

Ray Bagshaw
Mayor

John Dowless
Council President

Michael Hendrix
Council Member

Neil Powell
Council Member

Pam Henley
Council Member

Dan Drummond
Council Member

CITY COUNCIL AGENDA
Special Meeting
City Hall – Council Chamber
405 Larue Avenue, Edgewood, Florida
Wednesday, April 23, 2014
6:30 p.m.

WELCOME! We are very glad you have joined us for today’s Council meeting. If you are not on the agenda, please complete an appearance form and hand it to the City Clerk. When you are recognized, state your name and address. The Council is pleased to hear relevant comments; however a five-minute limit has been set by Council. Large groups are asked to name a spokesperson. Robert’s Rules of Order guide the conduct of the meeting. **PLEASE SILENCE ALL CELLULAR PHONES AND PAGERS DURING THE MEETING.** “THANK YOU” for participating in your City Government.

CALL TO ORDER

INVOCATION

PLEDGE OF ALLEGIANCE

PRESENTATION

- Holland & Reilly, Certified Public Accountants – FY 12/13 Annual Financial Report

ADJOURNMENT

UPCOMING MEETINGS:

May 12, 2014.....Planning & Zoning Board
May 20, 2014.....City Council Regular Meeting

You are welcome to attend and express your opinion. Please be advised that Section 286.0105, Florida Statutes state that if you decide to appeal a decision made with respect to any matter, you will need a record of the proceedings and may need to ensure that a verbatim record is made. In accordance with the American Disabilities Act (ADA), if any person with a disability as defined by the ADA needs special accommodation to participate in this proceeding, he or she should telephone the City Clerk at (407) 851-2920.

CITY OF EDGEWOOD, FLORIDA

Annual Financial Report

September 30, 2013

(With Independent Auditors' Report Thereon)

CITY OF EDGEWOOD, FLORIDA

**ANNUAL FINANCIAL REPORT
AND AUDITORS' REPORT**

SEPTEMBER 30, 2013

CITY COUNCIL AND OFFICIALS

John Dowless	- Council Member & President
Lee Chotas	- Council Member
Michael Hendrix	- Council Member
Pam Henley	- Council Member
Neil Powell, D.D.S.	- Council Member
Raymond Bagshaw	- Mayor
Bea Meeks	- City Clerk
Pete Marcus	- Police Chief
Drew Smith	- City Attorney

AUDITOR
Holland & Reilly
Certified Public Accountants

CITY OF EDGEWOOD, FLORIDA

**ANNUAL FINANCIAL REPORT AND AUDITORS' REPORT
YEAR ENDED SEPTEMBER 30, 2013**

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FINANCIAL SECTION

This section contains the following subsections:

- **REPORT OF INDEPENDENT AUDITORS**
- **MANAGEMENT'S DISCUSSION AND ANALYSIS**
- **BASIC FINANCIAL STATEMENTS**
- **NOTES TO THE FINANCIAL STATEMENTS**

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CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Edgewood, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Edgewood, Florida (the City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Edgewood, Florida, as of September 30, 2013 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 28 through 30, respectively be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Edgewood's basic financial statements. The individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Holland & Reilly

April 1, 2014
Orlando, Florida

CITY OF EDGEWOOD, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended September 30, 2013

As management of the City of Edgewood, Florida (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2013.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,645,183 (net position). Of this amount, \$3,070,631 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- During the fiscal year the City's total net position increased by \$333,993, compared to the prior year increase of \$356,048.
- The City's cash and cash equivalents balance was \$3,502,424, representing a \$416,298 increase over the prior year.
- The City's capital outlays for fiscal year 2013 were \$117,035.
- The City has no outstanding debt.
- The City's Red Light Citation program generated an excess of revenues over expenditures of \$342,836.
- The City implemented Governmental Accounting Standards Board (GASB) Statements No. 61 and 63. See Note 13.

Overview of the Financial Statement

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

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, public safety, physical environment, and highways and streets.

The Government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City has only governmental funds – the General Fund (major fund) and a special revenue fund – the Roads and Streets Fund.

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

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

The City adopts an annual appropriated budget for its General Fund and special revenue fund. A budgetary comparison statement has been provided for the General Fund as required supplementary information.

The basic governmental fund financial statements can be found on pages 12 to 15 of this report.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 26 of this report.

Government-wide Financial Analysis

Statement of Net Position September 30, 2013 and 2012

	Governmental Activities	
	2013	2012
Current assets	\$ 3,685,003	3,263,471
Noncurrent assets (Capital assets)	2,197,269	2,252,432
Total assets	<u>5,882,272</u>	<u>5,515,903</u>
Current liabilities	155,919	130,584
Noncurrent liabilities	81,170	74,129
Total liabilities	<u>237,089</u>	<u>204,713</u>
Net position:		
Net investment in capital assets	2,197,269	2,252,432
Restricted	377,283	505,614
Unrestricted	<u>3,070,631</u>	<u>2,553,144</u>
Total net position	<u>\$ 5,645,183</u>	<u>5,311,190</u>

The increase in current assets from 2012 to 2013 is due to the increase in net position, a principal portion of which was generated from a full year of the Red Light Citation program.

\$2,197,269 or 39% of the City's net position are reflected in net investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure). The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City has no outstanding related debt, the investment in its capital assets would be reported net of any related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$377,283 or 7% of the City's net position represents resources that are subject to restrictions on how they may be used, primarily for law enforcement, storm water and road projects. Unrestricted net position of \$3,070,631 or 54% may be used to meet the City's ongoing obligations to citizens and creditors.

At September 30, 2013, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its governmental activities.

Changes in Net Position
For the year ended September 30, 2013 and 2012

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues		
Charges for services	\$ 885,627	713,694
Operating grants and contributions	2,500	-
Capital grants and contributions	3,500	6,028
Total program revenues	<u>891,627</u>	<u>719,722</u>
General revenues		
Property taxes	1,213,332	1,207,457
Sales and gas taxes	533,915	497,977
Franchise and utility taxes	698,860	715,001
Investment earnings	13,508	5,661
Impact fees	-	7,429
Miscellaneous revenue	11,760	5,907
Loss on disposition of capital assets	(3,664)	(2,896)
Total general revenues	<u>2,467,711</u>	<u>2,436,536</u>
Total revenues	<u>3,359,338</u>	<u>3,156,258</u>
Expenses:		
General government	355,839	311,861
Public safety	2,052,052	2,071,122
Highways and streets	271,238	211,951
Physical environment	346,216	205,276
Total expenses	<u>3,025,345</u>	<u>2,800,210</u>
Increase (decrease) in net position	333,993	356,048
Net position - beginning	5,311,190	4,955,142
Net position - ending	<u>\$ 5,645,183</u>	<u>5,311,190</u>

During the fiscal year 2013, the City's net position increased by \$333,993, primarily due to a full year of the Red Light Citation program. In addition, the City experienced an increase in property taxes and sales and gas taxes, offset by an increase in expenses for general government, highways and streets, and physical environment. The City did reduce expenses for public safety.

The following table represents the composition of governmental activities revenue and percentages in relation to total governmental activities:

	<u>2013</u>		<u>2012</u>
Charges for services	\$ 885,627	26%	23%
Grants and contributions	6,000	-	-
Property taxes	1,213,332	36	38
Sales and gas taxes	533,915	16	16
Franchise and utility taxes	698,860	21	23
Investment earnings	13,508	1	-
Other revenues	<u>8,096</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,359,338</u>	<u>100%</u>	<u>100%</u>

Relevant Financial Policies – The City's management has reviewed GASB Statement No. 45, "Accounting and Reporting for Postemployment Benefits Other than Pensions" and has made the determination that there are no applicable post-employment benefits and therefore no liability exists.

Fund Financial Statements

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,529,084.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,119,297. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 115% of total General Fund expenditures.

General Fund Budgetary Highlights

The following information is presented to assist the reader in comparing actual results with budgetary amounts.

- Total revenues were \$155,353 greater than budgeted in the General Fund, primarily due to the Red Light Citation program and court fines, which were higher than anticipated.
- Ad valorem taxes and State Revenue Sharing revenues from the state came in less than budgeted.
- Total expenditures were \$249,208 less than budgeted in the General Fund, primarily due to public safety and physical environment expenditures being less than anticipated.

Capital Assets

Capital Assets (net of depreciation)

	2013	2012	Increase (Decrease)	Percentage
Land	\$ 284,796	\$ 284,796	\$ -	-
Building	252,286	257,057	(4,771)	(2%)
Machinery and equipment	221,423	252,095	(30,672)	(12%)
Infrastructure	1,438,764	1,458,484	(19,720)	(1%)
Total capital assets	\$ <u>2,197,269</u>	\$ <u>2,252,432</u>	\$ <u>(55,163)</u>	(2%)

The City's total investment in capital assets for its governmental activities as of September 30, 2013, amounted to \$2,197,269 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

During the year ended September 30, 2013, the City expended \$117,035 on capital assets, including various renovations to City Hall (\$10,896), Commerce Drive (\$52,672), and \$53,467 on computers, a vehicle, and other equipment for the police department. The large decrease in machinery and equipment resulted from City Hall and the police department disposing of surplus equipment with a cost of \$48,300, and a net book value of \$3,664.

For more detailed information regarding the City's capital assets, please refer to Note 6 to the financial statements.

Long-Term Debt

The City has no outstanding debt as the mortgage payable on City Hall was paid off during the year ended September 30, 2011.

Economic Factors and Next Year's Budgets and Rates

- Council consideration for a replacement vehicle is anticipated in the 13/14 FY budget. The decision of City Council will determine the effect this request will have on the 13/14 FY budget.

Economic Factors and Next Year's Budgets and Rates – continued

- It is anticipated that major road maintenance will take place in the 13/14 FY budget. The needed maintenance is anticipated to cost \$350,000 to \$400,000.
- The amendment to the City's Comprehensive Plan Amendment is complete. There are a few housekeeping items to be done as a result of the amendment, including updating the City Code to align with the Comprehensive Plan. The City is not required to address its EAR in the 13/14 FY.
- Council approved \$10,000 in neighborhood grant funds in the 13/14 FY budget. Based on the needs of the City's residential and commercial neighborhoods in the 13/14 FY, it will determine Council's consideration of these funds, and the need to approve additional funds.
- The City is not anticipating making additional improvements to the vacant parcel adjacent to City Hall. However, it is anticipated that upgrades will be made to City Hall. City Hall was built in 1972 and the maintenance and repair to City Hall have been deficient. The current priority is the men and women's restroom accessed in the kitchen area of City Hall. Of importance in renovating the restrooms is making them ADA accessible. The roof on City Hall also needs to be replaced due to deficient repairs that were required as a result of hurricane damage. Also, additional improvements for landscaping to the police department and City Hall will require irrigation repairs and new plant material so the City will conform and set an example to the landscape code we are asking others to comply with.
- Annexing property into the City continues to be reviewed, as there is still interest by Council and developments outside the City's jurisdiction. The City does not have established fees for annexation. For this reason, if Council approves an annexation process, funds will need to be established for this in the 13/14 FY budget.
- The City approved holding monthly red light hearings in City Hall. At this time, these hearings have not affected the current budget. Due to the \$200 administrative fee assessed to the Respondents in these hearings, costs associated with the Hearing Officer and City Attorney is offset by the administrative fee. It is not anticipated that the red light hearings will impact the City's budget in the 13/14 FY.
- Due to Council's priority to bring the City's records management program up-to-date, the City will be considering a digitized records management program in the 13/14 FY budget. Based on the proposal received, Staff will not recommend less than \$10,000 in the 13/14 FY budget to begin the first phase of the improvements to the records management program.

Request for Information

This financial report is designed to provide a general overview of the City of Edgewood, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the management staff of the City of Edgewood, Florida.

BASIC FINANCIAL STATEMENTS

- Government-wide Financial Statements
- Fund Financial Statements

CITY OF EDGEWOOD, FLORIDA
Statement of Net Position
September 30, 2013

	<u>Primary</u> <u>Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 3,502,424
Investments	7,807
Receivables	62,220
Due from other governments	80,048
Prepaid items	30,497
Inventories	2,007
Total current assets	<u>3,685,003</u>
Noncurrent assets:	
Capital assets, not being depreciated	
Land	284,796
Capital assets, net of accumulated depreciation	
Buildings	422,129
Machinery and equipment	610,168
Infrastructure	2,861,017
Less accumulated depreciation	<u>(1,980,841)</u>
Total noncurrent assets	<u>2,197,269</u>
Total assets and other debits	<u>\$ 5,882,272</u>
Liabilities	
Current liabilities:	
Accounts payable	59,101
Accrued liabilities	52,897
Due to other governments	27,895
Unearned revenue	16,026
Total current liabilities	<u>155,919</u>
Noncurrent liabilities:	
Compensated absences	81,170
Total noncurrent liabilities	<u>81,170</u>
Total liabilities	<u>237,089</u>
Net Position	
Net investment in capital assets	2,197,269
Restricted for:	
Public safety	296,018
Road projects	25,723
Stormwater	55,542
Unrestricted	3,070,631
Total net position	<u>5,645,183</u>
Total liabilities and net position	<u>\$ 5,882,272</u>

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

CITY OF EDGEWOOD, FLORIDA
Statement of Activities
For the year ended September 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>
Governmental Activities:					
General government	\$ 355,839	50,833	2,500		(302,506)
Public safety	2,052,052	538,796		3,500	(1,509,756)
Highways and streets	271,238	17,890			(253,348)
Physical environment	346,216	278,108			(68,108)
Total governmental activities	<u>3,025,345</u>	<u>885,627</u>	<u>2,500</u>	<u>3,500</u>	<u>(2,133,718)</u>
Total primary government	\$ 3,025,345	885,627	2,500	3,500	(2,133,718)
General Revenues:					
					1,213,332
					533,915
					698,860
					13,508
					11,760
					(3,664)
					<u>2,467,711</u>
					333,993
					5,311,190
					<u>\$ 5,645,183</u>

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

CITY OF EDGEWOOD, FLORIDA

Balance Sheet

Governmental Funds

September 30, 2013

	General Fund	Other Governmental Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and cash equivalents	\$ 3,484,809	17,615	3,502,424
Investments	6,902	905	7,807
Receivables	62,220		62,220
Due from other governments	70,997	9,051	80,048
Prepaid items	30,497		30,497
Inventories	<u>2,007</u>		<u>2,007</u>
 Total assets	 <u>\$ 3,657,432</u>	 <u>27,571</u>	 <u>3,685,003</u>
Liabilities and fund balances			
Liabilities:			
Accounts payable	57,253	1,848	59,101
Accrued liabilities	52,897		52,897
Due to other governments	27,895		27,895
Unearned revenue	<u>16,026</u>		<u>16,026</u>
 Total liabilities	 <u>154,071</u>	 <u>1,848</u>	 <u>155,919</u>
Fund balances:			
Nonspendable:	32,504		32,504
Spendable:			
Restricted	304,997	25,723	330,720
Committed	46,563		46,563
Unassigned	<u>3,119,297</u>		<u>3,119,297</u>
 Total fund balances	 <u>3,503,361</u>	 <u>25,723</u>	 <u>3,529,084</u>
 Total liabilities and fund balances	 <u>\$ 3,657,432</u>	 <u>27,571</u>	 <u>3,685,003</u>

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

CITY OF EDGEWOOD, FLORIDA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2013

Total Fund Balances \$ 3,529,084

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 4,178,110	
Less: accumulated depreciation	<u>(1,980,841)</u>	2,197,269

Long-term liabilities are not due and payable in the current period; therefore, they are not reported in the governmental funds balance sheet - compensated absences

(81,170)

Net Position of Governmental Activities \$ 5,645,183

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

CITY OF EDGEWOOD, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2013

	General	Other Governmental Fund	Total Governmental Funds
Revenues			
Taxes	\$ 1,912,193	85,323	1,997,516
Licenses and permits	50,833		50,833
Intergovernmental	425,349	26,939	452,288
Charges for services	324,292		324,292
Fines and forfeitures	492,613		492,613
Investment earnings	13,311	197	13,508
Miscellaneous	14,062	17,890	31,952
Total revenues	<u>3,232,653</u>	<u>130,349</u>	<u>3,363,002</u>
Expenditures			
Current:			
General government	348,766		348,766
Public safety	1,955,942		1,955,942
Highways and streets		209,400	209,400
Physical environment	335,662		335,662
Capital outlay	64,363	52,672	117,035
Total expenditures	<u>2,704,733</u>	<u>262,072</u>	<u>2,966,805</u>
Excess of revenues over (under) expenditures	527,920	(131,723)	396,197
Fund balance			
Beginning of year	<u>2,975,441</u>	<u>157,446</u>	<u>3,132,887</u>
End of year	<u>\$ 3,503,361</u>	<u>25,723</u>	<u>3,529,084</u>

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

CITY OF EDGEWOOD, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
September 30, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 396,197

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$ 117,035	
Less: Current year depreciation	<u>(168,534)</u>	(51,499)

The net effect of transactions involving capital assets, such as sales, trade-ins, dispositions or other activity.		(3,664)
--	--	---------

Expenditures in the governmental funds for compensated absences are not recorded as expenses in the statement of activities - net increase in compensated absences		<u>(7,041)</u>
--	--	----------------

Change in Net Position of Governmental Activities		<u><u>\$ 333,993</u></u>
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The notes to the financial statements are an integral part of this statement.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies:

The City of Edgewood, Florida, ("the City") is a political subdivision of the State of Florida, located in Orange County. The City was incorporated under the Laws of Florida and operates under the council-mayor form of government under its charter pursuant to chapter 69-1039, of the State of Florida.

The accounting policies of the City of Edgewood, Florida conform to U.S. generally accepted accounting principles as applicable to governments as established by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

The City is a municipal corporation with a six member council, including the mayor. The Council President acts as the presiding officer of the council, with the Council Pro Tem serving in the Council President's absence.

The City provides the following services as authorized by its charter: public safety - police, street, public improvements, planning and zoning, and general administrative services.

In evaluating the City as a reporting entity, management has addressed all potential component units that may or may not fall within the City's oversight and control, and thus, be included in the City's financial statements. There are no component units, separate governmental units, agencies or nonprofit corporations that require inclusion in the City's financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from these statements. The City has only governmental activities, which normally are supported by taxes and intergovernmental revenues. The City has no business-type activities.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Franchise and utility taxes, state revenue sharing, charges for services, and investment earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The City reports the following governmental funds:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. This is the City's only major fund.

The Roads and Streets Fund is a special revenue fund and accounts for the City's share of local option gas tax, 9th cent gas tax and state revenue sharing fuel tax and the expenditures made for the maintenance and improvement of the City's roads.

D. Assets, Liabilities, and Net Position or Equity

- 1) Investments - Investments are reported at fair value. The City invests in the State Board of Administration Fund (see Note 4).
- 2) Receivables, and Due From Other Governments - Those represent amounts due for services provided to citizens and a claim against another government, are measurable, and have been accrued. Management has determined these amounts are collectible and no allowance for doubtful accounts is necessary.
- 3) Inventories - Inventories are priced at cost using the first-in, first-out method. Fuel inventories are maintained by the General Fund. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS

D. Assets, Liabilities, and Net Position or Equity-continued

- 4) Capital Assets - Capital assets, which include buildings, improvements other than buildings, equipment and furniture, vehicles, and infrastructure assets (i.e. roads, streets and sidewalks, curbs and gutters) are reported in the governmental activities column in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at cost when purchased. Contributed capital assets are capitalized at their fair value at the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is provided using the straight-line method over the estimated useful lives of the various classes of depreciable assets. The estimated useful lives of the various classes of depreciable assets are as follows:

Buildings	39 years
Building Improvements	15 years
Equipment	5 to 10 years
Furniture and Fixtures	7 to 10 years
Infrastructure	20 to 30 years
Software	3 years

- 5) Property Taxes - Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to ten (10) mills. The mileage rate assessed by the City for the fiscal year ended September 30, 2013 was 4.7000.

The property tax calendar is as follows:

- All property is assessed according to its fair market value on January 1 of each year.
- Property Appraiser prepares the assessment roll as of January 1 of each year, and then submits this preliminary roll for approval by the State and notifies each taxing authority of their respective valuation by July 1 of the assessment year.
- City Council holds two required public hearings, adopts a budget for the coming fiscal year, and adopts an ad valorem tax millage rate by September 30 of the assessment year.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

D. Assets, Liabilities, and Net Position or Equity-continued

- Property Appraiser certifies the assessment roll, and all real and tangible personal property taxes are due and payable November 1 (levy date) of the assessment year.
- A Notice of Taxes is mailed to each property owner on the assessment roll by November 1 of the assessment year. Taxes may be paid November 1 (year of assessment) through March 31 (following year of assessment) with the following applicable discounts:

<u>Month</u>	<u>Discount</u>
November	4%
December	3%
January	2%
February	1%
March	0%

- All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year immediately following year of assessment.
- A list of unpaid tangible personal property taxes and a list of unpaid real property taxes are advertised in April/May of the year immediately following year of assessment.
- Tax certificates are sold on all real properties with unpaid real property taxes on June 1 (lien date) of the year immediately following the year of assessment.

6) Compensated Absences - An accrual is made for accrued vacation leave in the government-wide financial statements. The amount accrued represents leave and unused "comp" leave that is expected to be paid in future years. Both vacation and unused "comp" leave are recorded as long-term liabilities in the government-wide financial statements.

Payment of paid time off leave balance upon separation or death - Upon successful completion of the new hire probationary period, employees in authorized, budgeted part-time or full-time positions will be eligible for payment of accumulated Paid Time Off in cases of separation from City employment in good standing (layoff, resignation with proper notice, retirement). An employee who separates with less than six months' service, or who is terminated during or at the conclusion of the probationary period, fails to provide proper notice of resignation, or is discharged for cause, is not eligible for payment of accumulated Paid Time Off, unless specifically authorized by the Mayor.

7) Estimates - The preparation of financial statements in accordance with the modified accrual or accrual basis of accounting described in the previous paragraphs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets or liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

2. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balances – total governmental funds and net position of governmental activities as reported in the government-wide statement of net position. These mainly pertain to recording capital assets, net of accumulated depreciation, and long-term obligations in the government-wide financial statements that are not recorded in the governmental fund financial statements.

B. 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 the net change in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These mainly pertain to recording depreciation, rather than capital outlay; the change in compensated absences; and the net effect of transactions involving dispositions or other activity relating to capital assets.

3. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

The City Council employs the following procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to September 30, the mayor submits to the City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Budget workshops are held and public hearings are conducted to obtain citizen comments.
- 3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- 4) Any transfers of budgeted amounts between departments within any fund, and any revisions that alter the total expenditures of any fund must be approved by the Council.
- 5) Formal budgetary integration is employed as a management control device during the year for all governmental funds that have a legally adopted budget.
- 6) Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 7) The legal level of budgetary control is the fund level. Administration control is maintained at the department level through integration with the accounting records. Appropriations lapse at the end of the year.

CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS

4. Cash and Cash Equivalents and Investments:

Florida Statutes provide for risk sharing collateral pools by banks and savings and loan associations. These collateral pools collateralize local government deposits with the participating depositories. The City's demand deposits, certificates of deposits, and money market accounts are placed in such authorized depositories. Demand deposits, certificates of deposit, and money market accounts are insured by federal depository insurance up to \$250,000 of the aggregate account balances for each entity. Amounts in excess of \$250,000 are fully insured by U.S. Government securities held in the Public Deposit Security Trust Fund maintained and monitored by the Treasurer of the State of Florida. The City's demand deposits, certificates of deposit and money market accounts are carried at cost that is equivalent to fair value.

Florida Statutes also authorize the City to invest in the State Board of Administration Fund (SBA). The SBA is an investment pool administered by the State of Florida. Investments held in the SBA consist of short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper. The City invests primarily in money market accounts, certificates of deposit and the SBA.

The SBA has established two different pools (Florida Prime and Fund B) whereby participants own a share of the respective pools and not the underlying securities.

The Florida Prime (formerly known as Pool or Fund A) meets the requirements of and is classified as a "2a-7 like" pool. The SBA is not a registrant with, nor regulated by, the Securities and Exchange Commission or any other regulatory agency; however, the Florida Prime has adopted operating procedures consistent with the requirements for a 2a-7 like pool and the fair value of the position in the pool is equal to the value of the pool's shares. Such investments are stated at amortized cost in the accompanying financial statements. The Florida Prime is rated by Standard and Poors and is currently rated AAAM. The weighted average days to maturity (WAM) at September 30, 2013 is 44 days. Next interest rate reset dates are used in the calculation of the WAM.

Fund B does not meet the requirements of a 2a-7 like pool; therefore the SBA provides a Fair Value factor (i.e. total net asset value of Fund B divided by total participant balances of Fund B). At September 30, 2013, the Fair Value factor is 1.13262284. The City's position is determined by multiplying its Fund B account balance by the Fair Value factor to determine the fair value of its investment in Fund B. Fund B is not rated by any nationally recognized statistical rating agency. The weighted average life (WAL) at September 30, 2013 is 4.04 years. However, because Fund B consists of restructured or defaulted securities there is considerable uncertainty regarding the weighted average life.

Neither the Florida Prime nor Fund B participated in a securities lending program in the year ended September 30, 2013. The SBA provides separate financial statements for the Florida Prime and Fund B (unaudited) as of and for the period ending June 30. It does not issue financial statements as of and for the period ending September 30.

On September 30, 2013 the City had \$30,492 invested in the Florida Prime with no liquidity restrictions. The City also had \$6,893 remaining in Fund B, with a fair value of \$7,807, resulting in an allowance for unrealized gain of \$914. The current year change resulted in an unrealized gain of \$1,683, which is reported in the City's operating statements.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

4. Cash and Cash Equivalents and Investments – continued:

As of September 30, 2013, financial instruments that potentially expose the City to concentration of credit risk, as defined by U.S. generally accepted accounting principles, consisted of cash and cash equivalent accounts in high quality financial institutions.

All of the City's deposits are insured by FDIC, a state depository insurance fund or a multiple financial institution collateral pool.

Cash and cash equivalents at September 30, 2013 consisted of the following:

	<u>General Fund</u>	<u>Roads and Streets Fund</u>	<u>Total</u>
Cash and cash equivalents:			
Demand deposits	\$ 3,455,548	16,384	3,471,932
State Board of Administration - Prime	29,261	1,231	30,492
Total cash and cash equivalents	<u>\$ 3,484,809</u>	<u>17,615</u>	<u>3,502,424</u>
Investments:			
State Board of Administration - Fund B	<u>\$ 6,902</u>	<u>905</u>	<u>7,807</u>

5. Receivables:

Receivables at September 30, 2013 consist of the following:

	<u>General Fund</u>	<u>Roads and Streets Fund</u>	<u>Total</u>
Receivables:			
Franchise fees and utility taxes	\$ 58,710		58,710
Solid waste	3,510		3,510
	<u>\$ 62,220</u>	<u>-</u>	<u>62,220</u>
Due from other governments:			
Taxes	39,833	9,051	48,884
Fines and forfeitures	9,506		9,506
Red light citations	21,172		21,172
Police education	486		486
	<u>\$ 70,997</u>	<u>9,051</u>	<u>80,048</u>

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

6. Capital Assets:

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

	Beginning balance	Increases	Decreases	Ending balance
Governmental activities:				
Land	\$ 284,796	-	-	284,796
Capital assets, being depreciated:				
Building	411,233	10,896	-	422,129
Machinery and equipment	605,002	53,467	(48,300)	610,169
Infrastructure	2,808,344	52,672	-	2,861,016
Total capital assets being depreciated	<u>3,824,579</u>	<u>117,035</u>	<u>(48,300)</u>	<u>3,893,314</u>
Less accumulated depreciation:	<u>(1,856,943)</u>	<u>(168,534)</u>	44,636	<u>(1,980,841)</u>
Total capital assets, being depreciated, net	<u>1,967,636</u>	<u>(51,499)</u>	<u>(3,664)</u>	<u>1,912,473</u>
Governmental activities capital assets, net	<u>\$ 2,252,432</u>	<u>(51,499)</u>	<u>(3,664)</u>	<u>2,197,269</u>

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

Governmental activities:	
General government	\$ 11,087
Public safety	85,055
Highways and streets	61,838
Physical environment	10,554
Total depreciation expense - governmental activities	<u>\$ 168,534</u>

7. Long-term Debt:

The following is the change reported in long-term debt:

	Balance October 1, 2012	Additions	Reductions	Balance September 30, 2013
Compensated absences representing the long term portion of the general fund's liability for accrued vacation leave	<u>\$74,129</u>	<u>7,041</u>	<u>-</u>	<u>81,170</u>

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

8. Florida Retirement System:

The City contributes to the Florida Retirement System (FRS), a multiple employer cost sharing defined benefit pension plan administered by the State of Florida, for the City's authorized permanent, full-time and part-time employees. The State of Florida issues a publicly available report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to the State of Florida, Division of Retirement, 2639 N. Monroe Street, Tallahassee, Florida, 32399-1560 or by calling (850) 488-2879.

FRS members are eligible for retirement after vesting, which occurs at 6 years (8 years after July 1, 2011) of creditable service for regular members. Normal retirement age is attained at the earlier of 30 years of creditable service regardless of age or retirement at age 62 with at least 6 years of creditable service. Early retirement may be taken anytime; however, there is a five percent benefit reduction for each year prior to normal retirement age. Members are also eligible for in-line-of-duty or regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation and service credit.

The most recent actuarial report was prepared as of July 1, 2013. Section 121.031(3) of the Florida Statutes requires that an actuarial review of the FRS be performed annually. The conclusions of the review are included in the annual report of the FRS.

Funding Policy

The FRS has nine classes of membership. Only two classes are applicable to the City's eligible employees. These two classes, with descriptions and contribution rates in effect during the three year period ended September 30, 2013, are as follows (contribution rates are in agreement with the actuarially determined rates, each including an additional health insurance subsidy contribution of .94%):

	Regular Class	Special Risk Class
7/1/11 - 7/1/12	7.91 %	17.10 %
7/1/12 - 7/1/13	8.18	17.90
7/1/13 - present	9.95	22.06

Article X, Section 14, of the State Constitution and Part VII, Chapter 112, Florida Statutes provides the authority to establish and amend the contributory obligations. The plan was non-contributory for employees through June 30, 2011 with all contributions being the obligation of the employer. Effective July 1, 2011, employee salary deferral was implemented with employee contributions rate of 3% for all classes of employee, which is included in the contribution rates in the preceding schedule. The City's contributions to FRS for the years ended September 30, 2013, 2012, and 2011 were \$115,657, \$101,625, and \$145,439, respectively, and equal the required contributions for each year.

9. Other Post-Employment Benefits:

The City's management has reviewed GASB Statement No. 45, "Accounting and Reporting for Postemployment Benefits Other than Pensions" and has made the determination that there are no applicable post-employment benefits and therefore no liability exists.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

10. Commitments and Contingencies:

- A. Litigation – During the ordinary course of its operations, the City is party to various claims, legal actions and complaints. Some of these matters are covered by the City's insurance program. While the ultimate effect of litigation cannot be ascertained at this time, management believes, based on the advice of legal counsel, that there will be no material effect on the City's financial position and/or that the City has sufficient insurance coverage to cover any claims.
- B. Risk management – The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered through participation in a local government non-assessable self-insurance pool – Florida Municipal Insurance Trust. There have been no significant reductions in insurance coverage from the prior year. No settlements have exceeded the City's insurance coverage for each of the past three fiscal years.
- C. Grants – The federal and state financial assistance awards are subject to audit and adjustment by the grantor agencies. Such audits could result in a request for reimbursement for disallowed expenditures under the terms and conditions of the contract. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time although the City expects such amounts, if any, not to be material.

11. Subsequent Events:

Management has evaluated subsequent events through April 1, 2014, the date which the financial statements were available to be issued.

12. Fund Equity - GASB 54:

In accordance with GASB 54, the City is required to report fund balance amounts in five classifications - nonexpendable and the spendable categories of restricted, committed, assigned, and unassigned, as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted - amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's highest level of decision-making authority. The City Council addresses these commitments through formal board action prior to the City's fiscal year end.

Assigned - amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Assignments can be made by the City Council.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**CITY OF EDGEWOOD, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

12. Fund Equity - GASB 54 – continued:

The City uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts.

The changes in the components of fund balance in the General Fund are as follows:

	Balance at 9/30/12	Increases	Decreases	Balance at 9/30/13
Nonspendable:				
Inventories	\$ 2,007	-	-	2,007
Prepaid expenses	19,988	10,509	-	30,497
	<u>21,995</u>	<u>10,509</u>	<u>-</u>	<u>32,504</u>
Restricted:				
Police education	9,719	-	(2,018)	7,701
Law enforcement trust	12,477	500	-	12,977
Storm water	57,971	421	(2,850)	55,542
Fines and forfeitures	221,437	7,340	-	228,777
	<u>301,604</u>	<u>8,261</u>	<u>(4,868)</u>	<u>304,997</u>
Committed:				
Police impact fees	7,720	-	-	7,720
Fire and rescue impact fees	38,843	-	-	38,843
	<u>46,563</u>	<u>-</u>	<u>-</u>	<u>46,563</u>
Unassigned	2,605,279	3,213,883	(2,699,865)	3,119,297
Total fund balances	<u>\$ 2,975,441</u>	<u>3,232,653</u>	<u>(2,704,733)</u>	<u>3,503,361</u>

13. New Accounting Standards Implemented:

The City implemented GASB Standard No. 61, *The Financial Reporting Entity*. This pronouncement changes the criteria the City needs to consider in determining whether any potential component units should be included in these financial statements. This implementation had no impact on the decisions made with respect to component units (see Note 1).

The City implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. Statement No. 63 requires certain items specifically identified by the GASB to be reported as additional elements to the Statement of Net Position (formerly called the Statement of Net Assets) – deferred outflows of resources (beneath assets) and deferred inflows of resources (beneath liabilities). The implementation of this pronouncement had no significant impact on the City's financial statements other than the change in titles from "net assets" to "net position".

The GASB issued a companion document to GASB Statement No. 63 which becomes effective next year. GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, further provides for the reclassification as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, as well as recognizing as outflow of resources or inflow of resources, certain items that were previously reported as asset and liabilities. It also clarifies that the term *deferred* should be limited only to items reported as deferred outflows of resources and deferred inflows of resources. The implementation of this pronouncement may have a material effect on the City's financial statements in the future.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

- General Fund

OTHER SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

- Roads and Streets Fund

CITY OF EDGEWOOD, FLORIDA
General Fund
Budgetary Comparison Schedule
For the year ended September 30, 2013

	<u>Budgeted amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes:				
Ad valorem taxes	\$ 1,259,199	1,259,199	1,213,332	(45,867)
Franchise and utility taxes	568,300	568,300	573,970	5,670
Local communications services tax	134,000	134,000	124,891	(9,109)
Total taxes	<u>1,961,499</u>	<u>1,961,499</u>	<u>1,912,193</u>	<u>(49,306)</u>
Licenses and permits:				
Regulatory licenses	35,000	35,000	34,884	(116)
Building, electrical and sign permits	11,750	11,750	15,949	4,199
Total licenses and permits	<u>46,750</u>	<u>46,750</u>	<u>50,833</u>	<u>4,083</u>
Intergovernmental revenues:				
State revenue sharing	99,800	99,800	73,581	(26,219)
Alcohol beverage licenses	-	-	196	196
Half-cent government sales tax	334,800	334,800	346,039	11,239
Grants	-	-	3,500	3,500
Other	1,500	1,500	2,033	533
Total intergovernmental revenues	<u>436,100</u>	<u>436,100</u>	<u>425,349</u>	<u>(10,751)</u>
Charges for services:				
Solid waste collection	266,600	266,600	278,108	11,508
Other	35,000	35,000	46,184	11,184
Total charges for services	<u>301,600</u>	<u>301,600</u>	<u>324,292</u>	<u>22,692</u>
Fines and forfeitures:				
Court fines	49,697	49,697	148,077	98,380
Citation surcharge	3,000	3,000	500	(2,500)
Red light citations	140,000	271,704	342,836	71,132
Code enforcement/parking fines	1,375	1,375	1,200	(175)
Total licenses and permits	<u>194,072</u>	<u>325,776</u>	<u>492,613</u>	<u>166,837</u>
Investment earnings	1,275	1,275	13,311	12,036
Miscellaneous	4,300	4,300	14,062	9,762
Total revenues	<u>\$ 2,945,596</u>	<u>3,077,300</u>	<u>3,232,653</u>	<u>155,353</u>

(Continued)

CITY OF EDGEWOOD, FLORIDA
General Fund
Budgetary Comparison Schedule
For the year ended September 30, 2013

	Budgeted amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General government:				
Financial and Administrative:				
Personal services	\$ 160,370	150,953	148,214	2,739
Operating expenditures	197,342	107,271	95,604	11,667
Capital outlay	13,500	13,500	19,469	(5,969)
Legal counsel	61,000	64,885	60,068	4,817
Comprehensive planning	22,500	23,841	17,274	6,567
Other general government	44,636	37,710	27,606	10,104
Total general government	<u>499,348</u>	<u>398,160</u>	<u>368,235</u>	<u>29,925</u>
Public safety:				
Law enforcement:				
Personal services	1,219,632	1,221,986	1,156,024	65,962
Operating expenditures	331,406	346,091	282,220	63,871
Capital outlay	-	25,840	44,894	(19,054)
Total law enforcement	<u>1,551,038</u>	<u>1,593,917</u>	<u>1,483,138</u>	<u>110,779</u>
Fire protection	535,000	535,000	517,698	17,302
Total public safety	<u>2,086,038</u>	<u>2,128,917</u>	<u>2,000,836</u>	<u>128,081</u>
Physical environment:				
Operating expenditures	408,850	426,864	335,662	91,202
Total expenditures	<u>408,850</u>	<u>426,864</u>	<u>335,662</u>	<u>91,202</u>
Total expenditures	<u>2,994,236</u>	<u>2,953,941</u>	<u>2,704,733</u>	<u>249,208</u>
Excess (deficiency) of revenues over (under) expenditures before transfers	(48,640)	123,359	527,920	404,561
Transfer in	-	51,000	-	(51,000)
Excess (deficiency) of revenues over expenditures	(48,640)	174,359	527,920	353,561
Fund balance				
Beginning of year	2,975,441	2,975,441	2,975,441	-
End of year	<u>\$ 2,926,801</u>	<u>3,149,800</u>	<u>3,503,361</u>	<u>353,561</u>

CITY OF EDGEWOOD, FLORIDA
Notes to Required Supplementary Information
September 30, 2013

1. Summary of Significant Budget Policies

The City Council annually adopts a budget for the General Fund. All appropriations are legally controlled at the fund level.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the budget. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with U.S. generally accepted accounting principles on a basis consistent with the legally adopted budget. Unexpended appropriations on annual budgets lapse at the end of each fiscal year. See Note 3 to the financial statements for additional information.

CITY OF EDGEWOOD, FLORIDA
Roads and Streets - Special Revenue Fund
Budgetary Comparison Schedule
For the year ended September 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Local option gas tax	\$ 76,000	76,000	85,323	9,323
Intergovernmental:				
State revenue sharing, fuel tax	-	-	26,939	26,939
Total intergovernmental	76,000	76,000	112,262	36,262
Other revenues:				
Interest earned	90	90	2	(88)
Unrealized gain on investments	-	-	195	195
FDOT reimbursement	13,244	13,244	17,890	4,646
Total revenues	89,334	89,334	130,349	41,015
Expenditures				
Current:				
Highways and streets				
Operating expenditures				
Streets and road maintenance	102,450	218,713	167,696	51,017
Utilities	38,244	22,197	41,704	(19,507)
Capital outlay		-	52,672	(52,672)
Total expenditures	140,694	240,910	262,072	(21,162)
Excess of revenues under expenditures before transfer	(51,360)	(151,576)	(131,723)	19,853
Transfer out	-	(51,000)	-	51,000
Excess of revenues under expenditures	(51,360)	(202,576)	(131,723)	70,853
Fund balance				
Beginning of year	157,446	157,446	157,446	-
End of year	\$ 106,086	(45,130)	25,723	70,853

STATUTORY SECTION

HOLLAND & REILLY

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CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA

THOMAS F. REILLY, CPA

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 City Council
City of Edgewood, Florida

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Edgewood, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. See Comments No. 2013-1, 2013-2, and 2012-4, on pages 35 and 36.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Edgewood's response to our findings identified in our audit is described on page 38-39 of this report. We did not audit the City of Edgewood's response, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

April 1, 2014
Orlando, Florida

Holland & Reilly

**AUDITORS' COMMENTS – CURRENT YEAR
(MANAGEMENT LETTER)**

2013-1 Subsidiary Ledgers Should Agree with General Ledger Activity

The City maintains a subsidiary ledger that summarizes the activity for the Red Light Citation program; however, it was not in agreement with the general ledger activity, as it omitted certain activity or was inconsistent in the amounts recorded. Likewise, the general ledger activity was not complete and accurate.

Due to the volume of activity associated with the program, we believe this subsidiary ledger is necessary to summarize all of the associated transactions; however, it should be accurate and complete.

We recommend a greater effort be made to ensure the accuracy and completeness of this subsidiary ledger. A monthly reconciliation with the general ledger should be performed to ensure the agreement of both sets of records.

2013-2 Ensure Correct Account Coding of Transactions

During the audit process, we again encountered numerous mispostings and misclassifications in the general ledger. This made analyzing the general ledger activity very cumbersome and tedious. We understand a number of individuals handled the codings of transactions throughout the year, which may have caused some of the inconsistencies.

We recommend the City utilize qualified individuals (see comment No. 2012-4 following) to code the accounting transactions. We also continue to recommend increased emphasis be placed on the correct and consistent coding of transactions to ensure the general ledger accounts are fairly and correctly stated. This will lead to accurate and correctly stated monthly financial statements, as well as reducing the audit effort at year-end.

STATUS OF PRIOR YEAR COMMENTS

2012-1 Subsidiary Ledgers Should Agree with General Ledger Activity

We noted discrepancies again in the subsidiary ledger that were not in agreement with the general ledger activity. See current year comment 2013-1.

2012-2 Ensure Compliance with Charter Provisions

The City's Charter Section 5.09 states the City's unrestricted reserves shall not exceed 75% of gross annual revenues. We noted, as of September 30, 2013, the City's "unassigned" fund balance of the governmental funds approximate 92% of gross annual revenues (the prior year was 83%). We recommend the City comply with its charter provisions.

2012-3 Develop an Accounting Manual

We ascertained the City is in the process of developing an "operating" or "accounting" manual, but has not finalized the document. We applaud the City for its efforts and recommend that it finalize the document as soon as possible. The manual will help to ensure the consistent treatment of transactions and will be vital during a period of transition of personnel.

2012-4 Redundancy in the Accounting System

In prior years, the City used two different software and accounting packages – Peachtree and QuickBooks. During the year, the City made the decision to utilize one accounting software package – Peachtree, and has eliminated the use of QuickBooks. The City no longer has an in-house accountant; it determined to continue to use the services of an outside accountant experienced and knowledgeable in governmental accounting.

However, due to the transition of personnel that occurred during the year, we again noted an inordinate number of mispostings in the general ledger, requiring numerous adjusting and reclassifying journal entries throughout the year, as well as year-end through the audit process.

We recommend that greater care be taken to ensure the accuracy of the general ledger.

2012-5 Ensure Correct Account Coding of Transactions

We again noted numerous mispostings and misclassifications in the general ledger. See current year comment 2013-2.

2012-6 Council Minutes Should Be Timely Prepared and Posted

We noted some improvements in the timely preparation of the minutes of the City Council and posting thereof to the City's website.

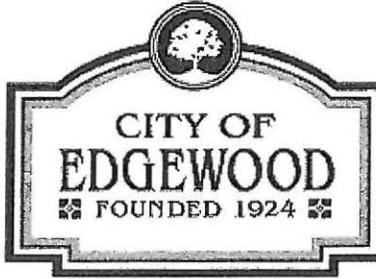
We again simply wish to emphasize the importance of this function and urge the City to ensure it has the adequate manpower to address the recording and posting of the City Council minutes on a timely basis. The minutes should be prepared to be approved by the next scheduled City Council meeting.

Comment 2013-1 was reported in the prior year management letter. Comments 2012-2 to 2012-6 were reported in the prior two audit reports.

OTHER MATTERS REQUIRED BY THE RULES OF THE AUDITOR GENERAL

In accordance with the Rules of the Auditor General of the State of Florida, the following is noted:

1. The City was established by Special Acts of 1923 of the State of Florida, Chapter 9764.
2. The financial report filed with the Department of Financial Services pursuant to Florida Statutes Section 218.32 is in agreement with the annual financial audit report for the year ended September 30, 2013.
3. The auditors applied financial condition assessment procedures per Auditor General Rule 10.556(8). It is management's responsibility to monitor the City'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 the same.
4. Based on our audit procedures performed, no indication came to our attention that caused us to believe that the City met any of the conditions described in Florida Statutes Section 218.503 (1).
5. The City complied with Section 218.415, Florida Statutes with regards to investment of public funds.



April 1, 2014

Office of Auditor General
State of Florida
Claude Denson Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

CURRENT YEAR COMMENT

2013-1 Subsidiary Ledgers Should Agree With General Ledger Activity

The City of Edgewood has entered into an Agreement with McDirmit Davis & Company, LLC (McDirmit~Davis), who now provides in-house accounting services that include maintaining the subsidiary ledgers. With the addition of qualified accounting personnel, the reconciliation of the subsidiary ledger should be complete and accurate.

2013-2 Ensure Correct Account Coding of Transactions

The City has entered into an Agreement with McDermit~ Davis, who now provides in-house accounting, services that include maintaining the subsidiary ledgers. With the addition of qualified accounting personnel, the reconciliation of the subsidiary ledger should be complete and accurate. Additionally, the City Clerk is reviewing the GL at the end of every month to ensure that mispostings and misclassifications are corrected before the monthly Financial Statement is prepared. If mispostings and misclassifications are found, they are addressed with the employee who handled the transaction. With the exception of the City Clerk and the accounting staff from McDermit~Davis, City personnel is limited to entering only A/R transactions received at their "front counters".

2012-2 Ensure Compliance With Charter Provision

The City will seek the assistance of McDermit~Davis in monitoring the unrestricted reserves so that we can maintain them in accordance with the City Charter.

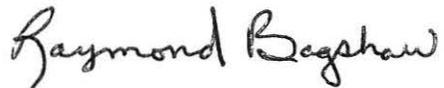
2012-3 Develop an Accounting Manual

A draft manual has been prepared and a workshop will be scheduled in April 2014 to finalize the manual. The finalized manual will be placed on the City Council agenda for formal adoption.

2012-4 Redundancy in the Accounting System

The City has entered into an Agreement with McDermit-Davis, who now provides in-house accounting. With their assistance, we hope to eliminate the inordinate number of postings in the general ledger and facilitate the audit process at year-end.

Respectfully,



Raymond Bagshaw
City of Edgewood
Mayor