

# **Town of Ebro**

## **Financial Statements**

**For The Year Ended September 30, 2012**

**Town of Ebro  
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September 30, 2012**

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## INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Honorable Mayor and Members  
of the Town Council  
Ebro, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Ebro, Florida (the "Town"), as of and for the year ended September 30, 2012, 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 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 respective financial position of the governmental activities and each major fund for the Town, as of September 30, 2012, and the respective changes in financial position and budgetary comparison for the General, Volunteer Fire Department, and Road Improvement funds 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 our report dated June 25, 2013 on our consideration of the Town'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 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 read in conjunction with this report in considering the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

June 25, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Ebro's (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.

### ***Financial Highlights***

- The assets of the Town exceeded its liabilities at September 30, 2012 by \$825,308 (net assets). Of this amount, \$171,502 (unrestricted net assets) may be used to meet the Town's ongoing obligations.
- Governmental Fund balances increased from September 30, 2011 by \$61,323 to \$172,082.
- The General Fund balance increased from September 30, 2011 by \$55,390 to \$91,378.
- The Town issued a note payable of \$50,000, which was used for expenses in relation to the energy and efficiency grant.
- During fiscal year 2012, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, with the intent to standardize governmental fund balance information. "Restricted" net assets are limited to those which have externally imposed restrictions or which are restricted by law through constitutional provisions or enabling legislation.

### ***Town Highlights***

The Town was awarded a Florida Energy and Climate Commission grant for town hall energy audit and retrofits, Obie T. Morrell Park solar powered LED lighting, and development of an energy and efficiency and conversation strategy in the total of \$215,000 of which \$213,304 was received in fiscal year 2012. There was a slight decrease from September 30, 2011 in County funds received, which varies from year to year.

### ***Overview of the Financial Statements***

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's basic financial statements, which are composed 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 major funds, rather than fund types. The statement combines and consolidates governmental fund

current resources (short-term spendable resources) with capital assets and long-term obligations. The statements include a Statement of Net Assets and a Statement of Activities that are designed to provide consolidated financial information about the governmental activities of the Town presented on the accrual basis of accounting. 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. 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. The Statement of Activities presents information showing how the Town's net assets changed during the most recent fiscal year. The focus is on both gross and net costs of various activities that are supported by the Town's general tax and other revenues. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services.

Both of the financial statements distinguish the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town are for general government, public safety, streets and roads, and culture and recreation.

### ***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 fall into one category: governmental. 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 funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable 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 government-wide financial statements, readers may better understand the long-term impact of the Town's near-term financing decisions.

The Town maintains three governmental funds and information on these funds are presented in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

The Town adopts an annual appropriated budget for its General Fund, Volunteer Fire Department Fund, and Road Improvement Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget and are presented as required supplemental information.

### ***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.

### ***Government-Wide Financial Analysis***

This section is used to present condensed financial information from the government-wide statements that compare the current year to the prior year. The condensed information can be found on page 6. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The Town's assets exceeded liabilities by \$825,308 at September 30, 2012, an increase of \$133,466 from September 30, 2011. This increase was primarily due to the Town receiving Florida Energy and Climate Commission grant proceeds in the amount of \$213,304 for town hall energy audit and retrofits, Obie T. Morrell Park solar powered LED lighting, and development of an energy and efficiency and conversation strategy.

### **Financial Analysis of the Town's Funds**

This section provides an analysis of the balances and transactions of individual funds. 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 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 September 30, 2012, the Town's governmental funds reported combined ending fund balances of \$172,082. This is an increase of \$61,323 over the prior year.

### ***General Fund Budgetary Highlights***

The Town's general fund final budgeted revenues and expenditures increased from its original budget by \$113,503 for the inclusion of the energy and efficiency grant. The Town's volunteer fire department fund final budgeted revenues and expenditures increased from its original budget by \$8,612 for the inclusion of increased funding from the County.

### ***Capital Assets***

The Town of Ebro's investment in capital assets for its governmental type activities as of September 30, 2012, amounts to \$703,806 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment. Additional information on the Town's capital assets can be found in Note 6 on page 25 of these financial statements.

### ***Request for Information***

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. Additional financial information is available from the Town's Clerk, Linda Marlow, P.O. Box 10, Ebro, Florida 32437.

The following schedule reflects the condensed Statement of Net Assets and Statement of Activities.

<i>As of September 30,</i>	<b>2012</b>	(Unaudited) 2011	<b>Variance</b>
<b>Statement of Net Assets</b>			
<b>Assets</b>			
Cash and cash equivalents	\$ 109,216	\$ 55,215	\$ 54,001
Certificates of deposit	50,853	50,088	765
Due from other governments	12,594	13,880	(1,286)
Prepaid expense	-	3,153	(3,153)
Land and other nondepreciable assets	9,250	9,250	-
Capital assets, net of depreciation	694,556	569,376	125,180
<b>Total assets</b>	<b>876,469</b>	700,962	175,507
<b>Liabilities</b>			
Accounts payable	376	3,941	(3,565)
Accrued expenses	205	205	-
Due to grantor	-	4,278	(4,278)
Compensated absences	580	696	(116)
Noncurrent liabilities			
Due in more than one year	50,000	-	50,000
<b>Total liabilities</b>	<b>51,161</b>	9,120	42,041
<b>Net Assets</b>			
Invested in capital assets, net of related debt	653,806	578,626	75,180
Unrestricted	171,502	113,216	58,286
<b>Total net assets</b>	<b>\$ 825,308</b>	\$ 691,842	\$ 133,466
<b>Statement of Activities</b>			
<b>Expenses</b>			
General government	\$ 103,696	\$ 112,955	\$ (9,259)
Public safety	60,764	65,468	(4,704)
Streets and roads	802	-	802
Culture and recreation	19,903	20,927	(1,024)
Interest	1,722	-	1,722
<b>Total expenses</b>	<b>186,887</b>	199,350	(12,463)
<b>Program Revenues</b>	<b>238,451</b>	37,283	201,168
<b>General Revenues</b>			
Taxes	78,009	85,632	(7,623)
Investment earnings	782	490	292
Miscellaneous	3,111	6,359	(3,248)
<b>Total general revenues</b>	<b>81,902</b>	92,481	(10,579)
Change in net assets	133,466	(69,586)	203,052
<b>Net Assets - Beginning</b>	<b>691,842</b>	761,428	(69,586)
<b>Total Net Assets - Ending</b>	<b>\$ 825,308</b>	\$ 691,842	\$ 133,466



## **BASIC FINANCIAL STATEMENTS**

**Town of Ebro**  
**Statement of Net Assets**  
**September 30, 2012**

	<b>Primary Government Governmental Activities</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 109,216
Certificates of deposit	50,853
Due from other governments	12,594
Land and other nondepreciable assets	9,250
Capital assets, net of depreciation	694,556
<hr/>	
Total assets	876,469
<hr/>	
<b>Liabilities</b>	
Accounts payable	376
Accrued expenses	205
Noncurrent liabilities	
Due within one year	58
Due in more than one year	50,522
<hr/>	
Total liabilities	51,161
<hr/>	
<b>Net Assets</b>	
Invested in capital assets, net of related debt	653,806
Restricted for:	
Streets and roads	33,879
Public safety	46,825
Unrestricted	90,798
<hr/>	
Total net assets	\$ 825,308
<hr/>	

See accompanying notes to financial statements.

**Town of Ebro**  
**Statement of Activities**  
**For the Year Ended September 30, 2012**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General government	\$ 103,696	\$ 157	\$ -
Public safety	60,764	-	24,990
Streets and roads	802	-	-
Culture and recreation	19,903	-	-
Interest	1,722	-	-
<b>Total governmental activities</b>	<b>\$ 186,887</b>	<b>\$ 157</b>	<b>\$ 24,990</b>

**General Revenues**

Taxes:

Franchise taxes

Sales taxes

State revenue sharing

Pari-mutual taxes

Miscellaneous taxes

Investment earnings

Miscellaneous

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Total general revenues

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Change in net assets

**Net Assets - beginning**

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**Net Assets - ending**

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See accompanying notes to financial statements.

		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
		<u>Primary</u>	
		<b>Government</b>	
<u>Capital</u>			
<u>Grants and</u>	<u>Governmental</u>		
<u>Contributions</u>	<u>Activities</u>		
\$	-	\$	(103,539)
	-		(35,774)
	-		(802)
213,304		193,401	
	-		(1,722)
<hr/>			
<u>\$ 213,304</u>		<u>51,564</u>	
<hr/>			
		34,434	
		24,933	
		9,553	
		5,950	
		3,139	
		782	
		<u>3,111</u>	
<hr/>			
		81,902	
<hr/>			
		133,466	
<hr/>			
		691,842	
<hr/>			
		<u>\$ 825,308</u>	

**Town of Ebro  
Balance Sheet  
Governmental Funds  
September 30, 2012**

	General Fund	Volunteer Fire Department Fund	Road Improvement Fund	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 62,538	\$ 41,785	\$ 4,893	\$ 109,216
Certificates of deposit	21,867	-	28,986	50,853
Due from other governments	7,554	5,040	-	12,594
<b>Total assets</b>	<b>\$ 91,959</b>	<b>\$ 46,825</b>	<b>\$ 33,879</b>	<b>\$ 172,663</b>
<b>Liabilities and Fund Balances</b>				
Liabilities				
Accounts payable	\$ 376	\$ -	\$ -	\$ 376
Accrued expenses	205	-	-	205
<b>Total liabilities</b>	<b>581</b>	<b>-</b>	<b>-</b>	<b>581</b>
Fund balances				
Restricted	-	46,825	33,879	80,704
Assigned	91,378	-	-	91,378
<b>Total fund balances</b>	<b>91,378</b>	<b>46,825</b>	<b>33,879</b>	<b>172,082</b>
<b>Total liabilities and fund balances</b>	<b>\$ 91,959</b>	<b>\$ 46,825</b>	<b>\$ 33,879</b>	<b>\$ 172,663</b>

See accompanying notes to financial statements.

**Town of Ebro**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Assets**  
**September 30, 2012**

Differences in amounts reported for governmental activities in the Statement of Net Assets:

Total fund balance - governmental funds	\$	172,082
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		703,806
Some liabilities (such as notes payable, capital lease contract payable and compensated absences) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		(50,580)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>825,308</u>

See accompanying notes to financial statements.

**Town of Ebro**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2012**

	General Fund	Volunteer Fire Department Fund	Road Improvement Fund	Total Governmental Funds
<b>Revenues</b>				
Taxes	\$ 68,456	\$ -	\$ -	\$ 68,456
Licenses and permits	157	-	-	157
Intergovernmental	220,205	-	2,652	222,857
Charges for services	-	24,990	-	24,990
Investment earnings	366	17	399	782
Miscellaneous	3,111	-	-	3,111
<b>Total revenues</b>	<b>292,295</b>	<b>25,007</b>	<b>3,051</b>	<b>320,353</b>
<b>Expenditures</b>				
Current				
General government	89,544	-	-	89,544
Public safety	-	8,194	-	8,194
Streets and roads	-	-	802	802
Debt service				
Interest	1,722	-	-	1,722
Capital outlay	193,304	14,189	-	207,493
<b>Total expenditures</b>	<b>284,570</b>	<b>22,383</b>	<b>802</b>	<b>307,755</b>
Excess of revenues over expenditures	7,725	2,624	2,249	12,598
<b>Other Financing Sources (Uses)</b>				
Issuance of long-term debt	50,000	-	-	50,000
Debt issuance costs	(1,275)	-	-	(1,275)
Transfers in	-	1,060	-	1,060
Transfers out	(1,060)	-	-	(1,060)
<b>Total other financing sources</b>	<b>47,665</b>	<b>1,060</b>	<b>-</b>	<b>48,725</b>
Net change in fund balances	55,390	3,684	2,249	61,323
<b>Fund Balances - beginning</b>	<b>35,988</b>	<b>43,141</b>	<b>31,630</b>	<b>110,759</b>
<b>Fund Balances - ending</b>	<b>\$ 91,378</b>	<b>\$ 46,825</b>	<b>\$ 33,879</b>	<b>\$ 172,082</b>

See accompanying notes to financial statements.

**Town of Ebro**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended September 30, 2012**

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds:	\$	61,323
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports the outlay as expense over the assets' estimated useful lives as depreciation expense for the period.		207,493
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Assets		(82,313)
Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability.		(50,000)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Compensated absences		116
Prepaid insurance		(3,153)
Change in net assets of governmental activities	\$	133,466

See accompanying notes to financial statements.



**Town of Ebro**

**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual - General Fund**  
**For the Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
<b>Revenues</b>				
Taxes	\$ 72,516	\$ 68,461	\$ 68,456	\$ (5)
Fines and fees	150	-	-	-
Licenses and permits	300	157	157	-
Intergovernmental	9,542	121,954	220,205	98,251
Investment earnings	-	-	366	366
Miscellaneous	-	5,439	3,111	(2,328)
<b>Total revenues</b>	<b>82,508</b>	<b>196,011</b>	<b>292,295</b>	<b>96,284</b>
<b>Expenditures</b>				
Current				
General government	88,808	82,230	89,544	(7,314)
Public safety	1,000	-	-	-
Debt service				
Interest	-	-	1,722	(1,722)
Capital outlay	-	111,879	193,304	(81,425)
<b>Total expenditures</b>	<b>89,808</b>	<b>194,109</b>	<b>284,570</b>	<b>(90,461)</b>
Excess of revenues over (under) expenditures	(7,300)	1,902	7,725	5,823
<b>Other Financing Sources (Uses)</b>				
Issuance of long-term debt	-	-	50,000	50,000
Debt issuance costs	-	-	(1,275)	(1,275)
Transfer out	(2,700)	(2,700)	(1,060)	1,640
<b>Total other financing sources (uses)</b>	<b>(2,700)</b>	<b>(2,700)</b>	<b>47,665</b>	<b>50,365</b>
<b>Net change in fund balances</b>	<b>(10,000)</b>	<b>(798)</b>	<b>55,390</b>	<b>56,188</b>
<b>Fund Balances - beginning</b>	<b>35,988</b>	<b>35,988</b>	<b>35,988</b>	<b>-</b>
<b>Fund Balances - ending</b>	<b>\$ 25,988</b>	<b>\$ 35,190</b>	<b>\$ 91,378</b>	<b>\$ 56,188</b>

See accompanying notes to financial statements.

**Town of Ebro**

**Statement of Revenues, Expenditures, and Changes in Fund Balances-**  
**Budget to Actual - Volunteer Fire Department Fund**  
**For the Year Ended September 30, 2012**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
<b>Revenues</b>				
Charges for services	\$ 18,500	\$ 27,112	\$ 24,990	\$ (2,122)
Miscellaneous	-	-	17	17
Total revenues	18,500	27,112	25,007	(2,105)
<b>Expenditures</b>				
Current				
Public safety	28,500	25,972	8,194	17,778
Capital outlay	-	-	14,189	(14,189)
Total expenditures	28,500	25,972	22,383	3,589
Excess of revenues over (under) expenditures	(10,000)	1,140	2,624	1,484
<b>Other Financing Sources</b>				
Transfer in	-	-	1,060	1,060
Net change in fund balances	(10,000)	1,140	3,684	2,544
<b>Fund Balances - beginning</b>	43,141	43,141	43,141	-
<b>Fund Balances - ending</b>	\$ 33,141	\$ 44,281	\$ 46,825	\$ 2,544

See accompanying notes to financial statements.

**Town of Ebro**

**Statement of Revenues, Expenditures, and Changes in Fund Balances-  
Budget to Actual - Road Improvement Fund  
For the Year Ended September 30, 2012**

	Budgeted Amounts			Actual Amounts	Variance with Final Budget - Positive (Negative)			
	Original Budget		Final Budget					
<b>Revenues</b>								
Intergovernmental	\$	-	\$	-	\$	2,652	\$	2,652
Investment earnings		-		-		399		399
<hr/>								
Total revenues		-		-		3,051		3,051
<b>Expenditures</b>								
Current								
Streets and roads		-		-		802		(802)
<hr/>								
Excess of revenues over expenditures		-		-		2,249		2,249
<b>Other Financing Sources</b>								
Transfer in		2,700		2,700		-		(2,700)
<hr/>								
Net change in fund balances		2,700		2,700		2,249		(451)
<hr/>								
<b>Fund Balances - beginning</b>		31,630		31,630		31,630		-
<hr/>								
<b>Fund Balances - ending</b>	\$	34,330	\$	34,330	\$	33,879	\$	(451)

See accompanying notes to financial statements.

Notes to Financial Statements

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**NOTE**

1. Summary of Significant Accounting Policies
2. Stewardship, Compliance, and Accountability
3. Cash, Cash Equivalents, and Investments
4. Due from other Governments
5. Interfund Transfers
6. Capital Assets
7. Long-Term Debt
8. Commitments and Contingencies
9. Tax Revenue
10. Risk Management and Litigation
11. Subsequent Events
12. Governmental Fund Balances

Notes to Financial Statements

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Ebro, Florida (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units in accordance with the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town's basic financial statements.

***Reporting Entity***

The Town was created in 1967 by an act of the Florida legislature (House Bill 2530) recorded in the Secretary of States Office. It is an incorporated municipality of the State of Florida, and operates using an elected council form of government. The authority of this council and the policies it may implement are regulated by the Town's Charter, Ordinances, Resolutions and Statutes of the State of Florida.

The definition of the reporting entity, pursuant to Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 and 2600 is based primarily on the notion of financial accountability. The Town is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The Town may be financially accountable if an organization is fiscally dependent on the Town regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. Based upon the application of these criteria, no potential component units were identified.

***Government-wide and Fund Financial Statements***

The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements are comprised of the statement of net assets and the statement of changes in net assets which reports information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

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 are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contribute to the change in the net assets for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Notes to Financial Statements

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

***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, considered to be sixty days for property taxes and ninety days for all other revenue. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Notes to Financial Statements

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following are reported as major governmental funds:

**General Fund** – This is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Volunteer Fire Department Fund** – This fund accounts for the operation of the Volunteer Fire Department.

**Road Improvement Fund** - This fund accounts for the portion revenue the Town has set aside for road improvements.

***Cash and Cash Equivalents***

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.

***Investments***

Florida Statutes authorize the Town to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (the “SBA”), obligations of the U.S. Treasury and Agencies, and interest bearing time deposits and savings accounts held in Federal and State chartered banks and savings and loans associations doing business in Florida, provided that such deposits are secured by collateral as may be prescribed.

Investments consist solely of certificates of deposit with maturities greater than three months.

The Town does not have a separate investment policy. They historically have invested only in certificates of deposit and money market accounts at local banks.

***Accounts Receivable***

Provisions for credit losses are charged to income in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses for Town receivables. All accounts receivable are currently considered collectible and no allowance needed.

***Inventories***

Purchases of inventories are reported as expenditures in the period purchased. Inventories are not deemed material and are not reported on the balance sheet.

***Prepaid Items***

Payment for goods and services applicable to future periods are recorded as prepaid expense in the government-wide financial statements.

Notes to Financial Statements

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Interfund Loans and Transfers***

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 inter-fund loans) or “advances to / from other funds” (i.e., the non-current portion of inter-fund 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.”

***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 activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost, or value if donated, of \$1,000 for equipment, buildings and land with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town did not maintain cost records for some of its buildings and those buildings have been valued at estimated historical cost for year of construction. Donated capital assets are recorded at estimated fair value at the date of donation. The Town did not report infrastructure acquired prior to October 1, 2003.

The cost 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 primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Equipment	5 - 10 years

***Compensated Absences***

The Town allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation and sick leave hours up to certain limits at current wage rates. All leave is accrued when incurred in the government-wide financial statements. A liability for these amounts in the government-wide financial statements consists of unpaid, accumulated annual leave balances. 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.

***Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. In fund financial statements, the face amount of debt issued is reported as other financing sources.



Notes to Financial Statements

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Assets/Fund Equity***

Net assets are reported on the government-wide financial statements and are required to be classified for accounting and reporting purposes into the following net asset categories:

*Invested in Capital Assets, Net of Related Debt* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

*Restricted* – Constraints imposed on net assets by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

*Unrestricted* – Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Town Council.

Fund equity is reported in the fund financial statement in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

*Restricted* – Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. The City's restricted fund balance primarily includes federal, state, and local grant funds that are for a stated purpose per the grant agreements.

*Committed* – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The City has no fund balances classified as committed.

*Assigned* – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

*Unassigned* – Fund balances of the general fund that are not constrained for any particular purpose. The City has no fund balances classified as unassigned.

The authority to establish, modify or rescind a committed or assigned fund balance rests with the Town Council and these actions are accomplished through an adopted resolution.

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

Notes to Financial Statements

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to use committed funds first, then assigned, and finally unassigned.

***Management Estimates and Assumptions***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgetary Information***

Each year formal budgets are legally adopted and amended as required by the Town Council for the General Fund and Special Revenue Funds. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the Town Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level.

Budgets for the governmental funds are adopted on a basis consistent with GAAP. Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid on goods on order or unperformed contracts in process at year-end. Because appropriations lapse at year-end, it is the Town's policy to close encumbrances at year-end and to re-encumber those amounts, as needed, at the beginning of the next budget cycle.

***Excess of Expenditures over Appropriations***

For the year ended September 30, 2012, expenditures exceeded appropriations in the general fund by \$90,461. The over-expenditure was funded by debt proceeds and grant revenues. For the year ended September 30, 2012, expenditures exceeded appropriations in the road improvement fund by \$802. The over-expenditure was funded by transfers from other funds and excess revenues over budgeted revenues.

**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

***Investments***

The Town is authorized under Chapter 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time to time in:

Notes to Financial Statements

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**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

1. The Local Government Surplus Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in Qualified Public Depositories, as defined in Section 280.02, Florida Statutes.
4. Direct obligations of the U.S. Treasury.

As of September 30, 2012, the Town had invested its funds only in bank interest-bearing time deposits and savings accounts.

***Custodial Risk***

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the County will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The Town's current investments are limited to certificates of deposit, which does not represent significant custodial risk.

The Town maintains its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between Qualified Public Depositories.

Under Florida Statute 280 and the Federal Deposit Insurance Corporation, all the Town's deposits are fully insured or collateralized with collateral held by the State Treasurer.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributable to the quantity of the government's investment in a single issuer. Investments in single issuers that equal or exceed 5% have reportable credit risk. The certificates of deposit are with one financial institution. All certificates of deposit balances in excess of FDIC coverage, when applicable, are covered by the multiple financial institutions' collateral pool in accordance with Florida Statutes Chapter 280.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town has limited its interest rate risk by investing in low risk instruments with a maturity of 60 months or less. At September 30, 2012, the Town held the following investment.

Notes to Financial Statements

**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

	Total Fair Value	1-5 Years
Certificates of deposit	\$ 50,853	\$ 50,853

**NOTE 4 – DUE FROM OTHER GOVERNMENTS**

Due from other governments at September 30, 2012 consist of the following:

	General Fund	Volunteer Fire Department Fund	Total Governmental
Taxes	\$ 7,554	\$ 5,040	\$ 12,594

All amounts are reported at their gross value and when appropriate are reduced by the estimated portion that is expected to be uncollectible. These amounts are deemed to be 100% collectible.

**NOTE 5 – INTERFUND TRANSFERS**

Transfers to/from other funds at September 30, 2012, consist of the following:

<u>General fund to the volunteer fire department fund</u>	<u>\$ 1,060</u>
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Transfers to the volunteer fire department fund are for general operating expenses.

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2012 was as follows:

	Beginning Balance 9/30/11	Increases	Decreases	Ending Balance 9/30/12
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 9,250	\$ -	\$ -	\$ 9,250

Notes to Financial Statements

**NOTE 6 – CAPITAL ASSETS (Continued)**

Capital assets, being depreciated:					
Equipment	\$ 501,009	\$ 38,475	\$ -	\$ 539,484	
Buildings	323,431	169,018	-	492,449	
Less accumulated depreciation for:					
Equipment	162,066	66,979	-	229,045	
Buildings	92,998	15,334	-	108,332	
<b>Total capital assets, being depreciated, net</b>	<b>\$ 569,376</b>	<b>\$ 125,180</b>	<b>\$ -</b>	<b>\$ 694,556</b>	

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities**

General government	\$ 9,840
Culture and recreation	19,903
Public safety	52,570
<b>Total depreciation expense - governmental activities</b>	<b>\$ 82,313</b>

**NOTE 7 – LONG-TERM DEBT**

The following is a summary of changes in long-term debt:

	<b>Balance 10/01/11</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 09/30/12</b>	<b>Due in One Year</b>
Note payable	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -
Compensated absences	696	160	276	580	58
<b>Total</b>	<b>\$ 696</b>	<b>\$ 50,160</b>	<b>\$ 276</b>	<b>\$ 50,580</b>	<b>\$ 58</b>

Governmental activities, claims, obligations and compensated absences are generally liquidated by the general fund. Long-term debt payable at September 30, 2012 is composed of the following issues:

	<b>Principal Balance</b>
<b>Note Payable – Regions Bank</b> – Payable in one principle payment of \$50,000, including accrued interest. Interest is payable monthly at 0.450% over the Prime Rate of the Lender. The note is scheduled to mature January 2017. The proceeds were used for grant expenditures. The loan is secured by the Town’s certificates of deposit.	\$ 50,000

Notes to Financial Statements

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**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Town received various grants during the year. These grants are subject to subsequent audit by the grantor agency. If any expenditures are determined to be disallowed, the grant monies will be subject to repayment in the future. The Town is not dependent on these grants for future operations.

**NOTE 9 – TAX REVENUE**

Florida Statute allows the Town to assess and collect property taxes within its municipal limits. However, the Town has chosen to operate on revenues generated from other sources. Its primary source of revenue comes from state collected and shared revenues generated from sales and gasoline taxes.

**NOTE 10 – RISK MANAGEMENT AND LITIGATION**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained coverage from commercial insurance companies, effectively transferring any risk of loss.

**NOTE 11 – SUBSEQUENT EVENTS**

On October 3, 2012, the Town paid off the Regions Bank note payable of \$50,000.

Subsequent events have been evaluated through June 25, 2013, the date of these financial statements, and except for the item noted above, no events were deemed to warrant disclosure.

**NOTE 12 – GOVERNMENTAL FUND BALANCES**

At September 30, 2012, fund balance is comprised of the following:

***Restricted Fund Balances***

Volunteer Fire Department Fund – Public safety	\$ 46,825
Road Improvement Fund – Streets and roads	33,879
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Total restricted fund balance	<u>\$ 80,704</u>

***Assigned Fund Balance***

General Fund – 2013 Budget Appropriations	<u>\$ 91,378</u>
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**COMPLIANCE SECTION**

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

Honorable Mayor and Members  
of the Town Council  
Ebro, Florida

We have audited the financial statements of the governmental activities and each major fund of the Town of Ebro, Florida (the "Town") as of and for the year ended September 30, 2012, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 25, 2013. 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**

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as discussed in the accompanying management letter, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider deficiencies 09-02, 09-03, 09-04, 09-05, and 12-01 described in the accompanying management letter to be material weaknesses.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's 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*.

We also noted other matters involving internal control over financial reporting that we have reported to management of the Town in a separate letter date June 25, 2013.

The Town's responses to the findings identified in our audit are described in the accompanying management letter. We did not audit the Town's responses and accordingly, we express no opinion on them.

Pursuant to Chapter 119, Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America requires us to indicate that this letter is intended solely for the information and use of the Town's management, others within the Town, the Town Council, the State of Florida Office of the Auditor General and state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

June 25, 2013

## MANAGEMENT LETTER

Honorable Mayor and Members  
of the Town Council  
Ebro, Florida

We have audited the financial statements of the Town of Ebro, Florida (the "Town"), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated June 25, 2013.

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 and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated June 25, 2013, 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 governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not in the aforementioned auditors' report:

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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding and second preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

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 that the Town complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. These recommendations are as follows:

### Prior Year Findings and Recommendations

#### 09-02 Financial Statement Preparation (Repeat Finding)

**Condition** – The external auditors' assistance was necessary to prepare the financial statements including note disclosures in accordance with generally accepted accounting principles.

**Criteria** – Auditing Standards Board Statement No. 115 requires auditors to disclose for reports substantially drafted by external auditors whether or not the entity’s institutional experience, background, and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the entity from preparing the financial statements internally including full note disclosures as required by those standards.

**Cause** – There is no Town personnel with the experience, background and knowledge of Governmental Accounting and Financial Accounting Standards to prepare the financial statements internally including full note disclosures as required by those standards.

**Effect** – The finding could adversely affect the Town’s ability to internally prepare financial statements in accordance with generally accepted accounting principles.

**Recommendation** – We recommend Town personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements.

**Views of Responsible Officials and Planned Corrective Action** - At this time the Town has only one clerk that assumes all duties for the Town, we feel as the Town grows, and the revenue increases we will be able to hire additional staff, but at this time we must rely on an outside agency to prepare the financial statements.

#### **09-03 Segregation of Duties (Repeat Finding)**

**Condition** – The Town presently employs only one full-time clerical employee. This individual’s responsibilities include billing, collecting, receipting, depositing and recording all revenues. Additionally, this individual is also responsible for preparing and documenting all disbursements.

**Criteria** – Management is responsible for establishing and maintaining effective internal control over financial reporting. One of the most critical components of an effective internal control system is the appropriate separation of duties.

**Cause** – The Town lacks sufficient personnel to design and implement adequate separation of duties.

**Effect** – The finding could result in the misappropriation of assets and material misstatements to the financial statements.

**Recommendation** – Due to a lack of personnel required to establish proper separation of duties, a recommendation to correct this weakness is prohibitive. However, we strongly recommend the Town Council, Mayor or representative monitor ongoing operations to include systematic reviews of monthly financial activity and reporting.

**Views of Responsible Officials and Planned Corrective Action** - Monthly invoices are reviewed by the Clerk and the Mayor before payment is made. Each payment, regardless of amount, and all checks issued require two signatures. Financial activity summaries and bank reconciliations are prepared on a monthly basis for review by the Town council.

#### **09-04 Fixed Asset Management Policy (Repeat Finding)**

**Condition** – The Town does not have a formal written fixed asset management policy.

**Criteria** – The purpose of such a policy is to ensure the proper accounting and safeguarding of the Town assets and compliance with Section 274.02, Florida Statutes and Florida Administrative Code Rules 69I-73 (Tangible Personal Property Owned by Local Governments). A fixed asset management policy should incorporate at a minimum the following: (a) Procedures for identifying and recording in the general ledger the acquisition and disposal of fixed assets. (b) Procedures for identifying Town property such as property tags, vehicle identification numbers, serial number, etc. (c) Procedures for inventory of fixed assets to include the timing, method of inventory, items of specific inquiry, and who will be responsible for carrying out inventory. (d) Procedures for maintaining fixed asset records and the information to be contained in those records.

**Cause** – The Town has not implemented a formal written fixed asset management policy.

**Effect** – The Town has little assurance that its general fixed assets are properly recorded and controlled.

**Recommendation** – We recommend the Town adopt and implement a fixed asset management policy to ensure proper accounting and safeguarding of Town assets.

**Views of Responsible Officials and Planned Corrective Action** - Within 90 days the Town will have a formal asset management policy. The purpose of such a policy will be to ensure the proper accounting and safeguarding the Town assets and compliance with Section 274.02, Florida Statutes and Florida Administrative Code Rules 69I-73 (Tangible Personal Property Owned by Local Governments).

#### **09-05 Accounting for Accruals (Repeat Finding)**

**Condition** – The Town maintains records on the cash basis of accounting and certain receivables, payables and grant accruals and deferrals are not properly recorded. These accruals were made as proposed during the course of the audit.

**Criteria** – Generally accepted accounting principles requires financial statements to be presented on the modified accrual basis.

**Cause** – Town personnel lack the necessary experience, background and knowledge of accrual accounting to properly maintain its records and financial reporting on the accrual/modified accrual basis of accounting.

**Effect** – The finding could result in material misstatement of the financial statements.

**Recommendation** – The Town should comply with the accrual/modified accrual basis of accounting.

**View of Responsible Officials and Planned Corrective Action** - Should funds become available, the Town will have someone to come in to provide instruction to the clerk to convert to the modified accrual basis of accounting.

#### **09-06 Investment Policy (Repeat Finding)**

**Condition** – The Town does not have a written investment policy.

**Criteria** – Section 218.415, Florida Statutes, provides that “investment activity by a unit of local government must be consistent with a written investment plan adopted by the Governing body” or “in the alternate, such activity must be conducted in accordance with Subsection (17).” “Any such unit of local government shall have an investment policy for any public funds in excess of the amounts needed to meet current expenses as provided in subsections (1)-(16), or shall meet the highest priority on the safety of principal and liquidity of funds.”

**Cause** – The Town has not implemented a written investment policy.

**Effect** – The Town has limited assurance that its investment activity is in adherence to Florida Statutes. In addition, management has no written guidance for making investment decisions.

**Recommendation** – We recommend the Town adopt a formal written investment policy in accordance with Section 218.415 of the Florida Statutes. The Town was in compliance with Subsection (17) of Section 218.415 of the Florida Statutes.

**View of Responsible Officials and Planned Corrective Action** - Within 90 days the Town will adopt a formal written investment policy in accordance with Section 218.415 of the Florida Statutes.

## **Current Findings and Recommendations**

### **12-01 Public Deposit Annual Report**

**Condition** – The Town failed to file a Public Deposit Annual Report to the Chief Financial Officer (“CFO”) of the State of Florida.

**Criteria** – Florida Statute 280.18(6) states “Each public depositor shall submit, not later than November 30, an annual report to the Chief Financial Officer which shall include (a) the official name, mailing address, and federal employer identification number of the public depositor; (b) verification that confirmation of public deposit information as of September 30, as described in subsection (5), has been completed; (c) public deposit information in a report format prescribed by the Chief Financial Officer; the manner of required filing may be as signed writing or electronic data transmission at the discretion of the Chief Financial Officer; and (d) confirmation that a current public deposit identification and acknowledgement form, as described in subsection (2), has been completed for each public deposit account and is in the possession of the public depositor.”

**Cause** – There are no procedures in place to ensure that a Public Depositor Annual Report to the CFO is completed and filed in a timely manner as required by Florida Statutes.

**Effect** – The finding could result in noncompliance with laws and regulations of the State of Florida, limiting the Town’s asset protect provided by Florida Statute 280.18.

**Recommendation** – We recommend that the Town implement the necessary policies and procedures to ensure the timeliness of the completion and filing of the Public Depositor Annual Report to the CFO as required by Florida Statutes.

**View of Responsible Officials and Planned Corrective Action** – The Town will implement necessary policies and procedures to ensure a timely completion of filing of the Public Depositor Annual Report to the CFO as required by Florida Statutes.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, fraud, illegal acts, 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.

Section 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 financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or 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)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

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

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town'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. The assessment was done as of the fiscal year end and the Town does not appear to be in a state of deteriorating financial condition.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, other granting agencies, management and the Town Council and is not intended to be and should not be used by anyone other than these specified parties.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Certified Public Accountants

June 25, 2013