$ 145,109
Deferred revenue	1,740	-	-	1,740
Due to other funds	298,351	-	-	298,351
Capital leases	-	-	492,950	492,950
Notes payable	-	-	58,194	58,194
Accrued compensated absences	-	-	187,315	187,315
Post employment benefits	-	-	207,677	207,677
<b>Total liabilities</b>	<b><u>445,200</u></b>	<b><u>-</u></b>	<b><u>946,136</u></b>	<b><u>1,391,336</u></b>
<b>Fund balance/net position</b>	<b><u>1,519,197</u></b>	<b><u>5,260,886</u></b>	<b><u>(946,136)</u></b>	<b><u>5,833,947</u></b>
<b>Total liabilities and fund balances/net position</b>	<b><u>\$ 1,964,397</u></b>	<b><u>\$ 5,260,886</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 7,225,283</u></b>

CITY OF HIGH SPRINGS, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions/ Eliminations	Statement of Net Position
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,475,663	\$ -	\$ -	\$ 1,475,663
Accounts receivable	139,586	-	-	139,586
Interest receivable	225	-	-	225
Due from other governmental units	67,252	-	-	67,252
Due from other funds	281,671	-	-	281,671
Capital assets - net	-	5,260,886	-	5,260,886
<b>Total assets</b>	<b>\$ 1,964,397</b>	<b>\$ 5,260,886</b>	<b>\$ -</b>	<b>\$ 7,225,283</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued liabilities	\$ 145,109	\$ -	\$ -	\$ 145,109
Deferred revenue	1,740	-	-	1,740
Due to other funds	298,351	-	-	298,351
Capital leases	-	-	492,950	492,950
Notes payable	-	-	58,194	58,194
Accrued compensated absences	-	-	187,315	187,315
Post employment benefits	-	-	207,677	207,677
<b>Total liabilities</b>	<b>445,200</b>	<b>-</b>	<b>946,136</b>	<b>1,391,336</b>
<b>Fund balance/net position</b>	<b>1,519,197</b>	<b>5,260,886</b>	<b>(946,136)</b>	<b>5,833,947</b>
<b>Total liabilities and fund balances/net position</b>	<b>\$ 1,964,397</b>	<b>\$ 5,260,886</b>	<b>\$ -</b>	<b>\$ 7,225,283</b>

CITY OF HIGH SPRINGS, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions/ Eliminations	Statement of Activities
<b>REVENUES</b>				
Taxes	\$ 2,459,078	\$ -	\$ -	\$ 2,459,078
Licenses and permits	136,072	-	-	136,072
Intergovernmental	613,104	-	-	613,104
Charges for services	344,030	-	-	344,030
Fines and forfeitures	11,383	-	-	11,383
Rents and royalties	31,031	-	-	31,031
Cemetery lot sales	18,600	-	-	18,600
Interest income	1,698	-	-	1,698
Miscellaneous	11,049	-	-	11,049
Total revenues	<u>3,626,045</u>	<u>-</u>	<u>-</u>	<u>3,626,045</u>
<b>EXPENDITURES</b>				
Current expenditures				
General government	805,820	39,768	50,300	895,888
Public safety	1,948,704	165,993	106,676	2,221,373
Physical environment	39,419	2,242	7,221	48,882
Transportation	339,972	90,919	14,107	444,998
Economic development	87,199	44,583	-	131,782
Culture/recreation	88,197	86,998	-	175,195
Capital outlay				
General government	15,622	(15,622)	-	-
Public safety	636,352	(636,352)	-	-
Physical environment	6,060	(6,060)	-	-
Transportation	1,763	(1,763)	-	-
Debt service				
Principal	73,389	-	(73,389)	-
Interest	6,029	-	-	6,029
Total expenditures	<u>4,048,526</u>	<u>(229,294)</u>	<u>104,915</u>	<u>3,924,147</u>
Excess of revenues over (under) expenditures	<u>(422,481)</u>	<u>229,294</u>	<u>(104,915)</u>	<u>(298,102)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain (loss) on disposal of fixed assets	10,188	(1,824)	-	8,364
Loan proceeds	336,241	-	(336,241)	-
Contributions	10,855	-	-	10,855
Transfers in	614,819	-	-	614,819
Transfers out	(384,260)	-	-	(384,260)
Total other financing sources (uses)	<u>587,843</u>	<u>(1,824)</u>	<u>(336,241)</u>	<u>249,778</u>
Net change in fund balance	165,362	227,470	(441,156)	(48,324)
Fund balance at beginning of year	1,353,835	5,033,416	(504,980)	5,882,271
Fund balance at end of year	<u>\$ 1,519,197</u>	<u>\$ 5,260,886</u>	<u>\$ (946,136)</u>	<u>\$ 5,833,947</u>

III. Detailed Notes on All Funds

A. Deposits and investments in certificates of deposit

At year-end, the carrying amount of the City's demand deposits and certificates of deposit was \$2,358,347. All of the bank balance and the certificates of deposit are covered by Federal depository insurance or by collateral held by the City's custodial banks, which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

B. Receivables

Receivables as of year-end for the City's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Fire	Water	Solid Waste	Sewer	Total
Interest	\$ 225	\$ -	\$ -	\$ -	\$ -	\$ 225
Taxes	882	-	-	-	-	882
Accounts	116,402	-	87,434	92,799	74,643	371,278
Special Assessments	20,892	-	-	-	-	20,892
Intergovernmental	67,252	1,410	-	-	76,145	144,807
Gross receivables	205,653	1,410	87,434	92,799	150,788	538,084
Less: Allowance	-	-	(33,962)	(36,045)	(28,993)	(99,000)
Net total receivables	\$ 205,653	\$ 1,410	\$ 53,472	\$ 56,754	\$ 121,795	\$ 439,084

### C. Capital assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 631,590	\$ -	\$ -	\$ 631,590
Capital assets, being depreciated				
Buildings	2,635,047	288,000	-	2,923,047
Improvements other than buildings	5,575,675	3,413	-	5,579,088
Machinery and equipment	2,260,517	368,384	(53,670)	2,575,231
Total capital assets, being depreciated	10,471,239	659,797	(53,670)	11,077,366
Less accumulated depreciation				
Buildings	(715,435)	(85,369)	-	(800,804)
Improvements other than buildings	(3,696,581)	(166,089)	-	(3,862,670)
Machinery and equipment	(1,657,397)	(179,045)	51,846	(1,784,596)
Total accumulated depreciation	(6,069,413)	(430,503)	51,846	(6,448,070)
Total capital assets, being depreciated, net	4,401,826	229,294	(1,824)	4,629,296
Governmental activities capital assets, net	<u>\$ 5,033,416</u>	<u>\$ 229,294</u>	<u>\$ (1,824)</u>	<u>\$ 5,260,886</u>
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 404,668	\$ -		\$ 404,668
Construction in progress	702,768	625,776	(702,768)	625,776
Total capital assets, not being depreciated	1,107,436	625,776	(702,768)	1,030,444
Capital assets, being depreciated				
Buildings	2,335,448	-	-	2,335,448
Improvements other than buildings	15,678,298	702,768	-	16,381,066
Machinery and equipment	597,173	-	(16,700)	580,473
Total capital assets, being depreciated	18,610,919	702,768	(16,700)	19,296,987
Less accumulated depreciation				
Buildings	(569,291)	(57,482)	-	(626,773)
Improvements other than buildings	(2,751,925)	(399,233)	-	(3,151,158)
Machinery and equipment	(532,293)	(16,364)	16,700	(531,957)
Total accumulated depreciation	(3,853,509)	(473,079)	16,700	(4,309,888)
Total capital assets being depreciated, net	14,757,410	229,689	-	14,987,099
Business-type activities capital assets, net	<u>\$ 15,864,846</u>	<u>\$ 855,465</u>	<u>\$ (702,768)</u>	<u>\$ 16,017,543</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 39,768
Public safety	165,993
Physical environment	2,242
Transportation	90,919
Economic environment	44,583
Culture and recreation	86,998
Total	<u>\$ 430,503</u>
Business-type activities:	
Water	\$ 44,381
Sewer	428,698
Solid waste	-
Total	<u>\$ 473,079</u>

D. Interfund transfers

	<u>General Fund</u>	<u>Fire Control</u>	<u>Sewer Enterprise</u>	<u>Total</u>
Transfer Out:				
General Fund	\$ -	\$ 359,260	\$ -	\$ 359,260
Fire Fund	25,000	-	-	25,000
Water - Enterprise Fund	134,561	-	181,059	315,620
Solid Waste - Enterprise Fund	95,998	-	80,423	176,421
Governmental activities capital assets, net	<u>\$ 255,559</u>	<u>\$ 359,260</u>	<u>\$ 261,482</u>	<u>\$ 876,301</u>

Transfers are used to move revenues between funds to reflect the activities of the fund with the primary government. The primary government accounts for activities such as budgetary authorizations, subsidies or matching funds for various grant programs.

E. Leases

Capital Leases

The City has entered into four lease agreements as a lessee for financing lighting, vehicles and equipment with a cost of \$492,950. These lease agreements qualify as capital leases for accounting purposes and, therefore, they have been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	
Lighting, vehicles and equipment	\$ 492,950
Less: accumulated depreciation	(211,625)
Total	<u>\$ 281,325</u>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2013, were as follows:

Year Ending September 30,	Governmental Activities
2014	\$ 100,432
2015	70,538
2016	70,538
2017	70,538
2018	69,863
Thereafter	187,836
Total minimum lease payments	569,745
Less: Amounts representing interest	(76,795)
Present value of minimum lease payments	<u>\$ 492,950</u>

Payments are budgeted and paid in the General Fund.

F. Long-term debt

Governmental Activities

On August 28, 2012, the City entered into a loan agreement with Merchants & Southern Bank in the amount of \$73,103 bearing a fixed interest rate of 3.0% in order to acquire two patrol cars. This note is payable in 60 monthly installments of \$1,315, including interest. Payments are budgeted and paid in the General Fund.

Debt service requirements to maturity including interest are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total
2014	\$ 14,207	\$ 1,572	\$ 15,779
2015	14,645	1,135	15,780
2016	15,095	685	15,780
2017	14,248	216	14,464
Total	<u>\$ 58,195</u>	<u>\$ 3,608</u>	<u>\$ 61,803</u>

Business-type Activities

Revenue Bonds

The City issued revenue bonds in 1976 in the amount of \$500,000 where the City pledged operating income before depreciation, of the Water Fund, and Utility Services Taxes to service this debt. The bonds have a stated interest rate of 5.0% and are payable over 40 year bond, maturing in fiscal year 2015.

The City issued revenue bonds on January 15, 2004 in the amount of \$2,235,250, where the City pledged income derived from the constructed assets to pay debt service. The purpose of the issuance was financing construction of Phase 1 of the City's wastewater treatment system. The bonds have a stated interest rate of 4.5% and are payable over 40 years with a

final maturity date of September 1, 2043. Payments are budgeted and paid in the Water Fund.

On October 29, 2009 the City issued bonds in the amount of \$6,353,000, where the City pledges income derived from the constructed assets to pay debt service. The purpose of the issuance was financing construction of Phases 2 and 3 of the City's wastewater treatment system. The bonds have a stated interest rate of 4.125% and are payable over 40 years with a final maturity date of September 1, 2049. Payments are budgeted and paid in the Sewer Fund.

Revenue bonds outstanding at September 30, 2013 are as follows:

Purpose	Interest Rates	Amounts
Wastewater treatment system Series 2003	4.500%	\$ 2,017,160
Wastewater treatment system Series 2009	4.125%	6,206,300
Improvements water system	5.000%	55,000
Total		<u>\$ 8,278,460</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ending September 30	Total Principal	Interest	Total
2014	\$ 137,960	\$ 349,532	\$ 487,492
2015	143,650	343,481	487,131
2016	120,610	337,181	457,791
2017	125,740	332,070	457,810
2018	131,030	326,742	457,772
2019-2023	743,310	1,545,549	2,288,859
2024-2028	914,810	1,374,056	2,288,866
2029-2033	1,125,960	1,162,919	2,288,879
2034-2038	1,385,950	902,954	2,288,904
2039-2043	1,706,040	582,836	2,288,876
2043-2048	1,422,700	246,947	1,669,647
2049	320,700	13,229	333,929
Total	<u>\$ 8,278,460</u>	<u>\$ 7,517,496</u>	<u>\$15,795,956</u>

#### Phase 4 Bridge Loan

On November 20, 2009 the City obtained a bridge loan from Regions Bank in the amount of \$1,200,000 in order to begin engineering on Phase 4 of the Waste Water Improvement System. The loan had an 18 month term with a Maturity Date of May 20, 2011. On May 20, 2011 Regions Bank and the City entered into an agreement to extend the Maturity Date for 12 months until May 20, 2012, which was renewed on a month-to-month basis as repayment negotiations were in deliberation. These negotiations were finalized subsequent to year-end in an agreement dated October 30, 2012, whereby the City made a down payment of \$200,000, with the remaining balance of \$258,872 payable in 60 monthly payments to include interest at a tax-exempt fixed rate of 3.50%. In addition, the City is required to maintain \$60,000 in a depository account with Regions Bank.

Debt service requirements to maturity including interest, are as follows:

Year Ending September 30	Total Principal	Interest	Total
2014	\$ 51,774	\$ 6,569	\$ 58,343
2015	51,774	4,757	56,531
2016	51,774	2,945	54,719
2017	51,774	1,103	52,877
2018	4,316	13	4,329
Total	<u>\$ 211,412</u>	<u>\$ 15,387</u>	<u>\$ 226,799</u>

#### Changes on long-term liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within one year
Governmental activities:					
Capital leases	\$ 216,315	\$ 336,241	\$ (59,606)	\$ 492,950	\$ 82,191
Notes payable	71,977	-	(13,783)	58,194	14,207
Compensated absences	61,366	229,821	(103,872)	187,315	99,277
Other post employment benefits obligation	155,322	52,355	-	207,677	-
Governmental activity Long-term liabilities	<u>\$ 504,980</u>	<u>\$ 618,417</u>	<u>\$ (177,261)</u>	<u>\$ 946,136</u>	<u>\$ 195,675</u>
Business-type activities:					
Bonds payable	\$ 8,538,090	\$ -	\$ (259,620)	\$8,278,470	\$ 137,960
Bridge loan	458,872	-	(247,460)	211,412	51,774
Compensated absences	6,437	9,128	(3,600)	11,965	3,500
Other post employment benefits obligation	22,677	7,644	-	15,033	-
Business-type activity: Long-term liabilities	<u>\$ 9,026,076</u>	<u>\$ 16,772</u>	<u>\$ (510,680)</u>	<u>\$8,532,168</u>	<u>\$ 193,234</u>

G. Restricted assets

The balances of the restricted asset accounts in the enterprise fund are as follows:

Impact Fees - Water	\$ 101,362
Impact Fees - Sewer	68,433
Capital improvements	143,756
Revenue bond reserve account - Series 1976	27,000
Revenue bond operations and maintenance account	22,000
Revenue bond and interest sinking fund account	38,145
Revenue bond reserve account	157,136
Total restricted assets	<u>\$ 557,832</u>

V. Other Information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the Federal and state 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 City expects amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the City.

C. Pension plans

Florida Retirement System (FRS)

*Plan Description:* The City of High Springs, Florida contributes to the FRS, a cost sharing multiple-employer public employee retirement system, which is controlled by the State Legislature and administrated by the State of Florida, Department of Management Services, Division of Retirement. The FRS provides retirement and disability benefits. The Division of Retirement issues a publicly available financial report that includes the pension benefit obligation, the net position and unfunded pension benefit obligation. That report may be obtained by writing to the Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or calling (850) 488-5706.

*Funding Policy:* The City of High Springs, Florida is required to contribute 6.95% of their salary for regular members, 19.06% of their salary for special risk members, 12.84% of their salary for Florida retirement DROP members and 18.31% of their salary for senior management effective July 1, 2013. The contribution requirements of City of High Springs, Florida may be changed by the FRS. Effective July 1, 2011 employees were required to contribute 3.00% of their salary to their FRS account. The City of High Springs, Florida's contributions to the FRS for the years ended September 30, 2013, 2012 and 2011, were \$198,473, \$141,188, and \$272,708, respectively.

Other Postemployment Benefits (OPEB)

Plan Description

The City of High Springs has previously established and maintains an employee group health insurance plan (the Plan) that it makes available to eligible retirees in accordance with the State of Florida law and City ordinance. The Plan is a single employer, experience rated insurance plan that provides medical, dental and vision benefits to eligible retirees and their eligible dependents. The postretirement benefit portion of the Plan refers to the medical, dental and vision benefits applicable to current and future retirees and their eligible dependents. The Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

Membership of each plan consisted of the following:

Date of Actuarial Valuation:	<u>9/30/2011</u>
Retirees and Beneficiaries Receiving Benefits	\$ -
Active Plan Members	<u>43</u>
Total	<u><u>\$ 43</u></u>

Funding Policy

To-date, the City has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit cost and expenses. The contribution requirements of plan members, if any, are established by the City. Eligible retirees pay the full cost of blended rate premiums associated with the medical plan elected; no direct City subsidy is currently applicable. However, there are implicit costs of the medical plan for retirees, as their claims experience is higher than the blended rate premiums. State of Florida Law prohibits the City from separately rating retirees and active employees specifically for medical plan benefits. The City, therefore, assigns eligible active employees and eligible retirees equal, blended-rate premiums and makes available to both groups the same plan options. Although both groups are assigned the same blended rate premiums, generally accepted auditing principles (GAAP) requires the actuarial liabilities presented below to be calculated using age-adjusted premiums approximating claim costs for eligible retirees separate from active eligible members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

### Annual OPEB Costs and Net OPEB Obligation

The Annual OPEB Cost is the amount that was expensed for the fiscal year. Since the City's OPEB plan is currently unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution, and equals the total age-adjusted premiums paid by the City for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. The Net OPEB Obligation is reflected as a liability in the statement of net position.

The following table shows the components of the City's Annual OPEB Cost for the year and the Net OPEB Obligation.

Annual Required Contribution (ARC)	\$ 64,000
Interest on Net OPEB Obligation (NOO)	2,000
Adjustment to ARC	<u>(5,000)</u>
Annual OPEB Cost	61,000
Employer Contributions Made	<u>(1,000)</u>
Increase/Decrease in NOO	60,000
Net OPEB Obligation, Beginning of Year	<u>162,710</u>
Net OPEB Obligation, End of Year	<u><u>\$ 222,710</u></u>

### Schedule of Employer Contributions

Year Ended September 30	ARC	% Contributed	Annual OPEB Cost	% Contributed
2011	\$ 64,000	2%	\$ 61,000	2%
2012	64,000	2%	61,000	2%
2013	<u>64,000</u>	<u>2%</u>	<u>61,000</u>	<u>2%</u>
	<u><u>\$ 192,000</u></u>	<u><u>6%</u></u>	<u><u>\$ 183,000</u></u>	<u><u>6%</u></u>

### Schedule of Funding Process

	(1)	(2)	(3)		(4)	UAAL As % of Covered Payroll (3)/(4)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1)/(2)	Covered Payroll	
October 1, 2011	<u><u>\$ -</u></u>	<u><u>\$ 211,000</u></u>	<u><u>\$ 211,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,613,000</u></u>	<u><u>13.1%</u></u>

### Actuarial Methods and Assumptions

The following table summarizes the actuarial methods and assumptions as of the latest actuarial valuation date:

Valuation date	October 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	15-year open period; level dollar payment
Investment return	4.0% per annum (includes inflation at 2.75% per annum)
Healthcare cost trend rate(s):	Insurance Premiums
Selected rates	10.0% for 2010/11 graded to 6.0% for 2018/19
Ultimate rate	5.0% per annum

### D. Commitments

The City is currently undergoing a project to provide for the construction of a wastewater treatment system, which will be completed in several phases. During fiscal year 2010, the City substantially completed Phases 2 and 3 of the wastewater treatment system in March 2010. The funding for each included a loan and grant from the U.S. Department of Agriculture (USDA). During 2009, the City entered into a \$1,200,000 engineering contract to begin Phases 4 construction. The City obtained a bridge loan from a regional bank to meet interim expenses. Expenditures related to Phases 2 and 3 of the wastewater treatment system project totaled approximately \$11,214 were capitalized for the year ended September 30, 2013. Construction in progress contains expenditures of approximately \$702,768 relating to the remaining phases. On August 6, 2009 the City secured funding from USDA to construct Phase 4 of the wastewater treatment system for approximately \$8,938,200. The funding will include a loan and grant from the U. S. Department of Agriculture.

### E. Deficit Fund Balance

At year end the Fire Control Fund had a deficit fund balance of \$88,813. This fund balance will be funded in the ensuing year through transfers from other funds.

### F. Subsequent Events

On October 1, 2012, the City entered into a capital lease agreement with Leasing 2 in the amount of \$95,762 bearing a fixed interest rate of 3.87% in order to acquire three new vehicles. This note is payable in 20 annual installments of \$5,289, including interest.

Debt service requirements to maturity including interest are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total
2014	\$ 17,708	\$ 3,447	\$ 21,155
2015	18,402	2,753	21,155
2016	19,124	2,031	21,155
2017	19,874	6,087	25,961
2018	20,654	501	21,155
Total	<u>\$ 95,762</u>	<u>\$ 14,819</u>	<u>\$ 110,581</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HIGH SPRINGS, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GENERAL FUND  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,059,293	\$ 2,367,374	\$ 2,265,856	\$ (101,518)
Licenses and permits	41,500	128,015	136,072	8,057
Intergovernmental	422,372	495,702	456,740	(38,962)
Charges for service	148,300	165,697	152,951	(12,746)
Fines and forfeitures	16,250	12,332	11,383	(949)
Rents and royalties	27,500	33,617	31,031	(2,586)
Interest	3,500	1,524	1,406	(118)
Miscellaneous	2,000	9,545	11,049	1,504
Total revenues	2,720,715	3,213,806	3,066,488	(147,318)
<b>EXPENDITURES</b>				
Current:				
General government	708,507	873,595	805,820	67,775
Public safety	1,208,596	1,350,637	1,247,656	102,981
Physical environment	41,535	41,533	38,339	3,194
Transportation	374,650	368,308	339,972	28,336
Culture/recreation	89,960	45,505	88,197	(42,692)
Debt service:				
Principal	41,350	44,793	41,685	3,108
Interest	4,330	4,687	4,562	125
Capital outlay:				
General government	-	-	15,622	(15,622)
Public safety	-	13,245	20,012	(6,767)
Transportation	280,719	1,909	1,763	146
Culture/recreation	475,173	474,605	-	474,605
Total expenditures	3,224,820	3,218,817	2,603,628	615,189
Excess (deficiency) of revenues over (under) expenditures	(504,105)	(5,011)	462,860	467,871
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	2,000	11,037	10,188	(849)
Proceeds from debt	-	-	15,622	15,622
Contributions	5,000	2,143	10,680	8,537
Operating transfers in	255,559	276,856	255,559	(21,297)
Operating transfers out	(359,260)	(485,572)	(359,260)	126,312
Total other financing sources (uses)	(96,701)	(195,536)	(67,211)	128,325
Net change in fund balances	(600,806)	(200,547)	395,649	596,196
Fund balance, beginning of year	930,640	930,640	930,640	-
Fund balance, end of year	\$ 329,834	\$ 730,093	\$ 1,326,289	\$ 596,196

CITY OF HIGH SPRINGS, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES -  
SPECIAL REVENUE FUNDS  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Fire Control				Downtown Development			
	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 189,279	\$ 209,324	\$ 193,222	\$ (16,102)
Intergovernmental revenue	151,700	169,394	156,364	(13,030)	-	-	-	-
Charges for service	186,800	207,002	191,079	(15,923)	-	-	-	-
Interest	300	110	102	(8)	200	60	54	(6)
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	<u>338,800</u>	<u>376,506</u>	<u>347,545</u>	<u>(28,961)</u>	<u>189,479</u>	<u>209,384</u>	<u>193,276</u>	<u>(16,108)</u>
EXPENDITURES								
Current:								
Public safety	610,515	588,880	701,048	(112,168)	-	-	-	-
Economic environment	-	-	-	-	189,479	94,466	87,199	7,267
Debt Service:								
Principal	31,656	30,394	31,704	(1,310)	-	-	-	-
Interest	1,304	2,556	1,467	1,089	-	-	-	-
Capital outlay:								
Public safety	620,619	669,999	616,340	53,659	-	-	-	-
Economic environment	-	-	-	-	9,500	-	-	-
Total expenditures	<u>1,264,094</u>	<u>1,291,829</u>	<u>1,350,559</u>	<u>(58,730)</u>	<u>198,979</u>	<u>94,466</u>	<u>87,199</u>	<u>7,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(925,294)</u>	<u>(915,323)</u>	<u>(1,003,014)</u>	<u>(87,691)</u>	<u>(9,500)</u>	<u>114,918</u>	<u>106,077</u>	<u>(8,841)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	359,260	485,572	359,260	(126,312)	-	-	-	-
Transfers out	(25,000)	(27,084)	(25,000)	2,084	-	-	-	-
Contributions	-	190	175	(15)	-	-	-	-
Proceeds from debt sources	320,619	347,337	320,619	(26,718)	85,800	-	-	-
Total sources (uses)	<u>654,879</u>	<u>806,015</u>	<u>655,054</u>	<u>(150,961)</u>	<u>85,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(270,415)	(109,308)	(347,960)	(238,652)	76,300	114,918	106,077	(8,841)
Fund balances, beginning of year	259,147	259,147	259,147	-	44,116	44,116	44,116	-
Fund balances, end of year	<u>\$ (11,268)</u>	<u>\$ 149,839</u>	<u>\$ (88,813)</u>	<u>\$ (238,652)</u>	<u>\$ 120,416</u>	<u>\$ 159,034</u>	<u>\$ 150,193</u>	<u>\$ (8,841)</u>

OTHER SUPPLEMENTARY INFORMATION

CITY OF HIGH SPRINGS, FLORIDA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2013

	Cemetery Trust	Sports Activity	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash	\$ 120,065	\$ 11,463	131,528
Total assets	\$ 120,065	\$ 11,463	\$ 131,528
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ -	\$ -	\$ -
Total liabilities	-	-	-
<b>FUND BALANCES</b>			
Assigned for:			
Culture and recreation	-	11,463	11,463
Physical environment	120,065	-	120,065
Total fund balances	120,065	11,463	131,528
Total liabilities and fund balances	\$ 120,065	\$ 11,463	\$ 131,528

CITY OF HIGH SPRINGS, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

	Cemetery Trust	Sports Activity	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Cemetery lot sales	\$ 18,600	\$ -	\$ 18,600
Interest	136	-	136
Total revenues	<u>18,736</u>	<u>-</u>	<u>18,736</u>
<b>EXPENDITURES</b>			
Current:			
Physical environment	1,080	-	1,080
Capital outlay:			
Physical environment	6,060	-	6,060
Total expenditures	<u>7,140</u>	<u>-</u>	<u>7,140</u>
Excess of revenues over expenditures	<u>11,596</u>	<u>-</u>	<u>11,596</u>
Net change in fund balances	11,596	-	11,596
Fund balance, beginning of year	108,469	11,463	119,932
Fund balance, end of year	<u>\$ 120,065</u>	<u>\$ 11,463</u>	<u>\$ 131,528</u>

CITY OF HIGH SPRINGS, FLORIDA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013

Federal/State Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor's Contract Number	Program Award	Reported in Prior Years	Expenditures	Match
<b>FEDERAL AWARDS</b>						
<i>Major awards</i>						
United States Department of Agriculture Water and Waste Disposal Systems for Rural Communities	10.760		\$ 4,050,000	\$ 3,028,763	\$ 653,216	\$ -
<b>Total major awards</b>			<u>4,050,000</u>	<u>3,028,763</u>	<u>653,216</u>	<u>-</u>
<i>Non-major awards</i>						
United States Department of Agriculture Florida Department of Agriculture and Consumer Services Division of Forestry-Volunteer Fire Assistance Grant	10.664		3,230	-	3,230	3,230
<b>Total U.S. Department of Agriculture</b>			<u>3,230</u>	<u>-</u>	<u>3,230</u>	<u>3,230</u>
United States Department of Justice Passed through State of Florida, Department of Law Enforcement Justice Assistance Grant	16.738	2013-JAGD-ALAC- 1-D7-181	4,500	-	4,439	-
Passed through State of Florida, Department of Law Enforcement Edward Byrne Memorial Justice Grant	16.738	2013-JAGD-ALAC- 2-D8-046	1,048	-	916	-
<b>Total U.S. Department of Justice</b>			<u>5,548</u>	<u>-</u>	<u>5,355</u>	<u>-</u>
<b>Total non-major awards</b>			<u>8,778</u>	<u>-</u>	<u>8,585</u>	<u>3,230</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 4,058,778</u>	<u>\$ 3,028,763</u>	<u>\$ 661,801</u>	<u>\$ 3,230</u>

Note 1: The accompanying schedule of expenditures of federal awards is presented on the same basis of accounting as the basic financial statements.

See accompanying notes to financial statements.

SINGLE AUDIT AND COMPLIANCE SECTION

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

To the Mayor and Members  
of the City Commission  
City of High Springs, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of High Springs, 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 High Springs, Florida's basic financial statements, and have issued our report thereon dated June 5, 2014.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of High Springs, 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 High Springs, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of City of High Springs, 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, material weaknesses may exist that have not been identified.

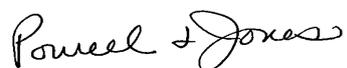
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of High Springs, 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.

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

POWELL & JONES  
Certified Public Accountants  
June 5, 2014

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

To the Mayor and Members  
of the City Commission  
City of High Springs, Florida

Report on Compliance for Each Major Federal Program

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

*Management's Responsibility*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of the City of High Springs, 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, 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 High Springs, 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 High Springs, Florida's compliance.

*Opinion on Each Major Federal Program*

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

Report on Internal Control Over Compliance

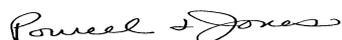
Management of the City of High Springs, Florida, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to

above. In planning and performing our audit of compliance, we considered the City of High Springs, 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 High Springs, 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 5, 2014

CITY OF HIGH SPRINGS, 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?	None reported
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
---	-------------

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No
--	----

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
---	-----------

Auditee qualified as low-risk auditee?	No
--	----

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

## MANAGEMENT LETTER

To The City Commission  
City of High Springs, Florida

We have audited the financial statements of the City of High Springs, Florida, as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated May 5, 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

2011-1 (second preceding year)  
Interfund Transfers to General Fund

In the prior year, it was noted that the City's General Fund received transfers from the following funds for administrative service allocations: Downtown Development, Cemetery Trust, Fire Control, Water Enterprise, and Sewer Enterprise. The amounts transferred were apparently based upon allocations determined several years ago that had not been updated for current conditions. It was recommended that the City undertake a study to determine the actual amounts that should be transferred to properly compensate the General Fund for services rendered to these funds.

The City subsequently commissioned a study to document these allocated costs. The results of this study indicated that the current interfund transfers should be adjusted to more fully reflect the correct allocation of General Fund services to the other funds. We again recommend that the City develop a plan to implement the changes through the annual budget process. If less than full reimbursements are made, the reductions should be made on a pro rata basis among all reimbursing funds.

### CURRENT YEAR FINDINGS

2013-1  
Purchase Orders

From our audit of disbursements we found several instances where purchase orders were signed as approved after the related invoice dates. All of these instances were for Police Department purchases.

For proper utilization of the purchase order system, a control should be implemented to assure that all applicable purchases have purchase orders issued and approved prior to each purchase being made.

2013-2  
Payroll Cafeteria Plan

From our audit of selected payroll transactions, we found that certain employee health insurance deductions were treated on a pretax basis as allowed by IRS Section 125 "Cafeteria Plan". Although the City Commission adopted a resolution authorizing the City's participation in such a plan, we could not find where a written plan in compliance with Section 125 was actually adopted. To validate the continuation of the existing Cafeteria Plan, we recommend that either the existing plan be located or that a plan meeting the requirements of Section 125 be adopted by the City.

2013-3  
USDA Revenue Bond Reserves

From our audit procedures regarding the City's outstanding bonds, we found that the required reserve accounts were underfunded at September 30, 2013 as follows:

<u>Issue</u>	<u>Required</u>	<u>Actual</u>	<u>Deficit</u>
Series 2009: Reserves	<u>\$ 130,814</u>	<u>\$ 36,385</u>	<u>\$ (94,429)</u>

We recommend that the City develop a plan to fully fund this reserve.

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 High Springs, 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 not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

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

## CONCLUSION

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with our 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 5, 2014

# Town of Penney Farms

Established 1927

4100 Clark Avenue P O Box 1041 Penney Farms, Florida 32079-1041

904) 529-907 8

February 14, 2014

David W. Martin, Auditor General  
Claude Denson Pepper Building  
111 West Madison Street, Rm. 401  
Tallahassee FL 32399-1450

FY Ending September 30, 2013 – Auditor Response

Dear Mr. Martin:

Regarding our audit as per reference above, our response is as follows:

**Payroll Transactions** - The proper form will be presented to individual staff members to authorize deductions from their pay check. One form will be used to obtain life, dental, and health insurance, along with criminal and financial background checks. They will also authorize other deductions that the employee may wish to have such as additional Federal Income Tax and Child Support. This form will be reviewed with the employee annually. Two copies will be made, one for the employee file and one for the employee.

**On Line Checks** – We have discontinued the use of online payments of invoices totally as of January 1, 2014 with exception of quarterly payments for building surcharges paid to the Florida Department of Business & Professional Regulations. Very few electronic checks were written once the auditor brought this to our attention. The few electronic checks written were during the months of Oct. Nov. and Dec of 2013 the first quarter of the fiscal year. We agree that this process does not conform to the controls that we have set forth regarding payables. However, it should be noted that all invoices were approved with a double signature and each electronic check written had a printed request form along that required a double signature for approval. Once the payment was entered a copy of the check was printed. These forms were attached to the invoice showing that the invoice was paid electronically. This documentation reflected what was paid, when it was paid and how much was paid with the appropriate approval signatures. It is important to our staff and council that the auditor confirms there were no discrepancies during the period of online - bill paying.

**Employee Bonus** - The amount given to employees in December is approved by the Human Resource committee, the Finance Committee and the Town Council when they review and approve the fiscal year budget which includes a payroll plan. We do not call this employee check a bonus, but refer to it as an incentive which is calculated within the annual salary. It is reported as such with taxes deducted for Medicare and Social Security along with each ones individual Federal Income Tax. The incentive is calculated and based on gross pay, posted and printed as an unscheduled pay check.

**Utility Receipt Numbers** - This issue was addressed with the company that supports our billing computer program. They were aware that this happens but infrequently which prevents them from discovering the cause. The original company that created the program merged with a new company and their response was to send us information to purchase a new billing program. Staff is not responsible for this error. However we will watch closely through this year and note the numerical task numbers and report any discrepancies along with the vision and investigation of purchasing a new billing program.

Sincerely,



Martina C. Kohler,  
Town Manager

MCK/ejt