



TOWN OF EATONVILLE, FLORIDA

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2013

And Reports of Independent Auditor

TOWN OF EATONVILLE, FLORIDA

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TOWN OF EATONVILLE, FLORIDA

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Report of Independent Auditor

Honorable Mayor and Town Council
Town of Eatonville, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eatonville, Florida (the "Town"), as of and for the year ended September 30, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant account 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows 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 the required supplementary information as listed in the table of contents 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 basic financial statements. The Other Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Other Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2014 on our consideration of the Town's internal control over financial reporting and 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 considered in assessing the results of our audit.



Orlando, Florida
June 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Eatonville, (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2013. Please read our discussion and analysis of the Town's financial activities for the year ended September 30, 2013 in conjunction with the Town's basic financial statements which immediately follow the discussion.

Financial Highlights

1. The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$9,221,054 (*net position*), \$601,143 of which was an unrestricted deficit.
2. The Town's total net position increased by \$6,271 during fiscal 2013, including a \$15,983 decrease in business-type activities and a \$22,254 increase in governmental activities.
3. As of the close of the current fiscal year, the Town's governmental funds reported a combined ending fund balance of \$1,000,312 which represents an increase of \$164,032 in comparison with the prior year. The increase in fund balance is attributable primarily to decreases in Community Redevelopment Agency expenditures.
4. At the end of the current fiscal year, the Town's General Fund reported a positive fund balance of \$308,753 which represents a decrease of \$55,145 in comparison with the prior year. The decrease is attributable to reductions in rental and other income, ad valorem taxes, and intergovernmental revenues as well as increased public safety expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of 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 Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Eatonville's assets and liabilities, with the difference between the two being 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 Town is improving or deteriorating.

The *statement of activities* presents information that demonstrates 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 (for example, uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, human services, public safety, community redevelopment, physical environment, economic development, and culture and recreation. The business-type activities of the Town include Water and Sewer, Solid Waste and Stormwater operations.

The government-wide financial statements include not only the Town of Eatonville itself (known as the *primary government*), but also a legally separate Community Development Agency (CRA), for which the Town is financially accountable. The Community Development Agency, although a legally separate entity, functions for all practical purposes as a department of the Town, and therefore has been included as an integral part of the primary government.

These government-wide financial statements can be found on pages 10-11 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 Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories:

1. Governmental funds,
2. Proprietary funds, and
3. Fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains the following two individual governmental funds: General Fund and Community Redevelopment Agency Fund. Information is presented separately in the governmental fund balance sheet, and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds.

The Town adopts an annual appropriated budget for its enterprise funds and its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with the budget.

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

Proprietary Funds: The Town maintains three enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer, Solid Waste, and Stormwater operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Solid Waste, and Stormwater operations. The basic proprietary fund financial statements can be found on pages 16-18 of this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements are for the Police Pension Trust Fund and can be found on pages 19-20 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-42 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the Town's General Fund and Community Redevelopment Agency Fund budget compliance and progress in funding its obligation to provide pension benefits to its police officers. Required supplementary information can be found on pages 43-47 of this report.

Additional budgetary information is presented immediately following the required supplementary information and can be found on pages 48-50 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$9,189,054 at the close of the most recent fiscal year.

By far the largest portion of the Town of Eatonville's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets. The Town of Eatonville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

None of the Town's net position represents resources that are subject to external restrictions on how they may be used.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$ 1,498,585	\$ 1,273,336	\$ (472,761)	\$ (496,879)	\$ 1,025,824	\$ 776,457
Capital assets	7,732,275	7,989,596	2,569,232	2,552,299	10,301,507	10,541,895
Total assets	<u>9,230,860</u>	<u>9,262,932</u>	<u>2,096,471</u>	<u>2,055,420</u>	<u>11,327,331</u>	<u>11,318,352</u>
Liabilities:						
Other liabilities	505,958	425,267	341,450	341,962	847,408	767,229
Long-term liabilities	1,189,517	1,324,534	69,352	11,806	1,258,869	1,336,340
Total liabilities	<u>1,695,475</u>	<u>1,749,801</u>	<u>410,802</u>	<u>353,768</u>	<u>2,106,277</u>	<u>2,103,569</u>
Net Position:						
Net investment in capital assets	6,625,404	6,751,513	2,503,351	2,541,852	9,128,755	9,293,365
Restricted for debt service and CRA	693,442	469,827	-	-	693,442	469,827
Unrestricted	216,539	291,791	(817,682)	(840,200)	(601,143)	(548,409)
Total net position	<u>\$ 7,535,385</u>	<u>\$ 7,513,131</u>	<u>\$ 1,685,669</u>	<u>\$ 1,701,652</u>	<u>\$ 9,221,054</u>	<u>\$ 9,214,783</u>

Governmental Activities: Governmental activities resulted in a decrease in net position before transfers of \$147,746. In fiscal 2012 governmental activities had an increase in net position of \$1,107,216 before transfers. The difference between 2013 and 2012 was largely a \$1,417,280 archway donated by the State of Florida in fiscal 2012.

The Town had a cash transfer of \$170,000 from business-type activities to governmental activities in fiscal 2013. After considering transfers, governmental activities reflect an increase in net position of \$22,254.

Business-type Activities: Revenues for business-type activities decreased \$41,036 for the year, and expenses for business-type activities decreased by \$167,815. During Fiscal Year 2013, \$170,000 in cash transfers were made from the Water and Sewer Fund to the General Fund, a decrease of \$173,650 from that of fiscal 2012. In total, business-type activities net position decreased \$15,983 in fiscal 2013, as compared to a decrease of \$316,412 in fiscal 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 249,726	\$ 240,980	\$ 1,158,883	\$ 1,199,916	\$ 1,408,609	\$ 1,440,896
Operating grants and contributions	171,018	198,087	-	-	171,018	198,087
Capital grants and contributions	-	1,464,826	-	-	-	1,464,826
General revenues:						
Property taxes	1,475,700	1,502,199	-	-	1,475,700	1,502,199
Other taxes	1,325,440	1,300,831	-	-	1,325,440	1,300,831
Other revenue	48,257	83,492	3	6	48,260	83,498
Total revenue	<u>3,270,141</u>	<u>4,790,415</u>	<u>1,158,886</u>	<u>1,199,922</u>	<u>4,429,027</u>	<u>5,990,337</u>
Expenses:						
General government	1,271,067	1,282,611	-	-	1,271,067	1,282,611
Public safety	1,496,187	1,509,922	-	-	1,496,187	1,509,922
Physical environment	197,842	306,043	-	-	197,842	306,043
Human services	46,965	44,172	-	-	46,965	44,172
Economic environment	47,376	110,043	-	-	47,376	110,043
Culture and recreation	303,896	370,359	-	-	303,896	370,359
Interest on long-term debt	54,554	60,049	-	-	54,554	60,049
Water and sewer	-	-	653,723	762,166	653,723	762,166
Solid waste	-	-	281,347	269,027	281,347	269,027
Stormwater	-	-	69,799	141,491	69,799	141,491
Total expenses	<u>3,417,887</u>	<u>3,683,199</u>	<u>1,004,869</u>	<u>1,172,684</u>	<u>4,422,756</u>	<u>4,855,883</u>
Increase (decrease) in net position before transfers	(147,746)	1,107,216	154,017	27,238	6,271	1,134,454
Transfers	170,000	343,650	(170,000)	(343,650)	-	-
Change in net position	22,254	1,450,866	(15,983)	(316,412)	6,271	1,134,454
Net position - beginning	7,513,131	6,062,265	1,701,652	2,018,064	9,214,783	8,080,329
Net position - end	<u>\$ 7,535,385</u>	<u>\$ 7,513,131</u>	<u>\$ 1,685,669</u>	<u>\$ 1,701,652</u>	<u>\$ 9,221,054</u>	<u>\$ 9,214,783</u>

Financial Analysis of the Town of Eatonville's Funds

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

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 of Eatonville's financing requirements. In particular, the fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town reported a positive fund balance of \$308,753 for the General Fund. This compares to a fund balance of \$363,898 at September 30, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of the end of the current fiscal year, the Town reported a combined ending fund balance of \$1,000,312 for governmental funds, including a fund balance of \$691,559 in the Community Redevelopment Agency Fund. This compares to \$836,280 of fund balance for governmental funds at September 30, 2012, including \$472,382 in the Community Redevelopment Agency Fund.

Proprietary Funds: The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net deficit of the Water and Sewer, Solid Waste and Storm Water Funds at the end of the year amounted to \$817,682, with an unrestricted \$1,859,461 deficit in the Water and Sewer Fund offsetting positive balances in the other funds.

The Town intends to rebuild the fund balance of the Water and Sewer fund through future operations. Other factors concerning the finances of these three funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights:

	Budget		Actual Amounts	Positive/ (Negative)
	Original	Final		
General government	\$ 1,190,087	\$ 1,296,040	\$ 1,062,659	\$ 233,381
Public safety	1,521,039	1,510,829	1,499,145	11,684
Physical environment	197,686	197,686	187,821	9,865
Economic environment	23,510	23,701	23,760	(59)
Human services	35,000	46,965	46,965	-
Culture and recreation	205,010	251,401	191,081	60,320
Debt service				
Debt service interest	58,582	54,211	55,971	(1,760)
Debt service principal	95,000	100,000	131,212	(31,212)
Capital improvements	11,000	25,893	17,985	7,908
Total expenditures	<u>\$ 3,336,914</u>	<u>\$ 3,506,726</u>	<u>\$ 3,216,599</u>	<u>\$ 290,127</u>

The Town experienced generally favorable budget variances during the fiscal year.

Capital Asset and Debt Administration

Long-term Debt: At the end of the current fiscal year, the Town had \$1,258,869 in total long-term debt outstanding. Of this amount, \$1,180,000 consists of a loan through the Florida Municipal Loan Council, \$65,879 consists of a State Revolving Fund loan, \$26,871 consists of a vehicle capital lease and the remainder consists of compensated absences obligations. The State Revolving Fund loan with the State of Florida Department of Environmental Protection is for wastewater facilities improvement projects, with initial draws occurring in fiscal 2013. Additional information on The Town's long-term debt can be found in Note 6, pages 34-36 of this report.

Capital Assets: The Town's net investment in capital assets for its governmental and business-type activities as of September 30, 2013 amounts to \$10,301,507 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements, machinery and equipment, and recreational facilities. Additional information on the Town's capital assets can be found in Note 5 on pages 33-34 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors

General economic conditions, corresponding reductions in appraised property values and lack of development continue to have a significant effect on property tax revenue and the overall economic growth of the Town. Corresponding fund balances and cash flows have been compromised and have reached minimal levels. The Town is assessing various means by which to stabilize its fund balances and cash flows.

Requests for Information

This financial report is designed to provide a general overview of the Town of Eatonville'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 Office of the Finance Director, Town of Eatonville, 307 Kennedy Blvd., Eatonville, Florida, 32751.

FINANCIAL STATEMENTS



TOWN OF EATONVILLE, FLORIDA
STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

	Primary Government		
	Governmental Activities	Business- type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$ 473,012	\$ 67,650	\$ 540,662
Accounts receivable, net	78,995	271,615	350,610
Due from other governments	58,506	-	58,506
Prepaid items and other assets	58,847	3,808	62,655
Internal balances	815,834	(815,834)	-
Net pension asset	13,391	-	13,391
Capital assets net of accumulated depreciation:			
Nondepreciable	674,943	117,387	792,330
Depreciable	7,057,332	2,451,845	9,509,177
Total assets	9,230,860	2,096,471	11,327,331
Liabilities			
Accounts payable	125,290	55,598	180,888
Due to other governments	209,459	-	209,459
Accrued liabilities	71,154	214,406	285,560
Due to pension trust fund	44,141	-	44,141
Unearned revenue	17,675	21,360	39,035
Customer deposits	-	50,086	50,086
Accrued interest	21,075	-	21,075
Other liabilities	17,164	-	17,164
Long-term liabilities:			
Due within one year	186,944	3,471	190,415
Due in more than one year	1,002,573	65,881	1,068,454
Total liabilities	1,695,475	410,802	2,106,277
Net position			
Net investment in capital assets	6,625,404	2,503,351	9,128,755
Restricted for:			
Economic environment	693,442	-	693,442
Unrestricted	216,539	(817,682)	(601,143)
Total net position	\$ 7,535,385	\$ 1,685,669	\$ 9,221,054

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,271,067	\$ 93,168	\$ 103,831	\$ -	\$ (1,074,068)	\$ -	\$ (1,074,068)
Public safety	1,496,187	12,018	5,500	-	(1,478,669)	-	(1,478,669)
Physical environment	-	58,570	-	-	58,570	-	58,570
Transportation	197,842	-	-	-	(197,842)	-	(197,842)
Economic environment	47,376	-	-	-	(47,376)	-	(47,376)
Human services	46,965	-	51,455	-	4,490	-	4,490
Culture/recreation	303,896	85,970	10,232	-	(207,694)	-	(207,694)
Interest on long-term debt	54,554	-	-	-	(54,554)	-	(54,554)
Total governmental activities	<u>3,417,887</u>	<u>249,726</u>	<u>171,018</u>	<u>-</u>	<u>(2,997,143)</u>	<u>-</u>	<u>(2,997,143)</u>
Business-type activities:							
Water and sewer	653,723	622,841	-	-	-	(30,882)	(30,882)
Solid waste	281,347	359,683	-	-	-	78,336	78,336
Stormwater	69,799	176,359	-	-	-	106,560	106,560
Total business-type activities	<u>1,004,869</u>	<u>1,158,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>154,014</u>	<u>154,014</u>
Total	<u>\$ 4,422,756</u>	<u>\$ 1,408,609</u>	<u>\$ 171,018</u>	<u>\$ -</u>	<u>(2,997,143)</u>	<u>154,014</u>	<u>(2,843,129)</u>
General revenues:							
Property taxes					1,475,700	-	1,475,700
Franchise fees based on gross receipts					373,087	-	373,087
Sales taxes					294,711	-	294,711
Local business tax					73,837	-	73,837
Utility taxes					583,805	-	583,805
Miscellaneous and other taxes					47,884	-	47,884
Unrestricted investment earnings					373	3	376
Transfers					170,000	(170,000)	-
Total general revenues and transfers					<u>3,019,397</u>	<u>(169,997)</u>	<u>2,849,400</u>
Change in net position					22,254	(15,983)	6,271
Net position - beginning					<u>7,513,131</u>	<u>1,701,652</u>	<u>9,214,783</u>
Net position - ending					<u>\$ 7,535,385</u>	<u>\$ 1,685,669</u>	<u>\$ 9,221,054</u>

TOWN OF EATONVILLE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2013

	General Fund	Community Redevelopment Agency	Total
Assets			
Cash and cash equivalents	\$ 50,079	\$ 422,934	\$ 473,013
Accounts receivable, net	78,995	-	78,995
Due from other funds	815,834	269,497	1,085,331
Due from other governments	58,506	-	58,506
Prepaid items	58,847	-	58,847
Total assets	\$ 1,062,261	\$ 692,431	\$ 1,754,692
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 127,105	\$ 744	\$ 127,849
Due to other governments	209,459	-	209,459
Accrued liabilities	68,467	128	68,595
Unearned revenue	17,675	-	17,675
Due to other funds	313,638	-	313,638
Other liabilities	17,164	-	17,164
Total liabilities	753,508	872	754,380
Fund balances:			
Nonspendable:			
Prepaid items	58,847	-	58,847
Restricted for:			
Special Events	1,883	-	1,883
Community Redevelopment Agency	-	691,559	691,559
Unassigned	248,023	-	248,023
Total fund balances	308,753	691,559	1,000,312
Total liabilities and fund balances	\$ 1,062,261	\$ 692,431	\$ 1,754,692

TOWN OF EATONVILLE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2013

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

Ending fund balance - governmental funds	\$ 1,000,312
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 674,943	
Buildings and improvements, net of \$1,085,639 accumulated depreciation	2,207,130	
Improvements other than buildings, net of \$557,380 accumulated depreciation	137,331	
Equipment, net of \$1,369,533 accumulated depreciation	69,498	
Infrastructure, net of \$536,043 accumulated depreciation	<u>4,643,373</u>	
 Total capital assets, net		 7,732,275

Net pension asset included in total assets is not available to pay current expenditures and, therefore, is not reported in the funds.	13,391
---	--------

Long-term liabilities, including a note payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds. Interest expense on long-term debt is not accrued in the governmental funds, but rather is recognized when due. Compensated absences are not accrued in the governmental funds, but rather are recognized when paid. These liabilities, both current and long-term, consist of:

Note payable	(1,080,000)	
Capital leases	(26,871)	
Compensated absences	(82,647)	
Accrued interest on long-term debt	<u>(21,075)</u>	
 Total liabilities		 <u>(1,210,593)</u>

Net position of governmental activities	<u>\$ 7,535,385</u>
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TOWN OF EATONVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Community Redevelopment Agency	Total
Revenues			
Ad valorem taxes	\$ 1,225,700	\$ 250,000	\$ 1,475,700
Utility taxes	657,642	-	657,642
Franchise fees	373,087	-	373,087
Sales tax	294,711	-	294,711
Rental and other income	126,583	149	126,732
Intergovernmental revenues	194,814	-	194,814
Licenses and permits	81,378	-	81,378
Charges for services	67,713	-	67,713
Fines and forfeitures	13,210	-	13,210
Interest income	56	317	373
Total revenues	<u>3,034,894</u>	<u>250,466</u>	<u>3,285,360</u>
Expenditures			
General government	1,066,812	31,289	1,098,101
Public safety	1,496,530	-	1,496,530
Physical environment	187,821	-	187,821
Economic environment	23,760	-	23,760
Human services	46,965	-	46,965
Culture/recreation	232,983	-	232,983
Capital outlay	17,985	-	17,985
Debt service:			
Principal	131,212	-	131,212
Interest	55,971	-	55,971
Total expenditures	<u>3,260,039</u>	<u>31,289</u>	<u>3,291,328</u>
Excess (deficiency) of revenues under expenditures	<u>(225,145)</u>	<u>219,177</u>	<u>(5,968)</u>
Other Financing Sources			
Transfers in	170,000	-	170,000
Total other financing sources	<u>170,000</u>	<u>-</u>	<u>170,000</u>
Net change in fund balances	(55,145)	219,177	164,032
Fund balance - beginning	<u>363,898</u>	<u>472,382</u>	<u>836,280</u>
Fund balance - ending	<u>\$ 308,753</u>	<u>\$ 691,559</u>	<u>\$ 1,000,312</u>

TOWN OF EATONVILLE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2013

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

Net change in fund balances - total governmental funds	\$	164,032
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capitalized capital outlay in the current period.

Capitalized capital outlay	\$	17,985	
Depreciation		<u>(275,306)</u>	(257,321)

The repayment of the principal of long-term debt is presented as expenditures of governmental funds, but does not have any effect on net position. This is the amount of principal payments.	131,212
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This represents the change in net pension asset shown on the government-wide statements in the current year.	(61)
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Under the modified accrual basis of accounting used in the governmental funds, compensated absences and interest on long term debt are recognized when due. In the statement of activities, however, which is presented on the accrual basis, expenses are reported regardless of when due.

The details of the differences are as follows:

Decrease in compensated absences payable	3,805	
Decrease in accrued interest on long-term debt	<u>1,417</u>	5,222

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized until funds are measurable and available to finance current expenditures. In the statement of activities, however, which is presented on the accrual basis, revenues are reported regardless of when financial resources are available. This is the net adjustment to current year revenue in converting to the full accrual basis.	<u>(20,830)</u>
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Change in net position of governmental activities	<u>\$</u>	<u>22,254</u>
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TOWN OF EATONVILLE, FLORIDA
BALANCE SHEET
PROPRIETARY FUNDS

SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	
Assets				
Current assets				
Cash and cash equivalents	\$ 63,809	\$ -	\$ 3,841	\$ 67,650
Accounts receivable, net	214,450	37,638	19,527	271,615
Prepaid items	2,308	-	1,500	3,808
Total current assets	<u>280,567</u>	<u>37,638</u>	<u>24,868</u>	<u>343,073</u>
Noncurrent assets				
Due from other funds	-	573,171	619,642	1,192,813
Capital assets				
Capital assets not being depreciated				
Land	2,500	-	-	2,500
Construction in progress	114,887	-	-	114,887
Total non-depreciable assets	<u>117,387</u>	<u>-</u>	<u>-</u>	<u>117,387</u>
Capital assets being depreciated				
Buildings and improvements	4,466,713	-	-	4,466,713
Equipment	251,975	-	160,427	412,402
Total depreciable assets	<u>4,718,688</u>	<u>-</u>	<u>160,427</u>	<u>4,879,115</u>
Less accumulated depreciation	<u>(2,294,364)</u>	<u>-</u>	<u>(132,906)</u>	<u>(2,427,270)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>2,424,324</u>	<u>-</u>	<u>27,521</u>	<u>2,451,845</u>
Total noncurrent assets	<u>2,541,711</u>	<u>573,171</u>	<u>647,163</u>	<u>3,762,045</u>
Total assets	<u><u>\$ 2,822,278</u></u>	<u><u>\$ 610,809</u></u>	<u><u>\$ 672,031</u></u>	<u><u>\$ 4,105,118</u></u>
Liabilities and net position				
Current liabilities payable from current assets				
Accounts payable	\$ 54,963	\$ -	\$ 635	\$ 55,598
Accrued liabilities	2,753	184,325	27,328	214,406
Unearned revenue	21,360	-	-	21,360
Current portion of compensated absences	2,219	-	1,252	3,471
Payable from restricted assets:				
Customer deposits	50,086	-	-	50,086
Total current liabilities	<u>131,381</u>	<u>184,325</u>	<u>29,215</u>	<u>344,921</u>
Noncurrent liabilities				
Due to other funds	2,008,647	-	-	2,008,647
Loans payable	65,881	-	-	65,881
Total noncurrent liabilities	<u>2,074,528</u>	<u>-</u>	<u>-</u>	<u>2,074,528</u>
Total liabilities	<u>2,205,909</u>	<u>184,325</u>	<u>29,215</u>	<u>2,419,449</u>
Net position				
Net investment in capital assets	2,475,830	-	27,521	2,503,351
Unrestricted	<u>(1,859,461)</u>	<u>426,484</u>	<u>615,295</u>	<u>(817,682)</u>
Total net position	<u>616,369</u>	<u>426,484</u>	<u>642,816</u>	<u>1,685,669</u>
Total liabilities and net position	<u><u>\$ 2,822,278</u></u>	<u><u>\$ 610,809</u></u>	<u><u>\$ 672,031</u></u>	<u><u>\$ 4,105,118</u></u>

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	
Operating revenues				
Charges for services	\$ 622,841	\$ 359,683	\$ 176,359	\$ 1,158,883
Total operating revenues	<u>622,841</u>	<u>359,683</u>	<u>176,359</u>	<u>1,158,883</u>
Operating expenses				
Personnel services	185,929	-	50,548	236,477
Operating	319,763	281,347	16,874	617,984
Depreciation expense	147,864	-	2,294	150,158
Total operating expenses	<u>653,556</u>	<u>281,347</u>	<u>69,716</u>	<u>1,004,619</u>
Operating income (loss)	<u>(30,715)</u>	<u>78,336</u>	<u>106,643</u>	<u>154,264</u>
Non-operating revenues (expenses)				
Interest earnings	-	-	3	3
Interest expense	(167)	-	(83)	(250)
Total non-operating revenues (expenses)	<u>(167)</u>	<u>-</u>	<u>(80)</u>	<u>(247)</u>
Income (loss) before transfers	(30,882)	78,336	106,563	154,017
Transfers out	<u>(170,000)</u>	<u>-</u>	<u>-</u>	<u>(170,000)</u>
Change in net position	(200,882)	78,336	106,563	(15,983)
Net position - beginning	<u>817,251</u>	<u>348,148</u>	<u>536,253</u>	<u>1,701,652</u>
Net position - ending	<u>\$ 616,369</u>	<u>\$ 426,484</u>	<u>\$ 642,816</u>	<u>\$ 1,685,669</u>

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2013

	Business-type Activities -			
	Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total
Operating activities				
Cash received from customers	\$ 635,818	\$ 361,125	\$ 177,209	\$ 1,174,152
Cash payments to suppliers for goods and services	(341,827)	(281,348)	(18,807)	(641,982)
Cash payments to employees for services	(185,932)	-	(51,243)	(237,175)
Net cash provided by operating activities	108,059	79,777	107,159	294,995
Noncapital financing activities				
Borrowings from other funds	216,198	-	-	216,198
Loans and reimbursements to other funds	-	(79,777)	(101,247)	(181,024)
Transfers in to other funds	-	-	-	-
Transfers out to other funds	(170,000)	-	-	(170,000)
Net cash provided by (used in) noncapital financing activities	46,198	(79,777)	(101,247)	(134,826)
Capital and related financing activities				
Acquisition and construction of capital assets	(167,091)	-	-	(167,091)
Proceeds from State Revolving Fund loan	65,881	-	-	65,881
Principal paid on loans	(5,299)	-	(2,648)	(7,947)
Interest paid	(167)	-	(83)	(250)
Net cash used in capital and related financing activities	(106,676)	-	(2,731)	(109,407)
Investing activities				
Interest income	-	-	3	3
Net cash provided by investing activities	-	-	3	3
Net increase in cash and cash equivalents	47,581	-	3,184	50,765
Cash and cash equivalents - beginning of year	16,228	-	657	16,885
Cash and cash equivalents - end of year	\$ 63,809	\$ -	\$ 3,841	\$ 67,650
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ (30,715)	\$ 78,336	\$ 106,643	\$ 154,264
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	147,864	-	2,294	150,158
Change in assets and liabilities				
Accounts receivable	(10,819)	1,441	850	(8,528)
Prepaid expenses	-	-	-	-
Accounts payable	(22,063)	-	(1,933)	(23,996)
Accrued liabilities	(113)	-	(198)	(311)
Customer deposits	2,436	-	-	2,436
Unearned revenue	21,360	-	-	21,360
Compensated absences	109	-	(497)	(388)
Total adjustments	138,774	1,441	516	140,731
Net cash provided by operating activities	\$ 108,059	\$ 79,777	\$ 107,159	\$ 294,995

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND

SEPTEMBER 30, 2013

Assets	
Investments, at fair value:	
Money market funds	\$ 118,209
Equity securities, individual stocks and mutual funds	558,126
Asset backed securities and municipal bonds	26,609
Mutual funds investing in corporate and U.S. Treasury bonds	452,318
Total investments	<u>1,155,262</u>
Accrued interest and dividends	12,306
Due from the Town	44,141
Due from other government	<u>9,200</u>
 Total assets	 <u><u>\$ 1,220,909</u></u>
 Net Position	
Restricted for pension benefits	<u><u>\$ 1,220,909</u></u>

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

YEAR ENDED SEPTEMBER 30, 2013

Additions

Contributions:		
Employer	\$	41,654
State of Florida		9,356
Plan members		27,425
Investment earnings:		
Interest		28,228
Net increase in fair value of investments		88,533
Total additions		<u>195,196</u>

Deductions

Administrative expenses		12,257
Total deductions		<u>12,257</u>

Change in net position		182,939
Net position - beginning		1,037,970
Net position - ending	\$	<u><u>1,220,909</u></u>

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 1 – Summary of Significant Accounting Policies

The Town of Eatonville (the “Town”) was first incorporated on August 18, 1887. The Town was subsequently abolished and simultaneously recreated on June 14, 1967 under the Laws of Florida Chapter 67-1361 House Bill No. 876. Situated on the northeast corner of Orange County, approximately 10 miles north of Orlando, Eatonville is popularly known as “*The first municipality in the United States of America incorporated by persons of African-American descent.*” The Town operates under a Mayor and Council form of government and provides the following services as authorized by its charter: general government, public safety, public works, culture, recreation, and water works.

The accounting and reporting policies of the Town of Eatonville relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (“GASB”). The more significant accounting policies of the Town are described below.

a. Financial Reporting Entity

The Town of Eatonville is a municipal corporation with a five-member Town Council comprised of the Mayor and four Council persons. As required by accounting principles generally accepted in the United States of America, these financial statements represent the Town of Eatonville (the “primary government”) and the Town of Eatonville Community Redevelopment Agency (“CRA”), a component unit, for which the Town of Eatonville is considered to be financially accountable. The CRA is presented as a blended component unit, although a legally separate entity, because it is in substance part of the Town of Eatonville’s operations and the Town of Eatonville’s Council is its governing body. Therefore, data from the CRA is combined with data of the primary government and is presented as a special revenue fund. The Town of Eatonville has no component units that require discrete presentation.

Pursuant to the requirements of Chapter 163, Part III of Florida Statutes, the Town of Eatonville, with the consent of Orange County, and through a Town ordinance, created the CRA to foster improvement activities in the Town of Eatonville. The CRA uses future tax increment revenues to fund a variety of improvement projects.

b. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

The Town reports the following major governmental funds in the basic financial statements:

General Fund – The General Fund is the operating fund of the Town. This fund is used to account for all financial resources not required to be accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Community Redevelopment Agency – The CRA is a special revenue fund that is used to account for all sources and uses of financial resources provided by increased ad valorem tax value in the geographically designated area. Resources are consumed in operations and improvements specifically designated by the CRA.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's Water and Sewer, Solid Waste and Stormwater funds are charges to customers for services. Operating expenses for the enterprise funds include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The Town reports the following major proprietary funds in the basic financial statements:

Water and Sewer Fund – The Water and Sewer Fund accounts for the operating activities related to providing water treatment and distribution services, and sewage treatment to all areas within the Town limits.

Solid Waste Fund – The Solid Waste Fund accounts for the Town's garbage and recycling pick up and disposal activities.

Stormwater Fund – The Stormwater Fund accounts for the construction and maintenance of the Town's stormwater systems and pollution from stormwater runoff.

The Town reports the following fiduciary fund in the basic financial statements:

Police Pension Trust Fund – The Police Pension Trust Fund is accounted for in the same manner as the proprietary funds, using the same measurement focus and basis of accounting. The trust fund accounts for the assets of the police officers' pension plan. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

d. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For the purpose of the reporting of cash flows, all highly liquid investments with maturity dates within three months from the date of purchase are considered to be cash equivalents. Cash and cash equivalents consist of amounts held by qualified public depositories.

2. Investments

Investments are stated at fair value using quoted market prices.

3. Interfund Receivables/Payables

During the year, transactions occurred between individual funds for goods provided, services rendered, and loans. The receivables and payables are classified as "Due to/from Other Funds" on the fund balance sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "Internal Balances."

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

4. Unearned Revenue

Unearned revenue consists of advance receipts for occupational licenses and building permits.

5. Inventories and Prepaid Items

Inventories purchased with governmental funds are recorded as expenditures when purchased rather than when consumed.

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial individual cost of more than \$1,000, and an estimated useful life in excess of one year. Infrastructure assets acquired prior to October 1, 2003 are not reported, as permitted by accounting standards. Infrastructure assets acquired on or after October 1, 2003 are capitalized and reported in the government-wide financial statements regardless of their amount.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Depreciable Life</u>
Infrastructure	50 years
Buildings	40 years
Signs	30 years
Building improvements	10 - 15 years
Vehicles	3 - 5 years
Office and computer equipment	3 years

7. Compensated Absences

It is the Town of Eatonville's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

8. Long-term Obligations

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

9. Property Taxes

The Town of Eatonville levied a millage rate of \$7.2938 per \$1,000 of assessed value for the fiscal year ended September 30, 2013. Orange County, Florida bills and receives payment for all ad valorem taxes levied by the Town of Eatonville. Payments are then remitted to the Town of Eatonville.

All property is assessed according to its fair market value on January 1 of each year, and at that time a lien is placed on the property for the taxes. The tax levy of the Town of Eatonville is established by the Town Council prior to October 1 of each year. The Orange County Property Appraiser incorporates the Town of Eatonville's millage into the total tax levy; which also includes Orange County, the Orange County School Board, and the St. John Water Management District's tax requirement.

All taxes are billed on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are not discounted.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

10. Utility Billings

Utility customers are billed monthly on a cycle basis. Unbilled revenue is recognized in the accompanying financial statements based upon estimates of revenue for services rendered between billing cycle dates and fiscal year end.

11. Fund Balance/Net Position Classification

Governmental funds report fund balances as either nonspendable or spendable. Spendable fund balances are further classified as restricted, committed, assigned or unassigned, based on the extent to which there are external or internal constraints on the spending of these fund balances.

Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The Town considers inventories and prepaid items as part of this category, as well as long-term receivables from which proceeds are not restricted, committed, or assigned.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

Spendable Fund Balances:

Restricted Fund Balance: Amounts that are restricted to specific purposes, and are restricted through enabling legislation and are legally enforceable. The legislation that creates the revenue stream must also stipulate the purposes for which that revenue can be used.

Committed Fund Balance: Amounts that are committed for specific purposes by formal action of the governments' highest level of decision making authority, the Town Council. These amounts are not subject to legal enforceability as are restricted; however, those amounts cannot be used for any other purpose unless the government removes or changes the limitation by taking the same form of action it employed to previously impose the limitation (ordinance or resolution). The Town does not have any committed fund balances.

Assigned Fund Balance: Amounts that are intended by the government to be used for specific purposes but are neither restricted nor limited. Intent should be expressed by (a) the governing body itself, or (b) a subordinate high-level body or official possessing the authority to assign amount to be used for specific purposes. The Town has not granted any specific individual the authority to assign amounts, thus assignments may be only made by the Town Council. The Town does not have any assigned fund balances.

Unassigned Fund Balance: Is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, limited, or assigned to specific purposes within the general fund.

The Town uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the Town first uses committed, then assigned, and then unassigned amounts of unrestricted fund balance when expenditures are made.

Government-wide statements and proprietary fund statements utilize an economic resources measurement focus and categorize net assets among the following components:

Net Investment in Capital Assets: Indicates that portion of net position which represents the Town's equity in capital assets, less the amount of related debt.

Restricted Net Position: Indicates that portion of net position which are segregated due to external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position: Indicates that portion of net position which is available for general operations.

12. Use of 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, 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.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

13. Budget and Budgetary Accounting

All governmental funds budgets are prepared on a modified accrual basis consistent with accounting principles generally accepted in the United States of America (GAAP). The budgets for the enterprise funds are prepared on an accrual basis and are consistent with GAAP except that depreciation, amortization and gain/losses on the disposal of assets are not budgeted. A budget for the fiduciary fund is not legally required or adopted. The procedures for establishing budgetary data reflected in the budgetary comparison schedule are as follows:

1. The Town Chief Administrative Officer submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances.
2. Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Budgeted amounts are as originally adopted or as amended. There were several supplemental appropriations during fiscal year ended September 30, 2013.
5. The level of control (level at which expenditures may not exceed budget) is at the fund level. Unexpended balances of appropriations lapse at year end.
6. Formal budgetary integration is employed as a management control device during the year for all funds which have a legally adopted budget.

14. New Accounting Pronouncements

Effective July 1, 2012, the Town adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 required the Town to present a Statement of Net Position, replacing previously presented Statement of Net Assets, in the Town's basic financial statements.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 2 – Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments at September 30, 2013 are classified in the accompanying financial statements as follows:

	Carrying Amount
Pension Fund:	
Money market funds	\$ 118,209
U.S. government agencies	133,141
Asset backed securities and municipal bonds	26,609
Corporate bonds and notes	319,177
Common stock	558,126
Total pension fund	<u>1,155,262</u>
Demand deposits	<u>540,662</u>
Total Primary-Government	<u><u>\$ 1,695,924</u></u>
Reconciliation of cash, cash equivalents, and investments	
Statement of Net Assets:	
Cash and cash equivalents - Governmental	\$ 473,012
Cash and cash equivalents - Business	67,650
Total - Primary Government	<u>540,662</u>
Statement of Fiduciary Net Assets:	
Investments - Fiduciary	<u>1,155,262</u>
Total	<u><u>\$ 1,695,924</u></u>

a. Deposits

Deposits consist of demand accounts with financial institutions. Deposits are insured by the Federal Depository Insurance Corporation or by collateral held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer, or other banking institution, eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the Town or its agent in the Town's name.

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 2 – Cash, Cash Equivalents, and Investments (continued)

b. Investments

Florida Statutes, the Town's Charter, and its Investment Policy authorize the investment of funds in the following:

- the Florida Local Government Surplus Funds Trust;
- direct obligations of the U.S. Government;
- direct obligations of any bank or savings and loan association certified as a Qualified public depository by the State of Florida including: interest-bearing savings accounts, money market accounts, certificates of deposit, money market certificates or time deposits; and
- obligations of the Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or its district banks, Government National Mortgage Association, and Federal National Mortgage Association.

The Police Officers' Pension Trust Fund has a broader investment policy. The authorized investments include bonds, stocks, savings and time deposits, obligations of the United States Government (and its agencies) including instruments guaranteed as to principal and interest by the U.S. Government, and others. The Pension Fund is prohibited from investing more than five percent (5%) of its assets in common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding stock of that company. Additionally, the aggregate of investments in the common stock or capital stock of companies at market shall not exceed sixty-five percent (65%) of the fund's assets.

c. Credit Risk

In compliance with the Town's investment policy, the Town minimizes credit risk losses due to default of a security issue or backer by:

- limiting investments to the safest types of securities;
- limiting bank certificates of deposit to institutions designated as qualified public depositories in compliance with Florida Statute 280.02; and
- diversifying the investment portfolio so that potential losses on individual securities are minimized.

The Pension Fund minimizes credit risk by:

- limiting investment in debt securities to those corporations that hold a rating in one of the three highest classifications by a major bond rating service; and
- prohibiting investment of more than five (5) percent of its assets in the common or capital stock of one company.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 2 – Cash, Cash Equivalents, and Investments (continued)

The Town's pension investments categorized by credit risk as of September 30, 2013 are:

Investment Type	Type	Credit Quality Rating	Fair Value	Weighted Average Investment Maturities (in Years)			
				Less Than 1	1 to 5	6 to 10	More Than 10
Money market funds	Money market	NR*	\$ 118,209	\$ 118,209	\$ -	\$ -	\$ -
U.S. treasury bonds and notes	Fixed income	AA+	45,941	5,014	29,862	11,065	-
FNCI	Fixed income	AA+	5,143		1,616	3,527	
FGCI	Fixed income	AA+	2,205		1,195	1,010	
GNSF	Fixed income	AA+	3,992				3,992
FGLMC	Fixed income	AA+	2,748				2,748
FNCL	Fixed income	AA+	8,296				8,296
FG Pool	Fixed income	AA+	5,262				5,262
G2 Pool	Fixed income	AA+	3,859				3,859
Federal Home Loan	Fixed Income	AA+	18,999			18,999	
Federal Fram Credit	Fixed Income	AA+	5,000	5,000			
Government Bonds - Freddie Mac	Fixed Income	AA+	9,843		4,995	4,848	
Government Bonds - Fannie Mae	Fixed Income	AA+	31,786		26,950	4,836	
Municipal bonds	Fixed income	AAA	5,759				5,759
Municipal bonds	Fixed income	AA	10,491				10,491
Municipal bonds	Fixed income	A	18,520		5,130	13,390	
Corporate bonds	Fixed income	AA+	18,427		12,614	5,813	
Corporate bonds	Fixed income	AA	15,028		10,086	4,942	
Corporate bonds	Fixed income	AA-	37,028		14,736	14,568	7,724
Corporate bonds	Fixed income	A+	77,567		23,540	54,027	
Corporate bonds	Fixed income	A	78,761		31,936	46,825	
Corporate bonds	Fixed income	A-	58,347		45,013	13,334	
Corporate bonds	Fixed income	BBB+	5,622		5,622		
Corporate bonds	Fixed income	BBB	15,210		15,210		
Total debt securities			483,834	10,014	228,505	197,184	48,131
Common stock	Equity	NR *	553,219	553,219	-	-	-
Total pension investments			\$ 1,155,262	\$ 681,442	\$ 228,505	\$ 197,184	\$ 48,131

* Not rated

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment policy requires a maximum maturity of no longer than five (5) years for operating funds and ten (10) years for non-operating funds. Maturities are structured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity. The Pension Fund does not have a maximum maturity for its investment portfolio.

The Town maintains an Employee Deferred Compensation Plan as a benefit to employees. As prescribed by the Plan documents, the Plan administrator is authorized to invest Plan assets in a variety of investment products, which are not in the Town's name, but are held by the Plan administrator. At September 30, 2013 and during the year, Plan assets were invested in various mutual funds under a custodial account. The Town has no fiduciary responsibility for these accounts, and accordingly, they have not been reflected in the financial statements.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 3 – Accounts Receivable, Unbilled Receivables, Other Receivables, and Due from Governmental Agencies

Receivables as of fiscal year-end September 30, 2013 for the Town's individual major funds and fiduciary funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	<u>Total</u>
Receivables:					
Customer receivables and unbilled revenue	\$ -	\$ 409,893	\$ 53,758	\$ 30,088	\$ 493,739
Franchise and utility	78,995	-	-	-	78,995
	<u>78,995</u>	<u>409,893</u>	<u>53,758</u>	<u>30,088</u>	<u>572,734</u>
Less allowance for uncollectibles	-	(195,443)	(16,120)	(10,561)	(222,124)
Total receivables, net	<u>\$ 78,995</u>	<u>\$ 214,450</u>	<u>\$ 37,638</u>	<u>\$ 19,527</u>	<u>\$ 350,610</u>

Note 4 – Interfund Balances and Transfers

The outstanding balances between funds result mainly from interfund goods and services provided, reimbursements of expenditures and working capital loans. The following is a summary of Interfund Receivables and Payables at September 30, 2013:

	<u>Receivable</u>	<u>Payable</u>
Due from/to other funds:		
General Fund	\$ 815,834	\$ 313,638
CRA	269,497	-
Pension Trust Fund	44,141	-
Water and Sewer Fund	-	2,008,647
Solid Waste Fund	573,171	-
Stormwater Fund	619,642	-
Total	<u>\$ 2,322,285</u>	<u>\$ 2,322,285</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 4 – Interfund Balances and Transfers (Continued)

Further detail of interfund balances, with the receiving fund provided in the first column and the owing fund provided in the second column, is as follows:

Due from/to other funds:		Amount
General	Water & Sewer	\$ 815,834
CRA	General	269,497
Pension Trust	General	44,141
Solid Waste	Water & Sewer	573,171
Stormwater	Water & Sewer	619,642
		<u>\$ 2,322,285</u>

Interfund Transfers:

Transfers from the Water and Sewer Fund to the General Fund are to finance various general government activities and to cover General Fund administrative costs incurred on behalf of the Water and Sewer Fund.

	Transfers in
	General Fund
Transfers out:	
Water and Sewer Fund	<u>\$ 170,000</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 5 – Capital Assets

The following is a summary of changes in the primary government's capital assets during the year ended September 30, 2013:

Capital assets not being depreciated:

Land	\$ 674,943	\$ -	\$ -	\$ 674,943
Total capital assets not being depreciated	<u>674,943</u>	<u>-</u>	<u>-</u>	<u>674,943</u>

Capital assets being depreciated:

Infrastructure	5,169,272	10,144	-	5,179,416
Buildings and improvements	3,292,769	-	-	3,292,769
Improvements other than buildings	690,811	3,900	-	694,711
Equipment	1,589,359	3,941	(154,269)	1,439,031
Total capital assets being depreciated	<u>10,742,211</u>	<u>17,985</u>	<u>(154,269)</u>	<u>10,605,927</u>

Less accumulated depreciation for:

Infrastructure	(410,602)	(125,441)	-	(536,043)
Buildings and improvements	(1,006,167)	(79,472)	-	(1,085,639)
Improvements other than buildings	(532,247)	(25,133)	-	(557,380)
Equipment	(1,478,542)	(45,260)	154,269	(1,369,533)
Total accumulated depreciation	<u>(3,427,558)</u>	<u>(275,306)</u>	<u>154,269</u>	<u>(3,548,595)</u>

Total capital assets being depreciated, net

	<u>7,314,653</u>	<u>(257,321)</u>	<u>-</u>	<u>7,057,332</u>
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Governmental activities capital assets, net

	<u>\$ 7,989,596</u>	<u>\$ (257,321)</u>	<u>\$ -</u>	<u>\$ 7,732,275</u>
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Business-type activities:

Capital assets not being depreciated:

Land	\$ 2,500	\$ -	\$ -	\$ 2,500
Construction in progress	-	114,887	-	114,887
Total capital assets not being depreciated	<u>2,500</u>	<u>114,887</u>	<u>-</u>	<u>117,387</u>

Capital assets being depreciated:

Buildings and improvements	4,427,688	39,025	-	4,466,713
Equipment	399,223	13,179	-	412,402
Total capital assets being depreciated	<u>4,826,911</u>	<u>52,204</u>	<u>-</u>	<u>4,879,115</u>

Less accumulated depreciation for:

Buildings and improvements	(1,916,411)	(143,345)	-	(2,059,756)
Equipment	(360,701)	(6,813)	-	(367,514)
Total accumulated depreciation	<u>(2,277,112)</u>	<u>(150,158)</u>	<u>-</u>	<u>(2,427,270)</u>

Total capital assets being depreciated, net

	<u>2,549,799</u>	<u>(97,954)</u>	<u>-</u>	<u>2,451,845</u>
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Business-type activities capital assets, net

	<u>\$ 2,552,299</u>	<u>\$ 16,933</u>	<u>\$ -</u>	<u>\$ 2,569,232</u>
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TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 5 – Capital Assets (continued)

Depreciation expense was charged as follows:

Governmental activities:

General government	\$ 73,551
Public safety	23,459
Physical environment	2,586
Transportation	128,963
Culture and recreation	46,748
Total	<u>\$ 275,306</u>

Business-type activities:

Water and Sewer	\$ 147,864
Stormwater	2,294
Total	<u>\$ 150,158</u>

Note 6 – Long-Term Liabilities

The following is a summary of changes in long-term liabilities of the Town for governmental activities for the year ended September 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
FMLC Series 2005B	\$ 1,180,000	\$ -	\$ (100,000)	\$ 1,080,000	\$ 100,000
Total note payable	<u>1,180,000</u>	<u>-</u>	<u>(100,000)</u>	<u>1,080,000</u>	<u>100,000</u>
Other liabilities:					
Capital leases	58,083	-	(31,212)	26,871	21,737
Compensated absences	86,451	62,526	(66,331)	82,646	65,207
Total other liabilities	<u>144,534</u>	<u>62,526</u>	<u>(97,543)</u>	<u>109,517</u>	<u>86,944</u>
Governmental activities long-term liabilities	<u>\$ 1,324,534</u>	<u>\$ 62,526</u>	<u>\$ (197,543)</u>	<u>\$ 1,189,517</u>	<u>\$ 186,944</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 6 – Long-Term Liabilities (continued)

a. FMLC Series 2005B Note Payable

On May 1, 2005 the Town entered into an agreement with the Florida Municipal Loan Council to partially advance refund the Series 1999B through the issuance of FMLC Series 2005B. The loan contains certain filing requirements, noncompliance of which is described below, and revenue coverage requirements. The loan is payable annually on November 1 through November 2029. The interest is payable semi-annually on May 1 and November 1 through November 2029, with interest rates from 3.00% to 5.00% over the term of the loan.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2014	\$ 100,000	\$ 48,830	\$ 148,830
2015	105,000	45,190	150,190
2016	45,000	42,400	87,400
2017	45,000	40,375	85,375
2018	45,000	38,125	83,125
2019-2023	255,000	153,625	408,625
2024-2028	330,000	82,000	412,000
2029-2030	155,000	7,875	162,875
	<u>\$ 1,080,000</u>	<u>\$ 458,420</u>	<u>\$ 1,538,420</u>

b. Capital Leases

The Town has entered into lease agreements as a lessee for financing the acquisition of police vehicles, radios and copiers. There were no down payments related to these acquisitions. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of their inception dates.

The assets acquired through capital leases are as follows:

Asset:	
Police vehicles	\$ 57,698
Copier	14,705
Radios	83,430
Less: accumulated depreciation	<u>(149,951)</u>
Total	<u>\$ 5,882</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 6 – Long-Term Liabilities (continued)

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

Year Ending September 30:	
2014	\$ 23,689
2015	3,741
2016	<u>1,870</u>
Total minimum lease payments	29,300
Less: amount representing interest	<u>(2,429)</u>
Present value of minimum lease payments	<u>\$ 26,871</u>

The following is a summary of changes in long-term liabilities of the Town for business-type activities for the year ended September 30, 2013:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Vehicle loans	\$ 7,947	\$ -	\$ (7,947)	\$ -	\$ -
State Revolving Fund Loan	-	65,879	-	65,879	-
Total loans payable	<u>7,947</u>	<u>65,879</u>	<u>(7,947)</u>	<u>65,879</u>	<u>-</u>
Other liabilities:					
Compensated absences	3,859	7,511	(7,899)	3,471	3,471
Total other liabilities	<u>3,859</u>	<u>7,511</u>	<u>(7,899)</u>	<u>3,471</u>	<u>3,471</u>
Business-type activities long-term liabilities	<u>\$ 11,806</u>	<u>\$ 73,390</u>	<u>\$ (15,846)</u>	<u>\$ 69,350</u>	<u>\$ 3,471</u>

a. State Revolving Fund Loan

In 2012, the Town entered into a loan agreement with the State of Florida Department of Environmental Protection for the Wastewater Facilities Improvement Projects for a total loan amount of \$250,957, of which total draws amounted to \$65,879 as of September 30, 2013. The loan specifies semiannual loan payments of \$7,866 including interest at 2.10%, which will be due on December 15 and June 15 of each year for a 20 year period starting December 15, 2014. The semiannual payment amount will be subject to amendment at project close-out.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 7 – Risk Management

The Town purchases commercial insurance to cover exposure 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. Settlements have not exceeded coverage under insurance policies for each of the past three fiscal years.

Note 8 – Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

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

Note 9 – Fund Balance Deficit

The Water and Sewer Fund had a deficit balance in unrestricted net assets of \$1,859,461 at September 30, 2013. The Water and Sewer Fund deficit is anticipated to be funded through normal operations and a reduction of transfers and expenses.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 10 – CRA Deposits and Withdrawals

As required by Florida Statute, additional description of CRA financial information during fiscal year 2013 is as follows:

Beginning cash and cash equivalents	\$	201,052
<u>Source of Deposits</u>		
Tax increment financing - Town		280,883
Tax increment financing - Orange County		142,260
Interest income		317
Miscellaneous Revenue		149
Total sources		<u>423,609</u>
<u>Purpose of Withdrawals</u>		
Tax increment financing rebate - Town		114,933
Tax increment financing rebate - Orange County		58,210
Professional services		14,788
Salaries		5,720
Taxes and Insurance		5,101
Operations		2,092
Travel		883
Total withdrawals		<u>201,727</u>
Ending cash and cash equivalents	\$	<u>422,934</u>

The CRA has not pledged any incremental revenues or incurred any debt to carry out its activities.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 11 – Pension Plans

The Town of Eatonville has two public employee retirement plans; a single employer defined benefit police officers' pension plan for its sworn police officers (Town of Eatonville Police Officers' Retirement Trust Fund) (the "Plan"), and a defined contribution plan for all other Town employees meeting certain age and length of service requirements. The Plan is maintained as a pension trust fund and included as part of the Town's reporting entity; the Plan does not issue a stand-alone financial report.

a. Police Pension Plan

The Municipal Police Officers' and Firefighters' Retirement Trust Funds Office, housed within the Division of Retirement, is the state entity responsible for administrative oversight of the Police Officers' Pension Trust Fund. The Plan was established on December 18, 1972 by Town Ordinance 72-100B, providing for pension, death and disability benefits. It is subject to Provisions of Chapter 185, Florida Statutes.

The Plan, in accordance with the above Statute, is governed by a five-member pension Board. Two police officers who are elected by a majority of the members of the plan, two current residents of the Town who are appointed by the Town Council, and a fifth member who is elected by the other four members constitute the Pension Board. The Town and the Plan participants are obligated to fund all plan costs based upon actuarial valuations. The Town is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in determination of contribution levels.

As of October 1, 2012, the date of the Plan's latest actuarial valuation, the Plan had 12 active participants.

Town Ordinance 72-100-B provides the Plan is to be funded 9.10% by the Town and 5% by Plan members. Plan members vest after ten years of service and are eligible for distribution of accrued benefits upon age 52 with 25 years of credited service or age 55 with ten years of credited service.

1. Annual pension cost and net pension asset

The following table shows the components of the Plan's annual cost, the amount actually contributed, and the changes in the net pension asset as of September 30, 2013:

Annual required contribution (ARC)	\$	51,010
Interest on net pension obligation		(900)
Adjustments to ARC		961
Annual pension cost		<u>51,071</u>
Contributions made		<u>51,010</u>
Decrease in net pension asset		(61)
Net pension asset - beginning of year		13,452
Net pension asset - end of year	\$	<u><u>13,391</u></u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 11 – Pension Plans (continued)

2. Three-year trend information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
09/30/2013	\$ 51,071	99.88%	\$ 13,391
09/30/2012	\$ 46,830	64.23%	\$ 13,452
09/30/2011	\$ 46,396	118.87%	\$ 30,205

3. Funded status and funding progress

The most recent actuarial report for the Plan was prepared as of October 1, 2012. As of this point in time, the actuarial accrued liability for benefits was \$657,152 and the actuarial value of investments was \$1,007,678, resulting in an over-funded actuarial accrued liability of \$350,526 and a funded ratio of 153.34%. The annual covered payroll was \$552,485 and the ratio of the over-funded actuarial accrued liability to covered payroll was 63.45%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actual accrued liabilities for benefits.

4. Actuarial methods and assumptions

The following is a summary of actuarial methods and assumptions used in the latest actuarial valuations:

Actuarial cost method	Aggregate
Asset valuation method	Market
Amortization method/amortization period	N/A

The investment rate of return assumption was revised from 8.0% previously to 7.0%. The projected salary increases changed from 7.5% previously to 10.0% for employees with less than one year of service, 8.0% for employees with one year of service, 7.0% for employees with two to four years of service, and 5.5% for employees with five or more years of service. The actuarial assumption includes inflation at 3.0% and post retirement COLA at 0.0%.

The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. Accordingly, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose and information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 11 – Pension Plans (continued)

b. General Employees Defined Contribution Plan and Trust

The Town of Eatonville, Florida Defined Contribution Plan and Trust (the “Defined Contribution Plan”) is an adoption of the Florida Municipal Pension Trust Fund Defined Contribution Plan and Trust which is administered by the Florida League of Cities, Inc. The Trustee for the Defined Contribution Plan’s assets is the CitiStreet Retirement Service. The Defined Contribution Plan was established effective October 1, 1989 by ordinance. There were no amendments during the year.

All general employees, except police officers, are eligible to participate in the Defined Contribution Plan provided they have completed one (1) year of service. Since this plan qualifies as a defined contribution plan which is administered in its entirety under a pool arrangement by the Florida League of Cities, Inc., the assets, liabilities, fund balance and operations are not recorded within the Town’s financial statements.

1. Funding Provisions

The Town Council is responsible for setting the employer’s contribution annually during budget adoption. The Town budgets the lesser of \$28,047 or five percent (5%) of eligible compensation. However, the Town contributed \$22,754, which represents approximately five percent (5%) of eligible compensation to the Defined Contribution Plan for the year ended September 30, 2013. Contributions to the Defined Contribution Plan are discretionary on the part of the Town. Employees may contribute up to a maximum of the percentage, ten percent (10%) of covered compensation. There were no employee contributions to the Defined Contribution Plan during the fiscal year ended September 30, 2013.

Note 11 – Pension Plans (continued)

Vesting Provisions - An employee who leaves the employment of the Town is entitled to all of his or her contributions and a portion of the Town’s contributions as follows:

<u>Years of Service</u>	<u>Percentage of Balance Vested</u>
1 year but less than 5	0%
5 years but less than 6	50%
6 years but less than 7	60%
7 years but less than 8	70%
8 years but less than 9	80%
9 years but less than 10	90%
10 or more years	100%

Retirement Provisions - Under the provisions of the Defined Contribution Plan, employees are eligible for normal retirement at age 65 with 10 years credited service.

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2013

Note 12 – Operating Leases

The Town entered into noncancelable lease agreements with Orange County (the “County”) and the Orange County Library System (the “OCLS”) in 1998 and 2004, respectively. The agreement with Orange County allows for the use of the Denton Johnson Center for the County’s Head Start program. The cost of the leased property is \$628,823, with \$321,879 of accumulated depreciation at September 30, 2013, for a net carrying value of \$306,944. The lease will terminate in 2023, at which time all additions to the property will revert to the Town. The lease agreement provides for an annual rental of \$1 and the County pays a portion of the operating and maintenance costs at the Denton Johnson Center based on the square footage used by the County each year. The agreement with OCLS allows use of the building on the corner of Kennedy Boulevard and College Street for the operation of a library branch. The cost of the leased property is \$975,514, with \$217,458 of accumulated depreciation at September 30, 2013, for a net carrying value of \$758,056. The lease will terminate in 2019, at which time all additions to the property will revert to the Town. OCLS has the option to extend the lease for two additional five year terms. The lease agreement provides for an annual rental of \$60,564, paid in monthly installments, with minimum future rentals of \$302,820 for fiscal years 2014 through 2018 and \$60,564 for fiscal year 2019.

Note 13 – Tax Increment Financing

The CRA funding is derived by growth in property taxes over the “base year”. The base year for the establishment of the CRA is the 1996 tax roll. Orange County, Florida and the Town are required to make tax increment payments to the CRA trust fund by January 1st of each year in accordance with Florida Statutes. Payments are determined by the 2004 interlocal agreement between the Town, the CRA, and Orange County. In 2012, such payment provided \$250,000 of tax increment financing revenue. The 2004 interlocal agreement provides that the payment will effectively provide a net \$250,000 in tax increment financing revenue for fiscal years 2010 through 2014, a net \$300,000 in tax increment financing revenue from 2015 through 2019 and a net \$350,000 in tax increment financing revenue from 2020 through 2027.

Note 14 – Utility Tax

During fiscal 2011, the Town discovered it had been charging a 10% utility tax on Solid Waste and Stormwater fees without proper authority between October 1, 2003 and May 31, 2011, resulting in unauthorized billings totaling \$184,325 and \$25,460 in accrued liabilities as of September 30, 2013. The Town has adopted an Ordinance that authorizes these charges, effective June 1, 2011, and has adopted a plan to repay the unauthorized charges over a period of five years. As of September 30, 2013, no amounts have yet been repaid.

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF EATONVILLE, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)

YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>			<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Final Budget Positive/ (Negative)</u>
Resources (inflows)				
Ad valorem taxes	\$ 1,218,358	\$ 1,225,700	\$ 1,225,700	\$ -
Utility taxes	609,789	657,642	657,642	-
Franchise fees	385,161	385,511	373,087	(12,424)
Sales tax	271,454	294,700	294,711	11
Intergovernmental revenues	107,948	113,831	173,984	60,153
Licenses and permits	42,000	85,462	81,378	(4,084)
Charges for services	48,510	57,705	67,713	10,008
Fines and forfeitures	12,500	15,710	13,210	(2,500)
Interest	500	778	56	(722)
Rental and other income	187,154	216,147	111,785	(104,362)
Transfers in	453,540	453,540	149,988	(303,552)
Amounts available for appropriations	3,336,914	3,506,726	3,149,254	(357,472)
Charges to appropriations (outflows)				
General government	1,190,087	1,296,040	1,066,812	229,228
Public safety	1,521,039	1,510,829	1,494,992	15,837
Physical environment	197,686	197,686	187,821	9,865
Economic environment	23,510	23,701	23,760	(59)
Human services	35,000	46,965	46,965	-
Culture/recreation	205,010	251,401	191,081	60,320
Capital outlay	11,000	25,893	17,985	7,908
Transfers out	-	-	0	-
Debt service:				
Principal	95,000	100,000	131,212	(31,212)
Interest	58,582	54,211	55,971	(1,760)
Total charges to appropriations	3,336,914	3,506,726	3,216,599	290,127
 Excess of resources over charges to appropriations	 \$ -	 \$ -	 \$ (67,345)	 \$ (67,345)

TOWN OF EATONVILLE, FLORIDA

NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2013

Note 1 – Budgetary Reporting

Reconciliation of Budgetary Basis Reporting Difference

The General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Budgetary Basis), presents comparisons of the legally adopted budget with actual data on a budgetary basis. Governmental funds applied to develop data on a budgetary basis differ from those presented in the governmental fund financial statement due to the implementation of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective October 1, 2010. The following describes the major differences between budgetary financial data and the governmental fund financial statements.

Perspective differences – Certain funds are not included in the General Fund’s annual budget but are presented in the General Fund for purposes of the governmental financial statements.

The following table presents a reconciliation of General Fund change in Fund Balance perspective on a budgetary basis to the fund balances shown on the governmental fund financial statements at September 30, 2013:

	<u>General Fund</u>
General Fund change in Fund Balance - actual on a budgetary basis	\$ (67,345)
Perspective Differences:	
Special Events - budgeted as a separate fund	13,738
Public Safety - budgeted as a separate fund	(1,538)
General Fund change in Fund Balance - actual on governmental fund financial statements	<u>\$ (55,145)</u>

TOWN OF EATONVILLE, FLORIDA
CRA SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget Positive/ (Negative)</u>
Resources (inflows)				
Ad valorem taxes	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Charges for services	25,000	25,000	-	(25,000)
Interest	1,236	1,236	317	(919)
Rental and other income	-	-	149	149
Amounts available for appropriations	<u>276,236</u>	<u>276,236</u>	<u>250,466</u>	<u>(25,770)</u>
Charges to appropriations (outflows)				
Economic environment	246,236	246,236	-	246,236
General government	-	-	31,289	(31,289)
Capital outlay	30,000	30,000	-	30,000
Total charges to appropriations	<u>276,236</u>	<u>276,236</u>	<u>31,289</u>	<u>244,947</u>
Excess (deficiency) of resources over (under) charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,177</u>	<u>\$ 219,177</u>

TOWN OF EATONVILLE, FLORIDA
SCHEDULE OF FUNDING PROGRESS -
POLICE OFFICERS' PENSION FUND

YEAR ENDED SEPTEMBER 30, 2013

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	Over-funded AAL (1) - (2)	Funded Ratio (1) / (2)	(3) Annual Covered Payroll	Over-funded AAL as a % of Payroll [(1) - (2)] / (3)
10/01/2012	\$ 1,007,678	\$ 657,152	\$ 350,526	153.34%	\$ 552,485	63.45%
10/01/2010	\$ 761,858	\$ 688,645	\$ 73,213	110.63%	\$ 670,970	10.91%
10/01/2007	\$ 587,016	\$ 408,844	\$ 178,172	143.58%	\$ 461,577	38.60%

Note: The Town utilizes the aggregate actuarial cost method to determine its annual required contribution to the Police Officers' Pension Fund. As required by Governmental Accounting Standards Board Statement No. 50, *Pension Disclosures*, pension plans utilizing the aggregate actuarial cost method should disclose funded status using the entry age actuarial cost method. This information serves as a surrogate for funding progress of the Police Officers' Pension Fund and is applicable for actuarial valuations as of June 15, 2007 or thereafter.

TOWN OF EATONVILLE, FLORIDA
SCHEDULE OF CONTRIBUTIONS FROM THE TOWN AND OTHER
CONTRIBUTING ENTITIES -
POLICE OFFICERS' PENSION FUND

YEAR ENDED SEPTEMBER 30, 2013

Year Ended September 30	Annual Required Contribution	Town Contribution	State Contribution	Percentage Contributed
2013	\$ 51,010	\$ 41,654	\$ 9,356	100.00%
2012	\$ 46,826	\$ 21,154	\$ 8,923	64.23%
2011	\$ 46,562	\$ 46,026	\$ 9,123	118.44%
2010	\$ 50,376	\$ 60,492	\$ 9,437	138.81%
2009	\$ 47,900	\$ 30,881	\$ 9,216	83.71%
2008	\$ 40,588	\$ 30,214	\$ 9,226	97.17%

OTHER SUPPLEMENTARY INFORMATION



TOWN OF EATONVILLE, FLORIDA
WATER AND SEWER FUND
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET (BUDGETARY BASIS)

SEPTEMBER 30, 2013

	Water and Sewer		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 809,000	\$ 622,841	\$ (186,159)
Total operating revenues	<u>809,000</u>	<u>622,841</u>	<u>(186,159)</u>
Operating expenses			
Personnel services	215,449	185,929	29,520
Operating	399,051	319,763	79,288
Total operating expenses	<u>614,500</u>	<u>505,692</u>	<u>108,808</u>
Operating income	<u>194,500</u>	<u>117,149</u>	<u>(77,351)</u>
Non-operating revenues (expenses)			
Other income	5,500	-	(5,500)
Interest expense	-	(167)	(167)
Total non-operating revenues (expense)	<u>5,500</u>	<u>(167)</u>	<u>(5,667)</u>
Income before transfers	200,000	116,982	(83,018)
Transfers in	100,000	0	(100,000)
Transfers out	<u>(300,000)</u>	<u>(170,000)</u>	<u>130,000</u>
Total transfers	<u>(200,000)</u>	<u>(170,000)</u>	<u>30,000</u>
Deficiency of revenues over expenses	<u>\$ -</u>	<u>\$ (53,018)</u>	<u>\$ (53,018)</u>

Note: Depreciation expense of \$147,864 is not budgeted and, therefore, is not included on this schedule.

TOWN OF EATONVILLE, FLORIDA
SOLID WASTE FUND
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET (BUDGETARY BASIS)

SEPTEMBER 30, 2013

	Solid Waste		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 323,135	\$ 359,683	\$ 36,548
Total operating revenues	<u>323,135</u>	<u>359,683</u>	<u>36,548</u>
Operating expenses			
Operating	282,480	281,347	1,133
Total operating expenses	<u>282,480</u>	<u>281,347</u>	<u>1,133</u>
Operating income	40,655	78,336	37,681
Transfers out	<u>(40,655)</u>	<u>-</u>	<u>40,655</u>
Change in net position	<u>\$ -</u>	<u>\$ 78,336</u>	<u>\$ 78,336</u>

TOWN OF EATONVILLE, FLORIDA
STORMWATER FUND
SCHEDULE OF REVENUES AND EXPENSES
COMPARED TO BUDGET (BUDGETARY BASIS)

SEPTEMBER 30, 2013

	Stormwater		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 214,244	\$ 176,359	\$ (37,885)
Total operating revenues	<u>214,244</u>	<u>176,359</u>	<u>(37,885)</u>
Operating expenses			
Personnel services	123,710	50,548	73,162
Operating	90,534	16,874	73,660
Total operating expenses	<u>214,244</u>	<u>67,422</u>	<u>146,822</u>
Operating income	<u>-</u>	<u>108,937</u>	<u>108,937</u>
Non-operating revenues (expenses)			
Interest earnings	-	3	3
Interest expense	-	(83)	(83)
Total non-operating revenues (expense)	<u>-</u>	<u>(80)</u>	<u>(80)</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ 108,857</u>	<u>\$ 108,857</u>

Note: Depreciation expense of \$2,294 is not budgeted and, therefore, is not included on this schedule.

COMPLIANCE SECTION



**Report of Independent Auditor 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 Town Council
Town of Eatonville, 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, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Eatonville, Florida (the "Town") as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 17, 2014.

Internal Control over Financial Reporting

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

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, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of control 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 the deficiencies described in the accompanying Appendix A, identified as findings 2006-01 and 2013-01, to be material weaknesses. Finding 2006-01 is a repeat deficiency from the preceding annual financial audit report, where it was identified as finding 2006-01, and was repeated from the second preceding annual financial report, where it was identified as finding 2006-01.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Appendix A, as findings 2008-02, to be a significant deficiency. Finding 2008-02 is a repeated deficiency from the preceding and second preceding annual financial report, where it was identified as 2008-02.

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 noted other matters that we have reported to management of the Town in a separate management letter dated June 17, 2014.

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Cheryl Behrman LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
June 30, 2014

TOWN OF EATONVILLE, FLORIDA

APPENDIX A - Findings and Recommendations for Report of Independent Auditor 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*

YEAR ENDED SEPTEMBER 30, 2013

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Current Year Audit Findings:

Reconciliations

Finding 2006-01: Reconciliations of general ledger accounts to subsidiary detail is a key control to ensure accounting errors are identified on a timely basis. We noted reconciliations were not provided for receivables and interfund balance sheet accounts during the fiscal year, similar to what was reported in prior financial statement audits. As a result, certain general ledger account balances were incorrectly recorded and considerable time and effort was required to analyze financial statement amounts at year end. In addition, the Town's ability to address financial management matters is compromised by the inability to rely on unsupported financial data.

Recommendation: We recommend that the Finance Department at the Town prepare regular reconciliations of its balance sheet subsidiary ledgers to the general ledger balances in order to ensure accuracy of general ledger balances and avoid errors or omissions of financial data.

Management Response: The Finance Department is making every effort to adhere to auditor's recommendation for current transactions. The Finance Department is also working diligently on resolving the past issues regarding this finding.

Recording of Receivables

Finding 2008-02: We noted unbilled receivables for the month of September 2013 for each of the Town's enterprise funds were not updated from the prior year to reflect the current year accrual amounts. Audit adjustments were required to correct receivables balances, requiring significant investigation and time.

Recommendation: We recommend that unbilled receivables be updated annually to reflect current year activity.

Management Response: The Finance Department will ensure that unbilled receivables will be updated annually. Also, the Finance Department is currently looking for new Accounting/Finance software.

TOWN OF EATONVILLE, FLORIDA

APPENDIX A - Findings and Recommendations for Report of Independent Auditor 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*

YEAR ENDED SEPTEMBER 30, 2013

Recording of Capital Assets and the State Revolving Fund Loan Funds

Finding 2013-01: We noted that \$65,879 of proceeds received from the State Revolving Fund Loan program were not properly recorded as a loan payable and that the related capital asset purchases were not properly capitalized into construction in progress as of 9/30/2013. Additionally, \$49,008 of costs incurred but not yet requested for reimbursement were expensed rather than capitalized, resulting in a total adjustment to capitalize costs of \$114,887. The accounting treatment provided was consistent with that for governmental funds, rather than the accrual basis of accounting relevant to the Water and Sewer Fund.

Recommendation: We recommend the Town record capital assets and loan proceeds associated with the State Revolving Fund Loan as balance sheet only transactions, rather than affecting operations, to be consistent with requirements of generally accepted accounting principles.

Management Response: The Finance Department will ensure proper review is given to recording capital costs as capital assets rather than a period expense and will record loan proceeds as a loan payable on the balance sheet.

TOWN OF EATONVILLE, FLORIDA

APPENDIX A - Findings and Recommendations for Report of Independent Auditor 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*

YEAR ENDED SEPTEMBER 30, 2013

Prior Year Audit Findings:

Reconciliations

Finding 2006-01: Reconciliations of general ledger accounts to subsidiary detail is a key control to ensure accounting errors are identified on a timely basis. We noted reconciliations were not provided for receivables and interfund balance sheet accounts during the fiscal year, similar to what was reported in prior financial statement audits. As a result, certain general ledger account balances were incorrectly recorded and considerable time and effort was required to analyze financial statement amounts at year end. In addition, the Town's ability to address financial management matters is compromised by the inability to rely on unsupported financial data.

Recommendation: We recommend that the Finance Department at the Town prepare regular reconciliations of its balance sheet subsidiary ledgers to the general ledger balances in order to ensure accuracy of general ledger balances and avoid errors or omissions of financial data.

Current Status: The matter continues to exist and is addressed in current year finding 2006-01.

Recording of Receivables

Finding 2008-02: We noted unbilled receivables for the month of September 30, 2012 for each of the Town's enterprise funds were not updated from the prior year to reflect the current year accrual amounts. Audit adjustments were required to correct receivables balances, requiring significant investigation and time.

Recommendation: We recommend that unbilled receivables be updated annually to reflect current year activity

Current Status: The matter continues to exist and is addressed in current year finding 2008-02.

TOWN OF EATONVILLE, FLORIDA

APPENDIX A - Findings and Recommendations for Report of Independent Auditor 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*

YEAR ENDED SEPTEMBER 30, 2013

Budgetary Control Compliance

Finding 2011-05: The Town established the budget level of control (level at which expenditures may not exceed budget) at the fund level. During our procedures we noted the Water and Sewer Fund total expenditures exceeded budget by \$2,469. In addition, transfers out exceeded budget by \$39,000.

Recommendation: We recommend that the Town ensure future expenditures do not exceed budgetary authorizations.

Current Status: As we did not note any similar matters in fiscal year 2013, this finding has been resolved.

Compliance with Regulatory and Debt Reporting Requirements

Finding 2007-06: The Town is required to file its audited financial statements by June 30 of each year. However, audited financial statements were not available in fiscal 2012 until July, 2012, resulting in noncompliance with timeliness requirements of the Auditor General and debt covenants.

Recommendation: Adherence to regulatory and debt requirements and timely and accurate financial reporting are essential for public trust, prudent financial management and cooperation with agencies critical for continuing revenue sources. We noted that the fiscal 2012 audited financial statements are available within the required timeline.

Current Status: As we did not note any similar matters in fiscal year 2013, this finding has been resolved.

Independent Auditor's Management Letter

Honorable Mayor and Town Council
Town of Eatonville, Florida:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Eatonville, Florida (the "Town"), as of and for the year ended September 30, 2013, and have issued our report thereon dated June 17, 2014.

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. We have issued our Report of Independent Auditor 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*. Disclosures in this report, which is dated June 13, 2014, 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 included in the aforementioned auditor's 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. Corrective actions have been taken to address the findings and recommendations made in the preceding annual financial report, with the exception of those included in Appendix A of this letter and in Appendix A of the Report of Independent Auditor 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*. Observations 2006-A, 2010-B, and 2012-C in Appendix A of this letter are repeat recommendations from the preceding annual financial audit report, and repeated from the second preceding annual financial audit report, noted as Observations 2006-A, 2010-B, and 2012-C.

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 of the financial statements of the Town, nothing came to our attention that would cause us to believe that the Town was in noncompliance with Section 218.415 regarding the investment of public funds.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter of any recommendations to improve the Town's financial management. We have identified certain matters in Appendix A of this letter that are relevant to financial management. We did not audit the Town's responses to these matters, which are also provided in Appendix A of this letter, and, accordingly, we express no opinion on them.

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

Section 10.554(1)(i)5., *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 the management letter, unless disclosed in the notes to the financial statements. Such disclosure is included in notes to the financial statements.

Section 10.554(1)(i)6.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 of the financial statements of the Town, the results of our tests did not indicate the Town met any of the specified conditions of a financial emergency contained in Section 218.503(1), Florida Statutes. However, our audit does not provide a legal determination on the Town's compliance with this requirement.

Section 10.554(1)(i)6.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, 2013, 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, 2013. Our review of the financial report filed with the Florida Department of Financial Services to the Town's 2013 audited financial statements resulted in no material differences.

Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures as of September 30, 2013. 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 results of financial condition assessment procedures are provided in Appendix A to this letter, Observation 2006-A. We did not audit the Town's response to this matter, which is also provided in Appendix A, and, accordingly, we express no opinion on it.

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, *Rules of the Auditor General*. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink that reads "Cheryl Behrman LLP". The signature is written in a cursive, flowing style.

Orlando, Florida
June 30, 2014

TOWN OF EATONVILLE, FLORIDA

APPENDIX A - MANAGEMENT LETTER COMMENTS

YEAR ENDED SEPTEMBER 30, 2013

Current Year Recommendations

Observations are provided by the year in which they originated.

Financial Condition Assessment

Observation 2006-A: We applied financial condition assessment procedures as part of the annual audit of the Town, in accordance with Rules of the Auditor General, Chapter 10.550. These procedures require that we report matters in connection with this assessment if we find there are deteriorating financial conditions that could lead to a state of financial emergency as provided by Florida Statute 218.503(1). Our financial condition assessment procedures applied found that the Town had a deficit fund balance at September 30, 2013, when aggregating the General Fund and enterprise funds, and thus met a condition specified in Florida Statute 218.503(1). The deficit fund balance was reduced, which was positive; however, liquidity remains low as a percent of annual costs and there are minimal funds available to fund aging capital infrastructure. Without strengthening of financial condition and resolution of other matters, conditions exist that could lead to a state of financial emergency as prescribed by Florida Statute 218.503(1).

Recommendation: We recommend the Town's budgeting, financial management and strategic planning process provide for strengthening of the Town's financial position in order to ensure adequate liquidity and ability to address long-term capital needs.

Management Response: The management is currently reviewing spending needs, monitoring anticipated revenues against actual and closely monitoring expenditures against budget appropriation. In addition, the management will cut down unnecessary expenses and find other resources or revenues to strengthen the Town's financial condition.

Enterprise Fund Receivables

Observation 2010-B: We noted that the allowance for doubtful accounts for Water and Sewer Fund, Stormwater Fund and Solid Waste Fund activities had not been adjusted from that of the prior year.

Recommendation: We recommend the Town perform an analysis based on cash receipts and collections experience as part of the year end closing process.

Management Response: The Finance Department will perform a quarterly cash receipts and collections analysis to ensure accurate adjustments, as well as to resolve the issue for doubtful accounts. Also, the Finance Department is currently looking for new Accounting/Finance software.

TOWN OF EATONVILLE, FLORIDA
APPENDIX A - MANAGEMENT LETTER COMMENTS

YEAR ENDED SEPTEMBER 30, 2013

Interfund Transfers and Interfund Balances

Observation 2012-C: There are significant balances from/to other funds within the Town. As examples, as of September 30, 2013 the Solid Waste Fund has a net amount due from other funds of \$573,171 and the Water and Sewer Fund has a net amount due to other funds of \$2,008,647. It appears the Water and Sewer Fund has effectively borrowed from other funds in order to finance transfers made to the General Fund in recent years, resulting in an improved fund balance position for the General Fund but leaving a deficit unrestricted Water and Sewer Fund balance of \$1,742,074 at September 30, 2013. It is unclear as to the portion of Water and Sewer Fund transfers to the General Fund that might represent payments for administrative overhead versus simply transfers of equity. Accordingly, fund level accountability is compromised and, due to the amount owed and limited resources available in the Water and Sewer Fund, it is unclear as to how interfund balances will be eliminated.

Recommendation: We recommend interfund activity be evaluated in order to determine how interfund balances will be eliminated and to establish an appropriate methodology for future transfers. To the extent interfund activity represents charges between funds, such as administrative charges from the General Fund, those charges should be accounted for as operating activity based on the cost of services provided, rather than as transfers. Also, amounts borrowed between funds should have a zero net balance at any given time.

Management Response: The Finance Department reduced the number of interfund transfers compared to the previous years and is diligently working on resolving past issues regarding this finding.