

# DRAFT

**CITY OF HIGH SPRINGS, FLORIDA**

**ANNUAL FINANCIAL REPORT**

**September 30, 2014**

CITY OF HIGH SPRINGS, FLORIDA  
ANNUAL FINANCIAL REPORT  
September 30, 2014

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## INDEPENDENT AUDITOR'S REPORT

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, 2014, 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, 2014, 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 and 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 March 25, 2015, 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  
March 25, 2015

**CITY OF HIGH SPRINGS, FLORIDA  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014**

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, 2014.

**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 - 39 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 46 - 47 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 \$14,029,041 at the close of the most recent fiscal year.

By far the largest portion of the City of High Springs, Florida's net position (89 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,010,354	\$ 1,666,046	\$ 707,983	\$ 1,145,373	\$ 2,718,337	\$ 2,811,419
Capital assets	5,268,587	5,260,886	15,789,663	16,017,543	21,058,250	21,278,429
Total assets	<u>7,278,941</u>	<u>6,926,932</u>	<u>16,497,646</u>	<u>17,162,916</u>	<u>23,776,587</u>	<u>24,089,848</u>
Total deferred outflows of resources	-	-	18,117	18,741	18,117	18,741
	<u>-</u>	<u>-</u>	<u>18,117</u>	<u>18,741</u>	<u>18,117</u>	<u>18,741</u>
Long-term liabilities outstanding	596,500	750,461	8,038,547	8,170,817	8,635,047	8,921,278
Other liabilities	700,201	342,524	430,415	879,407	1,130,616	1,221,931
Total liabilities	<u>1,296,701</u>	<u>1,092,985</u>	<u>8,468,962</u>	<u>9,050,224</u>	<u>9,765,663</u>	<u>10,143,209</u>
Net position:						
Invested in capital assets, net of related debt	4,779,770	4,832,989	7,667,280	7,527,671	12,447,050	12,360,660
Restricted	700,784	365,850	402,547	557,832	1,103,331	923,682
Unrestricted	501,686	635,108	(23,026)	45,930	478,660	681,038
	<u>\$ 5,982,240</u>	<u>\$ 5,833,947</u>	<u>\$ 8,046,801</u>	<u>\$ 8,131,433</u>	<u>\$ 14,029,041</u>	<u>\$ 13,965,380</u>

An additional portion of the City of High Springs, Florida's net position (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$478,660) 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 increased the City of High Springs, Florida's net position by \$148,293 due to an decrease in public safety expenditures.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 386,021	\$ 362,630	\$ 2,103,953	\$ 1,824,333	\$ 2,489,974	\$ 2,186,963
Operating grants and contributions	6,388	10,738	-	-	6,388	10,738
Capital grants and contributions	-	8,702	316,365	653,216	316,365	661,918
<b>General revenues:</b>						
Taxes	2,087,312	2,459,078	-	-	2,087,312	2,459,078
Other	1,230,283	795,752	8,091	5,905	1,238,374	801,657
<b>Total revenues</b>	<u>3,710,004</u>	<u>3,636,900</u>	<u>2,428,409</u>	<u>2,483,454</u>	<u>6,138,413</u>	<u>6,120,354</u>
<b>Expenses:</b>						
General government	928,150	895,888	-	-	928,150	895,888
Public safety	2,196,091	2,221,373	-	-	2,196,091	2,221,373
Physical environment	53,243	48,882	-	-	53,243	48,882
Transportation	428,318	444,998	-	-	428,318	444,998
Economic environment	176,875	131,782	-	-	176,875	131,782
Culture and recreation	211,644	175,195	-	-	211,644	175,195
Water	-	-	350,524	297,013	350,524	297,013
Solid waste	-	-	488,267	488,876	488,267	488,876
Sewer	-	-	861,254	859,306	861,254	859,306
Debt service	23,422	6,029	350,894	355,035	374,316	361,064
<b>Total expenses</b>	<u>4,017,743</u>	<u>3,924,147</u>	<u>2,050,939</u>	<u>2,000,230</u>	<u>6,068,682</u>	<u>5,924,377</u>
Increase (decrease) in net position before transfers	(307,739)	(287,247)	377,470	483,224	69,731	195,977
Gain on disposal of fixed assets	-	8,364	-	-	-	8,364
Transfers	462,102	230,559	(462,102)	(230,559)	-	-
Increase (decrease) in net position	154,363	(48,324)	(84,632)	252,665	69,731	204,341
<b>Net position,</b>						
beginning of year	5,833,947	5,882,271	8,131,433	7,878,768	13,965,380	13,761,039
Prior period adjustment	(6,070)	-	-	-	(6,070)	-
<b>Net position,</b>						
end of year	<u>\$ 5,982,240</u>	<u>\$ 5,833,947</u>	<u>\$ 8,046,801</u>	<u>\$ 8,131,433</u>	<u>\$ 14,029,041</u>	<u>\$ 13,965,380</u>

**Business-type activities.** Business-type activities decreased the City of High Springs, Florida's net position by \$84,642, due to a decrease in utility revenue and an increase 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 \$1,601,510 an increase of \$82,313 in comparison with the prior year. Approximately 27 percent of this total amount \$426,147 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 \$520,328 and total fund balance of the general fund was \$1,367,113. 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 \$40,824 during the current fiscal year due to delaying large capital projects in the transportation department.

**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 \$115,895, \$90,461, and \$(211,265), respectively. The decreases in net position for the Water, Solid Waste and Sewer funds were \$13,276, \$384 and \$70,972, 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, 2014 amounts to \$21,058,250 (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 decrease in the City of High Springs, Florida's investment in capital assets for the current fiscal year was \$220,179.

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 Reroof living area
- New Police Vehicle

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 631,590	\$ 631,590	\$ 404,668	\$ 404,668	\$ 1,036,258	\$ 1,036,258
Buildings	2,047,471	2,122,243	1,651,195	1,708,676	3,698,666	3,830,919
Improvements other than buildings	1,831,949	1,716,418	13,435,590	13,229,907	15,267,539	14,946,325
Construction in progress	-	-	262,612	625,776	262,612	625,776
Machinery and equipment	757,577	790,635	35,598	48,516	793,175	839,151
Total	<u>\$ 5,268,587</u>	<u>\$ 5,260,886</u>	<u>\$ 15,789,663</u>	<u>\$ 16,017,543</u>	<u>\$ 21,058,250</u>	<u>\$ 21,278,429</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 \$8,140,500. 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	
	2014	2013	2014	2013	2014	2013
Leases payable	\$ 488,817	\$ 492,950	\$ -	\$ -	\$ 488,817	\$ 492,950
Notes payable	-	58,194	-	211,412	-	269,606
Revenue bonds	-	-	8,140,500	8,278,460	8,140,500	8,278,460
Total	<u>\$ 488,817</u>	<u>\$ 551,144</u>	<u>\$ 8,140,500</u>	<u>\$ 8,489,872</u>	<u>\$ 8,629,317</u>	<u>\$ 9,041,016</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 accepted a CDBG grant on July 25, 2014. Estimated total project cost: \$700,000 in CDBG funds plus \$125,000 local match, totaling \$285,000. The activities in this project include the replacement of the existing potable water lines in service area #1 utilizing \$644,000 in CDBG funds and \$83,800 in local government matching funds from the City's Water and Sewer Enterprise Funds. The project also includes \$41,200 in local Water and Sewer Enterprise Funds to pay for the Engineering fees associated with bidding and Construction Observation Services for the project. Administration of the project will be carried out utilizing \$56,000 of CDBG grant funding.
- The City accepted the USDA Letter of Conditions on May 5, 2014 for the construction of a Farmer's Market Pavilion. The grant was obligated on May 28, 2014. The area around High Springs has a growing number of small farmers, crafters and bakers. The farmer's market has become an important sales outlet for a number of these small and emerging businesses. The pavilion will provide shelter to the vendors as well as the consumer's, there will also be room for the growth with the extra water and electric hookups for additional vendors not located in the pavilion.
- The City has conservatively budgeted income in the areas of property taxes, gas tax and sales tax for FY 2013-2014 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.
- The City has a goal for the Civic Center Park expansion, replacing/upgrading the lights to the Musco light system. Tearing down the bathrooms and building a concession stand with bathrooms. Replacing the playground equipment. Resurfacing the tennis courts, basketball courts and adding a shuffleboard/dodgeball multi-sport court. Adding scoreboards and irrigation to all fields. FY 2014-2015 has \$30,000 budgeted that will be carried over to 2015-2016 and with an additional \$30,000 added will replace the playground equipment. The City is working on grants funds for the lights and adding the other items to the five to ten year plan.

All of these factors were considered in preparing the City of High Springs, Florida's budget for the 2014-2015 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, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,743,752	\$ -	\$ 1,743,752
Investments	-	28	28
Interest Receivable	225	-	225
Receivables, net of allowance for uncollectibles	72,299	173,703	246,002
Due from other governments	56,851	-	56,851
Due (to) from other funds	124,257	(124,257)	-
Inventories	-	57,528	57,528
Prepaid expenses	12,970	-	12,970
Restricted cash	-	600,981	600,981
Capital assets, not being depreciated	631,590	667,280	1,298,870
Capital assets, being depreciated, net	4,636,997	15,122,383	19,759,380
Total assets	<u>\$ 7,278,941</u>	<u>\$ 16,497,646</u>	<u>\$ 23,776,587</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	18,117	18,117
Total deferred outflows of resources	<u>-</u>	<u>18,117</u>	<u>18,117</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 404,552	\$ 253,853	\$ 658,405
Accrued interest payable	-	28,209	28,209
Deferred revenue	4,292	-	4,292
Noncurrent liabilities:			
Due within one year	291,357	148,353	439,710
Due in more than one year	596,500	8,038,547	8,635,047
Total liabilities	<u>1,296,701</u>	<u>8,468,962</u>	<u>9,765,663</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	4,779,770	7,667,280	12,447,050
Restricted for:			
Debt service	-	288,448	288,448
Capital projects	-	114,099	114,099
Physical environment	120,065	-	120,065
Economic environment	197,050	-	197,050
Transportation	372,206	-	372,206
Cultural environment	11,463	-	11,463
Unrestricted	501,686	(23,026)	478,660
Total net position	<u>\$ 5,982,240</u>	<u>\$ 8,046,801</u>	<u>\$ 14,029,041</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, 2014

DRAFT

	General Fund	Special Revenue			Other Governmental Funds	Total Governmental Funds
		Fire Control Fund	Downtown Development Fund			
<b>ASSETS</b>						
Cash	\$ 1,540,865	\$ -	\$ 50	\$ -	\$ -	\$ 1,540,915
Certificates of deposit	202,837	-	-	-	-	202,837
Receivables, net	72,299	-	-	-	-	72,299
Interest Receivable	225	-	-	-	-	225
Due from other governments	56,851	-	-	-	-	56,851
Due from other funds	-	-	197,000	131,528	-	328,528
Prepaid expenses	12,970	-	-	-	-	12,970
Total assets	<u>\$ 1,886,047</u>	<u>\$ -</u>	<u>\$ 197,050</u>	<u>\$ 131,528</u>	<u>\$ -</u>	<u>\$ 2,214,625</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 346,457	\$ 6,801	\$ -	\$ -	\$ -	\$ 353,258
Accrued liabilities	36,755	14,539	-	-	-	51,294
Due to other funds	131,430	72,841	-	-	-	204,271
Deferred revenue	4,292	-	-	-	-	4,292
Total liabilities	<u>\$ 518,934</u>	<u>\$ 94,181</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 613,115</u>
<b>FUND BALANCES</b>						
Restricted						
Transportation	372,206	-	-	-	-	372,206
Economic environment	-	-	197,050	-	-	197,050
Culture/Recreation	474,579	-	-	-	-	474,579
Assigned						
Physical Environment	-	-	-	120,065	-	120,065
Culture/Recreation	-	-	-	11,463	-	11,463
Unassigned						
General fund	520,328	(94,181)	-	-	-	426,147
Total fund balances	<u>1,367,113</u>	<u>(94,181)</u>	<u>197,050</u>	<u>131,528</u>	<u>-</u>	<u>1,601,510</u>
Total liabilities and fund balances	<u>\$ 1,886,047</u>	<u>\$ -</u>	<u>\$ 197,050</u>	<u>\$ 131,528</u>	<u>\$ -</u>	<u>\$ -</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	5,268,587
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.	(887,857)
Net position of governmental activities	<u>\$ 5,982,240</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, 2014**

	General Fund	Special Revenue		Other Governmental Funds	Governmental Funds
		Fire Control	Downtown Development Funds		
<b>REVENUES</b>					
Taxes	\$ 1,895,284	\$ -	\$ 192,028	\$ -	\$ 2,087,312
Licenses and permits	159,294	-	-	-	159,294
Intergovernmental	471,489	148,002	-	-	619,491
Charges for service	163,474	222,547	-	-	386,021
Franchise fees	366,362	-	-	-	366,362
Fines and forfeitures	20,809	-	-	-	20,809
Rents and royalties	26,672	-	-	-	26,672
Cemetery lot sales	-	-	-	25,800	25,800
Interest	1,805	104	55	138	2,102
Miscellaneous	15,709	-	-	-	15,709
<b>Total revenues</b>	<b>3,120,898</b>	<b>370,653</b>	<b>192,083</b>	<b>25,938</b>	<b>3,709,572</b>
<b>EXPENDITURES</b>					
Current:					
General government	901,170	-	-	-	901,170
Public safety	1,259,363	735,181	-	-	1,994,544
Physical environment	45,078	-	-	5,307	50,385
Transportation	327,299	-	-	-	327,299
Economic environment	-	-	132,417	-	132,417
Culture/recreation	126,312	-	-	-	126,312
Debt service:					
Principal	122,862	35,228	-	-	158,090
Interest	12,277	11,145	-	-	23,422
Capital outlay:					
Public safety	100,759	76,151	-	-	176,910
Transportation	282,197	-	-	-	282,197
Economic environment	-	-	12,809	-	12,809
<b>Total expenditures</b>	<b>3,177,317</b>	<b>857,705</b>	<b>145,226</b>	<b>5,307</b>	<b>4,185,555</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(56,419)</b>	<b>(487,052)</b>	<b>46,857</b>	<b>20,631</b>	<b>(475,983)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Loan proceeds	58,621	37,141	-	-	95,762
Contributions	-	432	-	-	432
Transfers in	517,377	478,755	-	-	996,132
Transfers out	(478,755)	(34,644)	-	(20,631)	(534,030)
<b>Total other financing sources (uses)</b>	<b>97,243</b>	<b>481,684</b>	<b>-</b>	<b>(20,631)</b>	<b>558,296</b>
<b>Net change in fund balances</b>	<b>40,824</b>	<b>(5,368)</b>	<b>46,857</b>	<b>-</b>	<b>82,313</b>
<b>Fund balances, beginning of year</b>	<b>1,326,289</b>	<b>(88,813)</b>	<b>150,193</b>	<b>131,528</b>	<b>1,519,197</b>
<b>Fund balances, end of year</b>	<b>\$ 1,367,113</b>	<b>\$ (94,181)</b>	<b>\$ 197,050</b>	<b>\$ 131,528</b>	<b>\$ 1,601,510</b>

The accompanying notes to financial statements are an integral 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, 2014**

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

Net change in fund balances-total governmental funds		\$ 82,313
<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	471,916	
Less current year depreciation	(458,145)	13,771
<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	(95,762)	
Less note principal payments	158,090	62,328
<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		(4,049)
Change in net position of governmental activities		\$ 154,363

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, 2014**

	Business-type Activities - Enterprise Funds			
	Water	Solid Waste	Sewer	Totals
<b>ASSETS</b>				
Current assets:				
Investments	\$ 28	\$ -	\$ -	\$ 28
Restricted cash:				
Customer deposits	103,505	94,929	-	198,434
Revenue bond covenant accounts	28,000	-	260,448	288,448
Capital Improvements	-	-	10,823	10,823
Impact fee	35,392	-	67,884	103,276
Accounts receivable, net	55,309	64,192	54,202	173,703
Due from other funds	105,823	66,225	28,000	200,048
Inventories	24,978	-	32,550	57,528
Total current assets	<u>353,035</u>	<u>225,346</u>	<u>453,907</u>	<u>1,032,288</u>
Noncurrent assets:				
Capital assets, not being depreciated	31,668	-	635,612	667,280
Capital assets, being depreciated, net	659,408	-	14,462,975	15,122,383
Total noncurrent assets	<u>691,076</u>	<u>-</u>	<u>15,098,587</u>	<u>15,789,663</u>
<b>Total Assets</b>	<u><b>1,044,111</b></u>	<u><b>225,346</b></u>	<u><b>15,552,494</b></u>	<u><b>16,821,951</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	-	-	18,117	18,117
<b>Total Assets and Deferred Outflows of Resources</b>	<u><b>\$ 1,044,111</b></u>	<u><b>\$ 225,346</b></u>	<u><b>\$ 15,570,611</b></u>	<u><b>\$ 16,840,068</b></u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 388	\$ 39,956	\$ 10,422	\$ 50,766
Accrued liabilities	2,356	-	2,297	4,653
Due to other funds	28,000	-	296,305	324,305
Compensated absences	4,703	-	-	4,703
Accrued interest payable	219	-	27,990	28,209
Customer deposits payable	103,505	94,929	-	198,434
Revenue bonds payable, current portion	28,000	-	115,650	143,650
Total current liabilities	<u>167,171</u>	<u>134,885</u>	<u>452,664</u>	<u>754,720</u>
Noncurrent liabilities:				
Compensated absences	11,376	-	-	11,376
Accrued long term employee benefits	23,201	-	7,120	30,321
Revenue bonds payable	-	-	7,996,850	7,996,850
Total noncurrent liabilities	<u>34,577</u>	<u>-</u>	<u>8,003,970</u>	<u>8,038,547</u>
<b>Total Liabilities</b>	<u><b>201,748</b></u>	<u><b>134,885</b></u>	<u><b>8,456,634</b></u>	<u><b>8,793,267</b></u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	663,076	-	6,986,087	7,649,163
Restricted for:				
Debt service	28,000	-	260,448	288,448
Capital projects	35,392	-	78,707	114,099
Unrestricted	115,895	90,461	(211,265)	(4,909)
<b>Total Net Position</b>	<u><b>\$ 842,363</b></u>	<u><b>\$ 90,461</b></u>	<u><b>\$ 7,113,977</b></u>	<u><b>\$ 8,046,801</b></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 NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds			Totals
	Water	Solid Waste	Sewer	
<b>Operating revenues</b>				
Water service	\$ 631,496	\$ -	\$ -	\$ 631,496
Garbage/solid waste service	-	671,013	-	671,013
Garbage penalties	-	21,330	-	21,330
Sewer service	-	-	673,430	673,430
Impact fees	9,000	-	74,200	83,200
Miscellaneous income	22,820	664	-	23,484
<b>Total operating revenues</b>	<u>663,316</u>	<u>693,007</u>	<u>747,630</u>	<u>2,103,953</u>
<b>Operating expenses</b>				
Personnel services	98,729	-	102,699	201,428
Operating expenses	207,414	488,267	312,444	1,008,125
Depreciation	44,381	-	446,111	490,492
<b>Total operating expenses</b>	<u>350,524</u>	<u>488,267</u>	<u>861,254</u>	<u>1,700,045</u>
<b>Operating income (loss)</b>	<u>312,792</u>	<u>204,740</u>	<u>(113,624)</u>	<u>403,908</u>
<b>Nonoperating revenues (expenses)</b>				
Interest income	7,160	-	931	8,091
Interest expense	(2,750)	-	(347,520)	(350,270)
Grant revenue	-	-	316,365	316,365
Amortization of bond issuance costs	-	-	(624)	(624)
<b>Total nonoperating revenues (expenses)</b>	<u>4,410</u>	<u>-</u>	<u>(30,848)</u>	<u>(26,438)</u>
<b>Income before transfers</b>	<u>317,202</u>	<u>204,740</u>	<u>(144,472)</u>	<u>377,470</u>
<b>Transfers in</b>	-	-	73,500	73,500
<b>Transfers out</b>	<u>(330,478)</u>	<u>(205,124)</u>	<u>-</u>	<u>(535,602)</u>
<b>Change in net position</b>	(13,276)	(384)	(70,972)	(84,632)
<b>Total net position, beginning of year</b>	855,639	90,845	7,184,949	8,131,433
<b>Total net position, end of year</b>	<u>\$ 842,363</u>	<u>\$ 90,461</u>	<u>\$ 7,113,977</u>	<u>\$ 8,046,801</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, 2014**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Solid Waste</b>	<b>Sewer</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 665,483	\$ 690,644	\$ 739,078	\$ 2,095,205
Cash payments to suppliers for goods and services	(210,168)	(488,038)	(521,268)	(1,219,474)
Cash payments to employees	(94,513)	-	(105,075)	(199,588)
Net cash provided by operating activities	<u>360,802</u>	<u>202,606</u>	<u>112,735</u>	<u>676,143</u>
<b>Cash flows from noncapital financing activities</b>				
Transfers in from other funds	-	-	335,574	335,574
Transfers out to other funds	(459,208)	(197,531)	-	(656,739)
Net cash provided by (used in) noncapital financing activities	<u>(459,208)</u>	<u>(197,531)</u>	<u>335,574</u>	<u>(321,165)</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition and construction of fixed assets	-	-	(262,612)	(262,612)
Proceeds from capital grants	-	-	392,510	392,510
Interest paid on bonds	(2,735)	-	(347,083)	(349,818)
Principal paid on bonds	(27,000)	-	(322,372)	(349,372)
Net cash used in capital and related financing activities	<u>(29,735)</u>	<u>-</u>	<u>(539,557)</u>	<u>(569,292)</u>
<b>Cash flows from investing activities</b>				
Interest received	7,160	-	931	8,091
<b>Net Increase (decrease) in cash and restricted cash</b>	<u>(120,981)</u>	<u>5,075</u>	<u>(90,317)</u>	<u>(206,223)</u>
<b>Cash and restricted cash, beginning of year</b>	<u>287,906</u>	<u>89,854</u>	<u>429,470</u>	<u>807,230</u>
<b>Cash and restricted cash, end of year</b>	<u>\$ 166,925</u>	<u>\$ 94,929</u>	<u>\$ 339,153</u>	<u>\$ 601,007</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>				
Operating income (loss)	\$ 312,792	\$ 204,740	\$ (113,624)	\$ 403,908
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	44,381	-	446,111	490,492
Increase in accounts receivable	(1,837)	(7,438)	(8,552)	(17,827)
Decrease in inventories	7,195	-	24,719	31,914
Increase (decrease) in accounts payable	(9,948)	229	(233,543)	(243,262)
Decrease in accrued expenses	(1,100)	-	(1,174)	(2,274)
Increase (decrease) in compensated absences	5,314	-	(1,202)	4,112
Increase in customer deposits	4,005	5,075	-	9,080
Total adjustments	<u>48,010</u>	<u>(2,134)</u>	<u>226,359</u>	<u>272,235</u>
<b>Net cash provided by operating activities</b>	<u>\$ 360,802</u>	<u>\$ 202,606</u>	<u>\$ 112,735</u>	<u>\$ 676,143</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, 2014**

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

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

**CITY OF HIGH SPRINGS, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**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.

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:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 60
Improvements other than buildings	15
Machinery and equipment	5 - 15

## **6. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities,. The statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

## **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, 2014, 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, 2014, fund balances are composed of the following:

	<u>Governmental Funds</u>
Restricted, Transportation	\$ 372,206
Restricted, Downtown development	197,050
Restricted, Recreation	474,579
Assigned, Cemetery trust	120,065
Assigned, Recreation	11,463
Unassigned	426,147
	<u>\$ 1,601,510</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. The City does not currently have in place a formal fund balance policy.

### 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, 2014, net position balances are composed of the following:

	<u>Amount</u>
Invested in capital assets, net	\$ 7,667,280
Restricted, Debt service	288,448
Restricted, Capital projects	114,099
Unrestricted	(23,026)
	<u>\$ 8,046,801</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 \$1,601,510 differs from “net position” of governmental activities \$5,982,240 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	\$ 12,180,872
Accumulated depreciation	(6,912,285)
Total	<u>\$ 5,268,587</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, 2014, were:

Capital leases	\$ 488,817
Net Other Post Employment Benefits Obligation	207,677
Compensated absences	191,363
	<u>\$ 887,857</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	\$ 1,743,752	\$ -	\$ -	-	\$ 1,743,752
Accounts receivable	72,299	-	-	-	72,299
Interest receivable	225	-	-	-	225
Due from other governmental units	56,851	-	-	-	56,851
Due from other funds	328,528	-	-	(204,271)	124,257
Prepaid expenses	12,970	-	-	-	12,970
Capital assets - net	-	5,268,587	-	-	5,268,587
<b>Total assets</b>	<b>\$ 2,214,625</b>	<b>\$ 5,268,587</b>	<b>\$ -</b>	<b>\$ (204,271)</b>	<b>\$ 7,278,941</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 353,258	\$ -	\$ -	-	\$ 353,258
Accrued liabilities	51,294	-	-	-	51,294
Deferred revenue	4,292	-	-	-	4,292
Due to other funds	204,271	-	-	(204,271)	-
Capital leases	-	-	488,817	-	488,817
Accrued compensated absences	-	-	191,363	-	191,363
Post employment benefits	-	-	207,677	-	207,677
<b>Total liabilities</b>	<b>613,115</b>	<b>-</b>	<b>887,857</b>	<b>(204,271)</b>	<b>1,296,701</b>
<b>Fund balance/net position</b>	<b>1,601,510</b>	<b>5,268,587</b>	<b>(887,857)</b>	<b>-</b>	<b>5,982,240</b>
<b>Total liabilities and fund balances/net position</b>	<b>\$ 2,214,625</b>	<b>\$ 5,268,587</b>	<b>\$ -</b>	<b>\$ (204,271)</b>	<b>\$ 7,278,941</b>

**Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$13,771 difference are as follows:

Capital outlay	\$	471,916
Depreciation expense		(458,145)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities		-
	\$	<u>13,771</u>

Another element of that reconciliation explains that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this \$62,328 difference are as follows:

Loan proceeds	\$	(95,762)
Principal repayments		158,090
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities		-
	\$	<u>62,328</u>

Another element of that reconciliation explains that "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 governmental funds." The details of this \$4,049 difference are as follows:

Compensated absences	\$	(4,049)
Net adjustment to decrease net changes in fund balances- total governmental funds to arrive at changes in net position of governmental activities		-
	\$	<u>(4,049)</u>

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	\$ 2,087,312	\$ -	\$ -	\$ 2,087,312
Licenses and permits	159,294	-	-	159,294
Intergovernmental	619,491	-	-	619,491
Charges for services	386,021	-	-	386,021
Franchise fees	366,362	-	-	366,362
Fines and forfeitures	20,809	-	-	20,809
Rents and royalties	26,672	-	-	26,672
Cemetery lot sales	25,800	-	-	25,800
Interest income	2,102	-	-	2,102
Miscellaneous	15,709	-	-	15,709
Total revenues	<u>3,709,572</u>	<u>-</u>	<u>-</u>	<u>3,709,572</u>
<b>EXPENDITURES</b>				
Current expenditures				
General government	901,170	25,765	1,215	928,150
Public safety	1,994,544	199,240	2,307	2,196,091
Physical environment	50,385	2,655	203	53,243
Transportation	327,299	100,695	324	428,318
Economic development	132,417	44,458	-	176,875
Culture/recreation	126,312	85,332	-	211,644
Capital outlay				
General government	-	-	-	-
Public safety	176,910	(176,910)	-	-
Transportation	282,197	(282,197)	-	-
Economic development	12,809	(12,809)	-	-
Debt service				
Principal	158,090	-	(158,090)	-
Interest	23,422	-	-	23,422
Total expenditures	<u>4,185,555</u>	<u>(13,771)</u>	<u>(154,041)</u>	<u>4,017,743</u>
Excess of revenues over (under) expenditures	<u>(475,983)</u>	<u>13,771</u>	<u>154,041</u>	<u>(308,171)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Gain (loss) on disposal of fixed assets	-	-	-	-
Loan proceeds	95,762	-	(95,762)	-
Contributions	432	-	-	432
Transfers in	996,132	-	(534,030)	462,102
Transfers out	(534,030)	-	534,030	-
Total other financing sources (uses)	<u>558,296</u>	<u>-</u>	<u>(95,762)</u>	<u>462,534</u>
Net change in fund balance	82,313	13,771	58,279	154,363
Fund balance at beginning of year	1,519,197	5,260,886	(946,136)	5,833,947
Prior period adjustment	-	(6,070)	-	(6,070)
Fund balance at end of year	<u>\$ 1,601,510</u>	<u>\$ 5,268,587</u>	<u>\$ (887,857)</u>	<u>\$ 5,982,240</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 \$2,344,733. 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	Water	Solid Waste	Sewer	Total
Interest	\$ 225	\$ -	\$ -	\$ -	\$ 225
Taxes	70,590	-	-	-	70,590
Accounts	1,709	87,633	100,583	84,487	274,412
Intergovernmental	56,851	-	-	-	56,851
Gross receivables	129,375	87,633	100,583	84,487	402,078
Less: Allowance	-	(32,324)	(36,391)	(30,285)	(99,000)
Net total receivables	\$ 129,375	\$ 55,309	\$ 64,192	\$ 54,202	\$ 303,078

## C. Capital assets

Capital asset activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 631,590	\$ -	\$ -	\$ 631,590
Capital assets, being depreciated				
Buildings	2,923,047	33,500	-	2,956,547
Improvements other than buildings	5,579,088	291,506	-	5,870,594
Machinery and equipment	2,575,231	146,910	-	2,722,141
Total capital assets, being depreciated	11,077,366	471,916	-	11,549,282
Less accumulated depreciation				
Buildings	(800,804)	(96,311)	(11,961)	(909,076)
Improvements other than buildings	(3,862,670)	(175,975)	-	(4,038,645)
Machinery and equipment	(1,784,596)	(185,859)	5,891	(1,964,564)
Total accumulated depreciation	(6,448,070)	(458,145)	(6,070)	(6,912,285)
Total capital assets, being depreciated, net	4,629,296	13,771	(6,070)	4,636,997
Governmental activities capital assets, net	<u>\$ 5,260,886</u>	<u>\$ 13,771</u>	<u>\$ (6,070)</u>	<u>\$ 5,268,587</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 404,668	\$ -	\$ -	\$ 404,668
Construction in progress	625,776	262,612	(625,776)	262,612
Total capital assets, not being depreciated	1,030,444	262,612	(625,776)	667,280
Capital assets, being depreciated				
Buildings	2,335,448	-	-	2,335,448
Improvements other than buildings	16,381,066	625,776	-	17,006,842
Machinery and equipment	580,473	-	-	580,473
Total capital assets, being depreciated	19,296,987	625,776	-	19,922,763
Less accumulated depreciation				
Buildings	(626,773)	(57,482)	-	(684,255)
Improvements other than buildings	(3,151,158)	(420,092)	-	(3,571,250)
Machinery and equipment	(531,957)	(12,918)	-	(544,875)
Total accumulated depreciation	(4,309,888)	(490,492)	-	(4,800,380)
Total capital assets being depreciated, net	14,987,099	135,284	-	15,122,383
Business-type activities capital assets, net	<u>\$ 16,017,543</u>	<u>\$ 397,896</u>	<u>\$ (625,776)</u>	<u>\$ 15,789,663</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental activities:</b>	
General government	\$ 25,765
Public safety	199,240
Physical environment	44,458
Transportation	100,695
Economic environment	2,655
Culture and recreation	85,332
<b>Total</b>	<b><u>\$ 458,145</u></b>
 <b>Business-type activities:</b>	
Water	\$ 44,381
Sewer	446,111
<b>Total</b>	<b><u>\$ 490,492</u></b>

#### D. Interfund transfers

	<u>General Fund</u>	<u>Fire Control</u>	<u>Sewer Enterprise</u>	<u>Total</u>
<b>Transfer Out:</b>				
General Fund	\$ -	\$ 478,755	\$ -	\$ 478,755
Fire Fund	36,644	-	-	36,644
Cemetery Trust	20,631	-	-	20,631
Water - Enterprise Fund	256,978	-	73,500	330,478
Solid Waste - Enterprise Fund	205,124	-	-	205,124
<b>Total</b>	<b><u>\$ 519,377</u></b>	<b><u>\$ 478,755</u></b>	<b><u>\$ 73,500</u></b>	<b><u>\$ 1,071,632</u></b>

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:

<b>Asset:</b>	<u>Governmental Activities</u>
Lighting, vehicles and equipment	\$ 488,817
Less: accumulated depreciation	(263,894)
<b>Total</b>	<b><u>\$ 224,923</u></b>

The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2014, were as follows:

Year Ending September 30,	Governmental Activities
2015	\$ 91,806
2016	91,932
2017	91,806
2018	91,019
2019	37,567
Thereafter	150,168
Total minimum lease payments	554,298
Less: Amounts representing interest	(65,481)
Present value of minimum lease payments	\$ 488,817

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. This loan was paid in full during the current year.

**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, 2014 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Wastewater treatment system Series 2003	4.500%	\$ 1,984,100
Wastewater treatment system Series 2009	4.125%	6,128,400
Improvements water system	5.000%	28,000
Total		<u>\$ 8,140,500</u>

Revenue bonds debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Total</u>
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	136,600	321,189	457,789
2020-2024	774,760	1,514,042	2,288,802
2025-2029	953,650	1,335,267	2,288,917
2030-2034	1,173,710	1,115,160	510,423
2035-2039	1,444,780	844,148	188,261
2040-2044	1,654,570	510,423	2,164,993
2045-2049	1,481,400	188,261	1,669,661
Total	<u>\$ 8,140,500</u>	<u>\$ 7,167,964</u>	<u>\$15,308,464</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. This loan was paid in full during the current year.

#### Changes on long-term liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within one year
<b>Governmental activities:</b>					
Capital leases	\$ 492,950	\$ 95,762	\$ (99,895)	\$ 488,817	\$ 189,935
Notes payable	58,194	-	(58,194)	-	-
Compensated absences	187,315	131,336	(127,288)	191,363	101,422
Other post employment benefits obligation	<u>207,677</u>	<u>-</u>	<u>-</u>	<u>207,677</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 946,136</u>	<u>\$ 227,098</u>	<u>\$ (285,377)</u>	<u>\$ 887,857</u>	<u>\$ 291,357</u>
<b>Business-type activities:</b>					
Bonds payable	\$ 8,278,470	\$ -	\$ (137,970)	\$8,140,500	\$ 143,650
Bridge loan	211,412	-	(211,412)	-	-
Compensated absences	11,965	9,859	(5,745)	16,079	4,703
Other post employment benefits obligation	<u>30,321</u>	<u>-</u>	<u>-</u>	<u>30,321</u>	<u>-</u>
Business-type activity Long-term liabilities	<u>\$ 8,532,168</u>	<u>\$ 9,859</u>	<u>\$ (355,127)</u>	<u>\$8,186,900</u>	<u>\$ 148,353</u>

## G. Restricted assets

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

Impact Fees - Water	\$ 35,392
Impact Fees - Sewer	67,884
Capital improvements	10,823
Revenue bond reserve account - Series 1976	28,000
Revenue bond operations and maintenance account	22,000
Revenue bond and interest sinking fund account	38,145
Revenue bond reserve account	<u>200,303</u>
Total restricted assets	<u>\$ 402,547</u>

## IV. 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 7.37% of their salary for regular members, 19.82% of their salary for special risk members, 12.28% of their salary for Florida retirement DROP members and 21.14% 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, 2014, 2013 and 2012, were \$238,157, \$198,473, and \$141,188, 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>\$ 43</u>

#### Funding Policy

In prior years, 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.

Due to the fact that no retirees participated in the plan during the year, management determined that its OPEB obligation at year end would be of a de minimis amount. Management will monitor this situation in the future and take appropriate steps to properly comply with GASB Statement 45.

### 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 Net OPEB Obligation.

Net OPEB Obligation, Beginning of Year	<u>\$ 237,998</u>
Net OPEB Obligation, End of Year	<u><u>\$ 237,998</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	64,000	2%	61,000	2%
2014	-	0%	-	0%
	<u>\$ 192,000</u>	<u>6%</u>	<u>\$ 183,000</u>	<u>6%</u>

## Schedule of Funding Process

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

## 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, 2014. 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 \$94,181. This fund balance will be funded in the ensuing year through transfers from other funds.

## 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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,884,569	\$ 1,884,569	\$ 1,895,284	\$ 10,715
Licenses and permits	174,971	174,971	159,294	(15,677)
Intergovernmental	468,556	468,556	471,489	2,933
Franchise fees	278,630	278,630	366,362	87,732
Charges for service	149,093	149,093	163,474	14,381
Fines and forfeitures	12,257	12,257	20,809	8,552
Rents and royalties	31,829	31,829	26,672	(5,157)
Interest	1,580	1,580	1,805	225
Miscellaneous	17,067	17,067	15,709	(1,358)
Total revenues	3,018,552	3,018,552	3,120,898	102,346
<b>EXPENDITURES</b>				
Current:				
General government	865,296	865,296	901,170	(35,874)
Public safety	1,311,660	1,311,660	1,259,363	52,297
Physical environment	41,760	41,760	45,078	(3,318)
Transportation	351,185	351,185	327,299	23,886
Culture/recreation	136,029	136,029	126,312	9,717
Debt service:				
Principal	77,153	77,153	122,862	(45,709)
Interest	11,105	11,105	12,277	(1,172)
Capital outlay:				
Public safety	-	-	100,759	(100,759)
Transportation	439,000	439,000	282,197	156,803
Culture/recreation	-	-	-	-
Total expenditures	3,233,188	3,233,188	3,177,317	55,871
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(214,636)	(214,636)	(56,419)	158,217
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	5,001	5,001	-	(5,001)
Proceeds from debt	-	-	58,621	58,621
Contributions	-	-	-	-
Operating transfers in	374,115	374,115	517,377	143,262
Operating transfers out	(359,260)	(359,260)	(478,755)	(119,495)
Total other financing sources (uses)	19,856	19,856	97,243	77,387
<b>Net change in fund balances</b>	(194,780)	(194,780)	40,824	235,604
<b>Fund balance, beginning of year</b>	1,326,289	1,326,289	1,326,289	-
<b>Fund balance, end of year</b>	\$ 1,131,509	\$ 1,131,509	\$ 1,367,113	\$ 235,604

**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, 2014**

	Fire Control			Downtown Development			Variance With Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	
	Original	Final		Original	Final		
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ 187,281	\$ 187,281	\$ 192,028	\$ 4,747
Intergovernmental revenue	151,700	151,700	148,002	-	-	-	-
Charges for service	214,184	214,184	222,547	-	-	-	-
Interest	300	300	104	200	200	55	(145)
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>366,184</u>	<u>366,184</u>	<u>370,653</u>	<u>187,481</u>	<u>187,481</u>	<u>192,083</u>	<u>4,602</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	691,162	691,162	735,181	-	-	-	-
Economic environment	-	-	-	145,791	145,791	132,417	13,374
Debt Service:							
Principal	34,932	34,932	35,228	-	-	-	-
Interest	11,063	11,063	11,145	-	-	-	-
Capital outlay:							
Public safety	42,000	42,000	76,151	-	-	-	-
Economic environment	-	-	-	17,000	17,000	12,809	4,191
Total expenditures	<u>779,157</u>	<u>779,157</u>	<u>857,705</u>	<u>162,791</u>	<u>162,791</u>	<u>145,226</u>	<u>17,565</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(412,973)</u>	<u>(412,973)</u>	<u>(487,052)</u>	<u>24,690</u>	<u>24,690</u>	<u>46,857</u>	<u>22,167</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	359,260	359,260	478,755	-	-	-	-
Transfers out	(46,192)	(46,192)	(34,644)	-	-	-	-
Contributions	-	-	432	-	-	-	-
Proceeds from debt sources	-	-	37,141	-	-	-	-
Total sources (uses)	<u>313,068</u>	<u>313,068</u>	<u>481,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(99,905)	(99,905)	(5,368)	24,690	24,690	46,857	22,167
Fund balances, beginning of year	(88,813)	(88,813)	(88,813)	150,193	150,193	150,193	-
Fund balances, end of year	<u>\$ (188,718)</u>	<u>\$ (188,718)</u>	<u>\$ (94,181)</u>	<u>\$ 174,883</u>	<u>\$ 174,883</u>	<u>\$ 197,050</u>	<u>\$ 22,167</u>

**CITY OF HIGH SPRINGS, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2014**

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

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

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

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

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

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

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

5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

## OTHER SUPPLEMENTARY INFORMATION

**CITY OF HIGH SPRINGS, FLORIDA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	<b>Cemetery Trust</b>	<b>Sports Activity</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>			
Due from other funds	\$ 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, 2014**

	<u>Cemetery Trust</u>	<u>Sports Activity</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>			
Cemetery lot sales	\$ 25,800	\$ -	\$ 25,800
Interest	138	-	138
Total revenues	<u>25,938</u>	<u>-</u>	<u>25,938</u>
<b>EXPENDITURES</b>			
Current:			
Physical environment	5,307	-	5,307
Capital outlay:			
Physical environment	-	-	-
Total expenditures	<u>5,307</u>	<u>-</u>	<u>5,307</u>
<b>Excess of revenues over expenditures</b>	<u>20,631</u>	<u>-</u>	<u>20,631</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(20,631)</u>	<u>-</u>	<u>(20,631)</u>
<b>Net change in fund balances</b>	-	-	-
<b>Fund balance, beginning of year</b>	120,065	11,463	131,528
<b>Fund balance, end of year</b>	<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, 2014**

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>Non-major awards</i>						
<b>United States Department of Agriculture</b>						
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 4,050,000	\$ 3,681,979	\$ 316,365	\$ -
<b>United States Department of Justice</b>						
Passed through State of Florida, Department of Law Enforcement Justice Assistance Grant	16.738	2014-JAGD-ALAC- 2-E6-065	1,156	-	1,156	-
Passed through State of Florida, Department of Law Enforcement Edward Byrne Memorial Justice Grant	16.738	2014-JAGD-ALAC- 10-E5-252	4,800 5,956	-	4,800 5,956	-
<b>TOTAL FEDERAL AWARDS</b>			<b>\$ 4,055,956</b>	<b>\$ 3,681,979</b>	<b>\$ 322,321</b>	<b>\$ -</b>

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.

## 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, 2014, 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 March 25, 2015.

### 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.

**POWELL & JONES**  
Certified Public Accountants  
March 25, 2015

## 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, 2014, 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 (third 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.

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

### CURRENT YEAR FINDINGS

There were no additional reportable findings in the current year.

### AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of High Springs, Florida, for the fiscal year ended September 30, 2014.

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.

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the City of High Springs, Florida, for the year ended September 30, 2014, as provided in the audit requirements for USDA-Rural Development borrowers.

1. Generally accepted auditing procedures were performed in this audit.
2. Internal control was evaluated and is discussed in the prior sections of this audit report.
3. Accounting records and physical control over assets were adequate.
4. The accounting records of the City have been adjusted to agree with the audited financial statements.
5. The City's funds are in institutions insured by the Federal government and are authorized depositories of Florida public funds.
6. A summary of the City's insurance coverage is shown in the annual report to USDA-Rural Development.
7. The City is exempt from Federal Income Tax.
8. We found nothing to indicate that financial compliance with the loan agreements had not occurred.

## 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.

**POWELL & JONES**  
Certified Public Accountants  
March 25, 2015

## INDEPENDENT ACCOUNTANT'S REPORT

To The City Commission  
City of High Springs, Florida

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

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

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

This report is intended solely for the information and use of the City and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

**POWELL & JONES**  
Certified Public Accountants  
March 25, 2015

## Communication with Those Charged with Governance

To The City Commission  
City of High Springs, Florida

We have audited the financial statements of the City of High Springs, Florida for the year ended September 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

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

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

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

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

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 25, 2015.

## *Management Consultations with Other Independent Accountants*

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

## *Other Audit Findings or Issues*

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

## Other Information in Documents Containing Audited Financial Statements

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

This information is intended solely for the use of the City Commission and management of the City of High Springs, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

**Powell and Jones, CPAs**  
**March 25, 2015**