

**Financial Statements
and
Independent Auditors' Report
Town of Worthington Springs, Florida
September 30, 2011**

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**Financial Statements
and
Independent Auditors' Report
Town of Worthington Springs, Florida
September 30, 2011**

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Independent Auditors' Report

The Honorable Mayor and
Members of Town Council
Town of Worthington Springs
Worthington Springs, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Worthington Springs, Florida, as of and for the year ended September 30, 2011 which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Town's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Worthington Springs, Florida, as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report, dated June 4, 2012, on our consideration of the Town of Worthington Springs internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information listed in the table of contents as "required supplementary 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Town's basic financial statements as a whole. The information listed in the table of contents as "supplemental information", including the Schedule of State Financial Assistance is presented for additional analysis and is not a required part of the basic financial statements. The Schedule of State Financial Assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Coleman & Associates CPA firm

June 4, 2012

**Management's Discussion
and Analysis (Unaudited)**

**Town of Worthington Springs
Management's Discussion and Analysis (Unaudited)
September 30, 2011**

The Town of Worthington Springs (the "Town") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements which follows this discussion.

Financial Highlights

- The assets of the Town of Worthington Springs exceeded its liabilities at September 30, 2011 by \$5,495,306 (net assets). Of this amount \$22,358 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$34,670, which can be attributed to grant funds received to fund capital improvements at the Town.
- During the previous fiscal year, the Town was awarded a grant to build a boat ramp in the amount of \$198,000. The Town expended approximately \$28,000 during the previous fiscal year relating to this boat ramp project. The Town received and expended approximately \$160,000 in grant funds for this fiscal year while completing the boat ramp project.
- As of September 30, 2011, the Town's governmental funds which include the general fund and the special revenue fund, reported ending fund balances of \$18,538, an increase of \$14,875. In June 2011, the Town refinanced a short-term obligation with a local bank and agreed to pay the loan off over three years.
- The Town's state and local revenues have decreased significantly over the past couple of years due to the recent economic downturn.

USING THIS ANNUAL REPORT

The financial statement's focus is on both the Town as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Town's accountability. This discussion and analysis is intended to serve as an introduction to the Town of Worthington Springs basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The focus is on "activities", rather than "fund types".

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. The focus of the statement of net assets (the "unrestricted net assets") is designed to be similar to bottom line results for the Town and its governmental activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

**Town of Worthington Springs
Management's Discussion and Analysis (Unaudited)
September 30, 2011**

Government-wide financial statements (concluded)

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year, focusing on both the gross and net costs of various governmental activities that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services.

The government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, roads and streets, municipal airport and parks and recreation.

The government-wide financial statements, which can be found following this discussion, include only the Town of Worthington Springs, which is known as the primary government. The Town has no component units.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be included as governmental funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

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 spending resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town'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 Town'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 government-wide activities.

The Town maintains two individual governmental funds, which are named the General Fund and the Special Revenue Fund. They are both considered major funds.

The Town adopts an annual appropriated budget for both funds. Budgetary comparison statements have been provided for both funds to demonstrate compliance with the budget.

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. They can be found following this discussion.

**Town of Worthington Springs
Management's Discussion and Analysis (Unaudited)
September 30, 2011**

Infrastructure assets

Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, etc.) have not been reported nor depreciated in governmental financial statements. GASB Statement #34 required that infrastructure assets constructed after October 1, 2003 be valued and reported within the governmental column of the government-wide financial statements. Additionally, the government was required to elect whether to (a) depreciate these assets over their estimated useful lives or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. The Town elected to depreciate these assets over their estimated useful lives for new asset acquisitions.

Smaller governments are not required to record the estimated cost of infrastructure assets constructed prior to the adoption of GASB Statement #34. The Town has elected to opt out of recording prior infrastructure assets.

Government-wide financial statements - Analysis

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. For the current year, the Town's assets exceeded liabilities by \$5,495,306.

The following table reflects the condensed Statement of Net Assets for the current year as compared to the prior year. For more detailed information see the Statement of Net Assets.

	Governmental Activities	
	2011	2010
Assets:		
Current and other assets	\$ 216,210	\$ 86,483
Capital assets	5,499,334	5,453,143
Total assets	\$ 5,715,544	\$ 5,539,626
Liabilities:		
Long term liabilities outstanding	\$ 26,386	\$ --
Other liabilities	193,852	78,990
Total liabilities	220,238	78,990
Net assets:		
Invested in capital assets, net of related debt	5,472,948	5,453,143
Unrestricted	22,358	4,907
Total net assets	5,495,306	5,460,636
Total liabilities and net assets	\$ 5,715,544	\$ 5,539,626

**Town of Worthington Springs
Management's Discussion and Analysis (Unaudited)
September 30, 2011**

Government-wide financial statements – Analysis (continued)

Statement of Net Assets

Approximately 99.6 percent of the Town's net assets are invested in capital assets (e.g. land, buildings, improvements, and vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to its citizens and this portion of net assets is not available for future spending.

One hundred percent of the Town's net assets (\$22,358) represent resources that are not subject to external restrictions on how they may be used. The unrestricted net assets (\$22,358) may be used to meet the Town's ongoing obligations to citizens and creditors. At September 30, 2011, the Town is able to report positive balances in all three categories of net assets for the Town as a whole. The same situation held true for the prior fiscal year.

Statement of activities

The following table reflects the condensed Statement of Activities for the current year as compared to the prior year. For more detailed information see the Statement of Activities.

	Governmental Activities	
	2011	2010
Revenues:		
Program revenues:		
Charges for services	\$ 6,914	\$ 6,866
Operating grants and contributions	--	75,946
Capital grants and contributions	159,785	28,324
General revenues:		
Property taxes	8,968	8,969
Other taxes	42,710	44,859
Rental income	3,725	2,975
Other revenues	27,800	40,747
Total revenues	249,902	208,686
Expenses:		
General government	87,942	92,752
Public Safety	26,861	29,270
Highways and streets	51,410	46,825
Parks and recreation	45,603	40,448
Interest on long-term debt	3,416	7,052
Total expenses	215,232	216,347
Change in net assets	34,670	(7,661)
Net assets - beginning	5,460,636	5,468,297
Net assets - ending	\$ 5,495,306	\$ 5,460,636

**Town of Worthington Springs
Management's Discussion and Analysis (Unaudited)
September 30, 2011**

Statement of activities (concluded)

Governmental activities increased the Town's net assets by \$14,875. In 2010, the Town was awarded a grant from the State of Florida in the amount of \$198,000 to build a boat ramp at one of the Towns parks. The boat ramp project was completed by September 30, 2012.

For the fiscal year, the Town spent approximately \$167,000 in the purchase of new assets. This property and equipment purchases related to the boat ramp project described above.

Financial Analysis of the fund financial statements and notes

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds

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

As of September 30, 2011, the Town's governmental funds, which include the General Fund and the Special Revenue Fund, reported ending fund balances of \$18,538 an increase of \$14,875 from the previous fiscal year. 100% of this total amount \$18,538 constitutes unreserved fund balances, which are available for spending at the Town's discretion.

As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 19.1 percent of total General Fund expenditures. The General Fund's fund balance increased by \$14,875 in fiscal year 2010-2011. The small amount of General Fund balance can be attributed to falling state revenues and ad valorem taxes over the past number of years.

The Town adopted budgets for the general fund and the special revenue fund. The Town agreed to refinance one of its short-term loans over three years. The General Fund budget was amended to reflect this transaction.

Capital assets

The Town's investment in capital assets for its governmental activities as of September 30, 2011 amounts to \$5,499,334 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment. Additional information can be found in the Notes to the Financial Statement.

Major capital assets added during the current fiscal year included the following:

- The Town started improvements to a boat ramp at a local recreational park. Construction costs incurred during the fiscal year was approximately \$167,000. The project was primarily funded by a \$198,000 grant from the Florida Fish and Wildlife Conservation Commission. The boat ramp project was completed by September 30, 2011.

**Town of Worthington Springs
Management's Discussion and Analysis (Unaudited)
September 30, 2011**

Capital assets (concluded)

The following is a schedule of capital assets, net of depreciation:

	Capital Assets (Net of depreciation)	
	Governmental Totals	
	2011	2010
Land	\$ 3,206,703	\$ 3,206,703
Buildings and improvements	493,400	527,358
Improvements other than buildings	1,694,315	1,563,842
Machinery and equipment	104,916	126,916
Construction in progress	--	28,324
Total	\$ 5,499,334	\$ 5,453,143

Long-term Debt

In June 2011, the Town refinanced one of the short-term loans, in the amount of \$28,614, into a long-term debt agreement. As of September 30, 2011, the long-term loan balance owed to a local bank was \$26,386. The Town is required to make monthly payments of \$855.34 until maturity, which is expected in June 2014. The interest rate is a fixed at 4.75%.

Requests for information

This financial report is designed to provide a general overview of the Town of Worthington Springs finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Clerk, P.O. Box 150, Worthington Springs, Florida 32697.

**Government-Wide
Financial Statements**

Statement of Net Assets
September 30, 2011
Town of Worthington Springs, Florida

	Governmental Activities
Assets	
Cash and equivalents	\$ 18,462
Investments	1,539
Due from other governments	192,389
Prepaid expenses	3,820
Capital assets, (net of accumulated depreciation)	
Land	3,206,703
Buildings and improvements	493,400
Improvements other than buildings	1,694,315
Machinery and equipment	104,916
Total assets	\$ 5,715,544
Liabilities and net assets	
Liabilities	
Accounts payable	\$ 74,205
Accrued expenses	472
Notes payable - current	119,175
Long-term liabilities:	
Due within one year	9,210
Due after one year	17,176
Total liabilities	220,238
Net assets	
Invested in capital assets	5,472,948
Unrestricted	22,358
Total net assets	5,495,306
Total liabilities and net assets	\$ 5,715,544

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

Statement of Activities
For the Year Ended September 30, 2011
Town of Worthington Springs, Florida

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Changes in Net Assets</u>
		<u>services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Governmental</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Activities</u>
Primary Government					
Governmental activities:					
General government	\$ 87,942	\$ 37	\$ --	\$ --	\$ (87,905)
Public safety	26,861	133	--	--	(26,728)
Transportation	51,410	6,744	--	--	(44,666)
Culture and recreation	45,603	--	--	159,785	114,182
Interest on long-term debt	3,416	--	--	--	(3,416)
Total governmental activities	<u>\$ 215,232</u>	<u>\$ 6,914</u>	<u>\$ --</u>	<u>\$ 159,785</u>	<u>(48,533)</u>
General revenues:					
Property taxes, levied for general purposes					8,968
Sales taxes and revenue sharing					41,773
Franchise fees					23,423
Gas taxes					937
Rental income					3,725
Miscellaneous revenues					4,374
Interest income					3
					<u>83,203</u>
Total general revenues, special items and transfers					<u>83,203</u>
Change in net assets					34,670
Net assets - beginning					<u>5,460,636</u>
Net assets - ending					<u>\$ 5,495,306</u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

**Fund Financial
Statements**

**Balance Sheet
Governmental Funds
September 30, 2011
Town of Worthington Springs, Florida**

	Major Funds		Total Fund
	General Fund	Special Revenue Fund	
Assets			
Cash and equivalents	\$ 18,462	\$ --	\$ 18,462
Investments	1,539	--	1,539
Due from other governments	4,280	188,109	192,389
Due from other funds	188,109	--	188,109
Total assets	\$ 212,390	\$ 188,109	\$ 400,499
Liabilities and fund balances			
Liabilities			
Accounts payable	\$ 74,205	\$ --	\$ 74,205
Accrued expenses	472	--	472
Due to other funds	--	188,109	188,109
Notes payable - current	119,175	--	119,175
Total liabilities	193,852	188,109	381,961
Fund balances:			
Unassigned	18,538	--	18,538
Reserved for transportation	--	--	--
Total fund balances	18,538	--	18,538
Total liabilities and fund balances	\$ 212,390	\$ 188,109	\$ 400,499

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
September 30, 2011
Town of Worthington Springs, Florida**

Total fund balances - governmental funds	\$ 18,538
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the governmental funds.	5,499,334
The Town refinanced a short-term note obligation over a three year period. The amount of long-term debt at September 30, 2011 is included in the government wide financial statements. The long-term debt balance is \$26,386.	(26,386)
The Town records expenditures for insurance and similar services in the period of payment and are not allocated between or among accounting periods. The Town paid for insurance relating to fiscal year 2011-2012 in the amount of \$3,830, which is a current asset in an accrual basis financial statement.	<u>3,820</u>
Total net assets of governmental activities	<u><u>\$ 5,495,306</u></u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida**

	Major Funds		Total
	General Fund	Special Revenue Fund	
Revenues:			
Taxes	\$ 56,868	\$ --	\$ 56,868
Licenses and permits	37	--	37
Intergovernmental	18,232	159,785	178,017
Charges for services	6,744	--	6,744
Fines and forfeitures	133	--	133
Miscellaneous	8,102	--	8,102
Total revenues	90,116	159,785	249,901
Expenditures:			
Current:			
General government	57,576	--	57,576
Public safety	2,891	--	2,891
Transportation	17,600	--	17,600
Culture and recreation	13,099	166,830	179,929
Debt service:			
Principal	2,228	--	2,228
Interest	3,416	--	3,416
Total expenditures	96,810	166,830	263,640
Excess of revenues over (under) expenditures	(6,694)	(7,045)	(13,739)
Other financing sources (uses)			
Transfers in	--	7,045	7,045
Transfers out	(7,045)	--	(7,045)
Debt proceeds	28,614	--	28,614
Total other financing sources (uses)	21,569	7,045	28,614
Net change in fund balances	14,875	--	14,875
Fund balances - beginning	3,663	--	3,663
Fund balances - ending	\$ 18,538	\$ --	\$ 18,538

The accompanying "Notes to Financial Statements"
form an integral part of this statement

**Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended September 30, 2011**

Net change in fund balances - governmental funds	\$	14,875
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period by \$46,191.</p>		46,191
<p>The Town refinanced a short-term loan over a three year period. The Town refinanced \$28,614 in debt and paid back \$2,228 during the fiscal year. These amounts are reported as revenues and expenses in the governmental fund statements.</p>		(26,386)
<p>The Town records expenditures for insurance and similar services in the period of payment and are not allocated between or among accounting periods. The net decrease in prepaid insurance for the Town was \$10.</p>		<u>(10)</u>
Change in net assets of governmental activities	\$	<u>34,670</u>

The accompanying "Notes to Financial Statements"
form an integral part of this statement.

**Notes to Financial Statements
As of and for the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida**

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Town of Worthington Springs, Florida (the Town) generally conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies of the Town.

A. Reporting entity

The Town is a municipality, established under the Laws of the State of Florida, which operates under a Mayor-Council form of government. The Town was originally incorporated in 1961, when qualified voters in the Town approved a charter in a referendum election. The charter was approved by a special act of the Legislature when it adopted Chapter 61.3012, Florida Laws.

Generally accepted accounting principles require that this financial statement present the Town (the primary government) and any component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria: the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its Town) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

There were no entities that would be considered component units.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are separate 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 segments 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

GASB Statement No. 34 *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental funds) for the determination of major funds. There were no non-major funds.

Notes to Financial Statements
As of and for the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida
(Continued)

Note 1 - Summary of Significant Accounting Policies (continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund, and is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the Town are financed through revenues received by the General Fund.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The Town spends General Fund monies to pay for grant expenditures incurred. This results in an interfund payable and receivable. The interfund payable and receivable is satisfied once the Town is reimbursed for grant expenditures incurred.

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.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted as they are needed.

Notes to Financial Statements
As of and for the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida
(Continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, liabilities and fund equity

1. Investments

Section 166.261, Florida Statutes, authorizes the Town to invest in the Local Government Surplus Trust Fund, direct obligations of the United States Government, obligations unconditionally guaranteed by the United States Government, time deposits and savings accounts of Florida Qualified Depositories, obligations of Federal Farm Credit Banks, obligations of the Federal National Mortgage Association or other instruments prescribed by Ordinance of the Town Council. In accordance with GASB Statements No. 40, as of September 30, 2011, the Town had the following investments:

Investment	Maturities	Fair Value
State Board of Administration – Fund A	46 Day Average	\$1,230
State Board of Administration – Fund B	Unknown	\$309

Interest Rate Risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Town follows a state statute that limits investments to the Local Government Surplus Funds Trust Fund or any intergovernmental investment pool; interest-bearing time deposits or savings accounts held in qualified public depositories.

As of September 30, 2011, the Town invested money in the Local Government Surplus Funds Trust Fund investment pool (Florida PRIME). Florida PRIME is structured as a “2a-7 like” fund and the account balance equals the fair value. The Florida PRIME Fund A has been assigned by Standard & Poor’s Rating Services an AAAM principal stability fund rating. In addition, The Town has \$309 in investments in Fund B Surplus Funds Trust Fund as of September 30, 2011. The investments into the second pool (formerly known as Fund B) are not rated by any nationally recognized statistical rating agency.

2. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns in the governmental-wide finance statement. Infrastructure assets (i.e., roads, bridges, sidewalks and similar items) for the governmental funds acquired after October 1, 2003 are being recorded. The Town has elected not to record infrastructure assets acquired prior to October 1, 2003. Capital assets are defined by the Town, as items with an individual cost of \$500 or more and an estimated useful life of one year or more. Such assets are recorded at historical cost if purchased or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives. Buildings and improvements are depreciated over 15-40 years and infrastructure and equipments are depreciated over 3-40 years.

Notes to Financial Statements
As of and for the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida
(Continued)

Note 1 - Summary of Significant Accounting Policies (concluded)

D. Assets, liabilities and fund equity (concluded)

3. Restricted assets

Certain assets of the governmental activities, representing cash and investments, are classified as restricted on the statement of net assets because they are limited as to use by Federal, State or local law.

4. Fund equity

As of these financial statements, the Town has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Are amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Are amounts that can be used only for specific purposes determined by a formal action by the Town Council.

Assigned – Are amounts that are designated by the Town Council for a specific purpose but are not spendable until a budget amendment is passed by the Town Council.

Unassigned - All amounts not included in other spendable classifications. The fund balance as of September 30, 2011 for the General Fund is considered unassigned.

5. Property taxes

The Union County Tax Collector bills and collects property taxes for the Town. Town property tax revenues are recognized when levied to the extent that they result in current receivables.

Property taxes are levied on November 1 of each year, on property values assessed on January 1 of the same year, and are due and payable on March 31 of the following year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. Taxes paid in March are not subject to a discount. The Town also accepts installment payments, with the first installment due no later than September 30, and subsequent installments due quarterly after the initial installment due date. Delinquent taxes on real property bear interest at 18% per year. All unpaid taxes are considered delinquent on April 1 of the following year after they are assessed. On or about May 31 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made to the certificate holder after a period of two years. Unsold certificates are held by the county.

E. Interfund Transfers

The General Fund subsidized a portion of the recreation improvements during the year. The total municipal subsidy was shown as an operating transfer from the General Fund to the Special Revenue Fund.

Notes to Financial Statements
As of and for the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida
(Continued)

Note 2 - Detailed Notes on all Funds

A. Capital assets

Capital assets activity for the year ended September 30, 2011 was as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 3,206,703	\$ --	\$ --	\$ 3,206,703
Construction in process	28,324	166,831	195,155	--
Total capital assets	<u>3,235,027</u>	<u>166,831</u>	<u>195,155</u>	<u>3,206,703</u>
Capital assets being depreciated:				
Buildings and improvements	691,063	--	--	691,063
Improvements other than buildings	1,771,113	195,155	--	1,966,268
Machinery and equipment	278,613	--	--	278,613
Total capital assets, being depreciated	2,740,789	195,155	--	2,935,944
Less accumulated depreciation for:				
Buildings and improvements	163,705	33,958	--	197,663
Improvements other than buildings	207,271	64,682	--	271,953
Machinery and equipment	151,697	22,000	--	173,697
Total accumulated depreciation	<u>522,673</u>	<u>120,640</u>	<u>--</u>	<u>643,313</u>
Total capital assets, being depreciated, net	<u>2,218,116</u>	<u>74,515</u>	<u>--</u>	<u>2,292,631</u>
Governmental activities capital assets, net	<u>\$ 5,453,143</u>	<u>\$ 241,346</u>	<u>\$ 195,155</u>	<u>\$ 5,499,334</u>

Depreciation expense was charged to programs of the Town as follows:

Governmental activities:

General government	\$ 30,356
Public safety	23,970
Transportation	33,810
Parks and recreation	<u>32,504</u>

Total depreciation expense - governmental activities \$ 120,640

Notes to Financial Statements
As of and for the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida
(Continued)

Note 2 - Detailed Notes on all Funds (concluded)

B. Deposits and investments

The institutions in which the Town's demand and time deposits are deposited are certified as Qualified Public Depositories under the Florida Public Deposits act. Therefore, the Town's total bank balances on deposit, at September 30, 2011, are fully insured through the Bureau of Collateral Securities, Division of Treasury, and State of Florida Department of Insurance. Deposits are also covered by Federal Depository Insurance Coverage.

C. Short-term Debt

The Town entered into two loans with a local bank to assist with operating and grant cash flow needs. In June 2011, the Town refinanced one of the short-term loans into a long-term debt agreement. As of September 30, 2011, the remaining short-term loan balance owed to a local bank was \$119,175. The interest rate is a variable rate. As of September 30, 2011, the interest rate was 4.55%. The following is a summary of changes in short-term debt for the year ending September, 30, 2011:

Balance, October 1, 2010	\$	78,621
Increases		93,925
Decreases		(53,371)
		119,175
Balance, September 30, 2011	\$	119,175

D. Long-term Debt

In June 2011, the Town refinanced one of the short-term loans into a long-term debt agreement. As of September 30, 2011, the long-term loan balance owed to a local bank was \$26,386. The Town is required to make monthly payments of \$855.34 until maturity, which is expected in June 2014. The interest rate is a fixed at 4.75%. The following is a schedule of long-term debt activity for the fiscal year ending September 30, 2011:

Balance, October 1, 2010	\$	--
Increases		28,614
Decreases		(2,228)
		26,386
Balance, September 30, 2011	\$	26,386

The following is a schedule of payments on long-term debt for the year ending September, 30, 2011:

Year ending	September 30,	<u>Principal</u>	<u>Interest</u>
2012	\$	9,210	1054
2013		9,657	607
2014		7,519	139
		\$ 26,386	\$ 1,800

Notes to Financial Statements
As of and for the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida
(Concluded)

Note 3 - Reconciliation of Government-wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets.

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities.

Note 4 - Other Information – Risk Management

The Town purchased insurance to limit the exposure of the following risks of loss: theft of, damage to and destruction of assets; natural disasters and injuries to employees. Commercial insurance has also been purchased by the Town to cover the risks of loss due to employee errors or omissions and health insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

Note 5 – Contingencies

State Attorney Investigation

In 2011, the local State Attorney's office requested information from the Town to conduct an investigation. At this date, no findings were reported to the Town concerning this investigation. In prior financial statements, the auditors reported findings related to conflicts of interest payments made to a former Town Council member and former Mayor.

Hurricane Frances

The Town has been asked by a federal agency to return reportedly unspent federal funds relating to grants provided to the Town. The Town received federal grants to assist with damages incurred by Hurricane Frances in 2004. The federal government alleges the Town has to return \$20,589.90 in unspent grant funds. However, the Town strongly denies this claim. The Town has turned over documentation to show that all federal funds were spent as allowed.

Required Supplemental Information

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types
For the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida**

	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Positive (Negative)</u>
Revenues:				
Taxes	\$ 60,055	\$ 60,055	\$ 56,868	\$ (3,187)
Licenses and permits	2,000	2,000	37	(1,963)
Intergovernmental	16,595	16,595	18,232	1,637
Charges for services	6,300	6,300	6,744	444
Fines and forfeitures	250	250	133	(117)
Miscellaneous	6,000	6,000	8,102	2,102
Total revenues	<u>91,200</u>	<u>91,200</u>	<u>90,116</u>	<u>(1,084)</u>
Expenditures:				
Current:				
General government	53,550	53,550	57,576	(4,026)
Public safety	4,500	4,500	2,891	1,609
Transportation	8,500	8,500	17,600	(9,100)
Culture and recreation	15,550	15,550	13,099	2,451
Debt service:				
Principal	--	--	2,228	(2,228)
Interest	1,000	1,000	3,416	(2,416)
Reserve for contingencies	33,100	33,100	--	33,100
Total expenditures	<u>116,200</u>	<u>116,200</u>	<u>96,810</u>	<u>19,390</u>
Excess of revenues over (under) expenditures	(25,000)	(25,000)	(6,694)	18,306
Other financing sources (uses)				
Transfers in	--	--	--	--
Transfers out	--	--	(7,045)	(7,045)
Debt proceeds	--	28,614	28,614	--
Total other financing sources (uses)	<u>--</u>	<u>28,614</u>	<u>21,569</u>	<u>(7,045)</u>
Net change in fund balances	(25,000)	3,614	14,875	11,261
Fund balances - beginning	<u>25,000</u>	<u>25,000</u>	<u>3,663</u>	<u>(21,337)</u>
Fund balances - ending	<u>\$ --</u>	<u>\$ 28,614</u>	<u>\$ 18,538</u>	<u>\$ (10,076)</u>

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types
For the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida**

	Special Revenue Fund			
	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ --	\$ --	\$ --	\$ --
Licenses and permits	--	--	--	--
Intergovernmental	180,000	180,000	159,785	(20,215)
Charges for services	--	--	--	--
Fines and forfeitures	--	--	--	--
Miscellaneous	--	--	--	--
Total revenues	180,000	180,000	159,785	(20,215)
Expenditures:				
Current:				
General government	--	--	--	--
Public safety	--	--	--	--
Transportation	--	--	--	--
Culture and recreation	180,000	180,000	166,830	13,170
Debt service:				
Principal	--	--	--	--
Interest	--	--	--	--
Reserve for contingencies	--	--	--	--
Total expenditures	180,000	180,000	166,830	13,170
Net change in fund balances	--	--	(7,045)	(7,045)
Other financing sources (uses)				
Transfers in	--	--	7,045	7,045
Transfers out	--	--	--	--
Debt proceeds	--	--	--	--
Total other financing sources (uses)	--	--	7,045	7,045
Net change in fund balances	--	--	--	--
Fund balances - beginning	--	--	--	--
Fund balances - ending	\$ --	\$ --	\$ --	\$ --

**Notes to the Budget Comparisons
Required Supplementary Information
Town of Worthington Springs, Florida**

Stewardship, compliance and accountability - budgets and budgetary accounting

Annual budgets are legally adopted for all funds. Each budget is prepared on a basis which does not differ materially from generally accepted accounting principles. Budget amounts reflected in the accompanying financial statements represent original and budgetary data. The final budgetary data includes the effects of budget amendments.

The Town's procedures in establishing the budgetary data reflected in the financial statements generally are as follows:

- On July 1, the County Property Appraiser notifies the Town as to its tentative assessed property tax valuation, from which the Town can estimate the property tax revenues available and the limitations thereon.
- During July, informal budget workshops are held to determine proposed expenditures and the means of financing them.
- Prior to July 30, the Council adopts a proposed property tax millage rate and sets the date, time and place of the first public hearing. The County Property Appraiser is notified as to the public hearing and the proposed tax millage rate.
- A public hearing on the tentative budget is held. During this time, any budget amendments are considered.
- Within fifteen (15) days of the first public hearing, the Town advertises its intention to finalize its budget and millage rate and provides a date, time and place for a public hearing. The second public hearing is convened 2-5 days after the final advertisement, at which time the final budget and millage are adopted upon second reading by the Council.
- The County Property Appraiser is advised as to the final Town millage, prepares the final tax rolls and turns them over to the County Tax Collector for billing and collections, usually in late October.
- All budget changes during the fiscal year are approved by the Town Council.
- Appropriations lapse at year-end.
- Expenditures may not legally exceed appropriations for each budgeted fund of the Town.

Supplemental Information

**Schedule of State Financial Assistance
As of and for the fiscal year ended September 30, 2011
Town of Worthington Springs, Florida**

<u>State Agency</u>	<u>State CSFA Number</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Expenditures</u>	<u>Cumulative Project Expenditures</u>
<i>Florida Fish and Wildlife Conservation Commission</i>					
Florida Boating Improvement Program: Chastain Seay Park Boat Ramp	77.006	FWC Contract No. 09033	\$ 198,000	<u>\$ 159,785</u>	<u>\$ 188,109</u>
Total Expenditures of State Financial Assistance				<u>\$ 159,785</u>	<u>\$ 188,109</u>

**Notes to Schedule of State Financial Assistance
As of and for the fiscal year ended September 30, 2011
Town of Worthington Springs, Florida**

Note 1 – Basis of Presentation

The accompanying schedule of financial assistance includes the state grant activity of the Town of Worthington Springs and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Florida Department of Financial Services and the *State Projects Compliance Supplement*. In most cases, the Town requests reimbursement as payments are made to vendors, suppliers and employees. Therefore, some amounts presented in this schedule may differ from amounts reported on the state cash outlay reports and reimbursement reports submitted to grantors. The caption of “expenditures” and “cumulative project expenditures” includes revenues earned by the Town and not necessarily cash outlays.

**Additional Elements Required by the
Rules of the Auditor General and
*Government Auditing Standards***



Independent Auditors' Management Letter

The Honorable Mayor
Members of the Town Council
Town of Worthington Springs
Worthington Springs, Florida

We have audited the financial statements of the Town of Worthington Springs, Florida, for the year ended September 30, 2011, and have issued our report, thereon, dated June 4, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated June 4, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Significant findings and recommendations made in the preceding annual financial audit report were corrected or addressed again in this letter or the Schedule of Findings and Questioned Costs.

Section 10.554(1)(i)2., Rules of the Auditor General requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined the Town complied with Section 218.415, Florida Statutes.

Sections 10.554(1)(i)3., Rules of the Auditor General requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we made recommendations in this letter and in the Schedule of Findings and Questioned Costs.

Sections 10.554 (1)(i)4., Rules of the Auditor General requires that we address violations of provisions of contracts and grant agreements or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Sections 10.554 (1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts and grant agreements, fraud, illegal acts or abuse, and (2) Deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554 (1)(i) 7a., Rules of the Auditor General requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Town of Worthington Springs did not meet any of the conditions described in Section 218.503(1), Florida Statutes, which would result in a state of financial emergency.

Section 10.554 (1)(i) 7b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Worthington Springs for the fiscal year ended September 30, 2011, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with annual financial audit report for the fiscal year ended September 30, 2011. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554 (1)(i) 7c. and 10.556(7), Rules of the Auditor General 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 provided by same, which was prepared as of the fiscal year end.

We noted that the financial condition of the Town has deteriorated over the last few fiscal years. In large part the deterioration is due to the decrease in state revenue sharing and lower property values. Tax revenues have decreased more than state budgeted projections. We have recommended that the Town Council continue their work on decreasing operating expenditures so that expenditures stay in line with budgeted revenues. In addition, the Town should look at additional revenue sources to improve the financial stability of the Town.

Pursuant to Chapter 119, Florida Statutes, this report is a matter of public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information of the Town of Worthington Springs, Florida, and management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank the Council and the Town Clerk for the cooperation and courtesies extended to us during the course of our audit. We have sincerely enjoyed our association with the Town of Worthington Springs and look forward to a continuing relationship. Please let us know if you have any questions or comments concerning our report or other matters.

Coleman & Associates Cpa Firm

June 4, 2012



**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance And Other Matters and
Communication with Those Charged with Governance**

The Honorable Mayor
Members of the Town Council
Town of Worthington Springs
Worthington Springs, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Worthington Springs, Florida as of and for the fiscal year ended September 30, 2011, which collectively comprise the Town of Worthington Springs' basic financial statements and have issued our report thereon dated June 4, 2012. 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.

Internal control over financial reporting

In planning and performing our audit, we considered the Town of Worthington Springs' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Town of Worthington Springs' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Worthington Springs' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We identified a deficiency in internal control over financial reporting that we considered to be a material weakness. This matters are described in the Schedule of Findings and Questioned Costs as items 11-01.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of significant deficiencies, 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 combination of deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Town of Worthington Springs' financial statements are free of 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*.

Communication with Those Charged with Governance

Professional standards require that we provide you with the following information related to our audit. As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. The firm of Coleman and Associates, CPA Firm has remained independent of Town of Worthington Springs, as defined by AU Section 220, U.S. Professional Auditing Standards and the AICPA's Interpretation 101-3, *Performance of Nonattest Services*.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement. As part of our audit, we considered the internal control of Town of Worthington Springs. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. Our audit of the internal funds financial statements does not relieve you or management of your responsibilities.

We performed the audit according to the planned scope and timing. There was a discussion of the planned scope and timing at meetings conducted with management and the Town Council.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Town of Worthington Springs are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ending September 30, 2011. We noted no transactions entered into by the Town during the year for which there was 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 basic 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 were no particularly sensitive estimates significantly affecting the basic financial statements.

The disclosures in the financial statements are neutral, consistent, and clear. There was one particularly sensitive disclosure significantly affecting the financial statements. This note disclosure pertained to potential contingencies outstanding at the end of the fiscal year.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 June 4, 2012.

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.

This report is intended solely for the information and use of the Town of Worthington Springs, the Office of the Auditor General and grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties. Pursuant to Chapter 119, Florida Statutes, this report is a matter of public record and its distribution is not limited.

Coleman & Associates Cpa firm

June 4, 2012

**Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2011
Town of Worthington Springs, Florida**

Section I - Summary of Auditor's Results

Type of Auditor's Report Issued: Unqualified

Internal Control over Financial Reporting:

Significant Deficiencies Identified: yes no

Significant Deficiencies identified not considered to be material weaknesses?
 yes none reported

Noncompliance material to the financial statements noted?

yes no

Section II - Financial Statement Findings

11-1 – Deficiency in Internal Control- Material Weakness

As noted in prior audit reports, because of the limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties. An employee has access to both physical assets and the related accounting records. Consequently, the possibility exists that unintentional or intentional errors or fraud could exist and not be promptly detected. Our audit did reveal errors resulting from this lack of separation of employee duties and responsibilities. For example, in some instances, credit card receipts were not attached to the monthly bills paid by the Town.

At the conclusion of the previous annual audit, we recommended that the Town perform a detail review of practices and procedures to strengthen controls, specifically over purchasing procedures. In June 2011, the Town Council adopted many of the recommendations that recommended by our firm. We noted that the Town no longer uses a credit card to pay expenditures.

Management's Response to Audit Finding

Town of Worthington Springs
P.O. Box 150
Worthington Springs, FL 32697

June 20, 2012

Mr. David W. Martin, CPA, Auditor General
Claude Denson Pepper Building
111 Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

The auditors made comments in the Town of Worthington Spring's audit report for the fiscal year ending September 30, 2011. The following is the response to the comment included in the audit report.

Independent Auditors' Schedule of Findings and Questioned Costs

11-1 – Deficiency in Internal Control - Material weakness

As reported in the Fiscal Year 2009-2010 (prior year audit) and the current audit, the Town has relied on the Mayor to be in charge of selecting vendors to perform goods and services. The Town's procedures have been informal. Per the auditor's recommendations, the Town adopted a resolution to strengthen internal controls and segregate duties. The Town now requires any bids and quotes for major purchases, which are considered purchases greater than \$5,000. In addition, any significant purchases will be brought before the Town Council for their approval.

The town also has ended the practice of using a credit card for expenditures.

Sincerely,

Patricia Harrell
Town Clerk