



TOWN OF EATONVILLE, FLORIDA

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2017

And Reports of Independent Auditor

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, 2017, and the related notes to the financial statements, 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, 2017, 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 and the schedule of expenditures of federal awards have 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018 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* in considering the Town's internal control over financial reporting and compliance.



Orlando, Florida
June 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Eatonville, Florida (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town as of and for the fiscal year ended September 30, 2017. Please read our discussion and analysis of the Town's financial activities for the year ended September 30, 2017 in conjunction with the Town's basic financial statements, which immediately follow the discussion.

Financial Highlights

The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$12,748,192 (*net position*), which included a \$53,636 unrestricted deficit. The Town's total net position increased by \$937,000 during fiscal year 2017, including a \$1,047,124 increase in business-type activities and a \$110,124 decrease in governmental activities.

The Town has a major wastewater improvement project that was ongoing during the year and will be completed early in the next fiscal year. This project provides major improvements to the Town's water and sewer infrastructure and was primarily funded through grants from the Federal and State governments. The business-type activities' increase noted above was aided by \$1,277,074 of capital contributions for this project from the State of Florida Department of Environmental Protection.

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 required and 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 assets and deferred outflows of resources, and liabilities and deferred inflows of resources, 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 Town'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).

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 itself (known as the *primary government*), but also a legally separate Community Redevelopment Agency (CRA), for which the Town is financially accountable. The CRA, 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.

The Town's government-wide financial statements can be found on pages 14-15 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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: Governmental funds, Proprietary funds, and 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 funds' 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 the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental funds' Balance Sheet and the governmental funds' 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 funds' 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 funds' financial statements can be found on pages 16 - 19 of this report.

Proprietary Funds: The Town maintains three enterprise funds, which 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. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds' financial statements provide separate information for the water and sewer, solid waste, and stormwater operations. The basic proprietary funds' financial statements can be found on pages 20 - 22 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 23 - 24 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 25 - 51 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's and Community Redevelopment Agency Fund's budget compliance and schedules of changes in the net pension asset and schedules of contributions related to the Town of Eatonville Municipal Police Officers' Retirement Trust Fund (the "Plan"). Required supplementary information can be found on pages 52 - 57 of this report.

Additional budgetary information is presented immediately following the required supplementary information and can be found on pages 58 - 60 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, assets plus deferred outflows of resources exceeded liabilities and deferred inflows by \$12,748,192 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net Position found on page 14 of this report.

Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 3,440,890	\$ 2,935,015	\$ (978,668)	\$ (535,071)	\$ 2,462,222	\$ 2,399,944
Capital assets	6,846,295	7,216,670	7,381,702	5,428,374	14,227,997	12,645,044
Total assets	<u>10,287,185</u>	<u>10,151,685</u>	<u>6,403,034</u>	<u>4,893,303</u>	<u>16,690,219</u>	<u>15,044,988</u>
Deferred outflows of resources	4,385	17,788	-	-	4,385	17,788
Liabilities:						
Other liabilities	610,086	347,852	301,756	784,673	911,842	1,132,525
Long-term liabilities	1,206,912	1,263,085	1,801,498	855,974	3,008,410	2,119,059
Total liabilities	<u>1,816,998</u>	<u>1,610,937</u>	<u>2,103,254</u>	<u>1,640,647</u>	<u>3,920,252</u>	<u>3,251,584</u>
Deferred inflows of resources	26,160	-	-	-	26,160	-
Net Position:						
Net investment in capital assets	5,759,400	6,066,092	5,586,077	4,149,348	11,345,477	10,215,440
Restricted	1,418,827	1,289,117	37,524	437,679	1,456,351	1,726,796
Unrestricted (deficit)	1,270,185	1,203,327	(1,323,821)	(1,334,371)	(53,636)	(131,044)
Total net position	<u>\$ 8,448,412</u>	<u>\$ 8,558,536</u>	<u>\$ 4,299,780</u>	<u>\$ 3,252,656</u>	<u>\$12,748,192</u>	<u>\$11,811,192</u>

By far the largest portion of the Town's net position, \$11,345,477, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets. The Town 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.

\$1,456,351 of the Town's net position represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the Town reported a negative unrestricted net position in the business-type activities of \$1,323,821 and positive balances in all other categories of net position for both the governmental activities and business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities: Total assets and deferred outflows increased \$122,097 (1.20%) from the prior year, while total liabilities and deferred inflows increased \$232,221 (12.79%) from the prior year. Key elements of these changes are as follows:

- Capital assets decreased \$370,375, primarily due to increases in accumulated depreciation of approximately \$411,000 offset by approximately \$41,000 of asset additions.
- Due to other governments increased \$116,681 due to the timing of payments to other governments for contracted services.
- Unearned revenue increased \$95,823, primarily due to a \$100,000 deposit received for the sale of the Hungerford Property.
- Cash increased \$404,263 primarily due to changes in operations. Governmental activities recognized a \$110,124 loss, which includes non-cash depreciation expense of \$411,465. Additionally, the increases in unearned revenue and amounts due to other governments positively affected the cash balance.

Business-type Activities: Total assets increased \$1,509,731 (30.85%) from the prior year while total liabilities increased \$462,607 (28.20%) from the prior year. Key elements of these changes are the result of the water and sewer construction project primarily funded through grants and loans offered by the State of Florida Department of Environmental Protection (FLDEP). The bulk of this project was completed during the prior year, with the final phases continuing beyond the end of the current year. Capital assets increased \$1,953,328 primarily due to increases in construction in progress related to this project. Construction payable decreased \$428,486 and amounts due from other governments decreased \$400,155 due to the timing of grant/loan reimbursements from the FLDEP and payments to vendors on this construction project.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following schedule is a summary of the Statement of Activities on page 15 of this report.

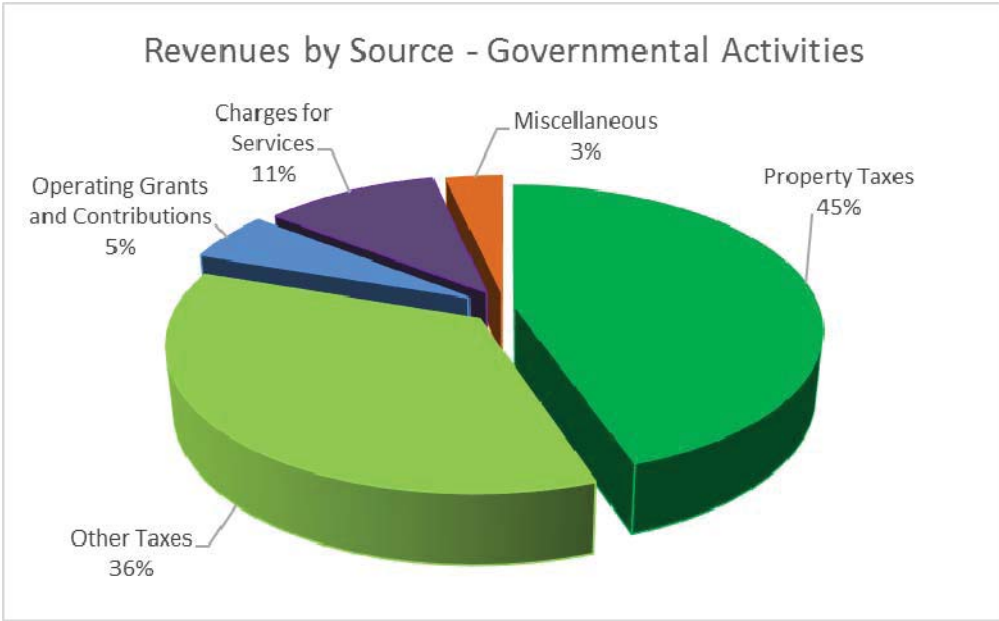
	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for Services	\$ 418,661	\$ 544,381	\$ 1,264,170	\$ 1,217,849	\$ 1,682,831	\$ 1,762,230
Operating grants and contributions	209,133	206,902	-	-	209,133	206,902
Capital grants and contributions	-	-	1,277,074	2,332,577	1,277,074	2,332,577
General revenues:						
Property taxes	1,730,220	1,693,849	-	-	1,730,220	1,693,849
Other taxes	1,379,933	1,310,931	-	-	1,379,933	1,310,931
Other revenues	89,877	193,687	-	-	89,877	193,687
Total revenues	<u>3,827,824</u>	<u>3,949,750</u>	<u>2,541,244</u>	<u>3,550,426</u>	<u>6,369,068</u>	<u>7,500,176</u>
Expenses:						
General government	1,444,170	1,568,569	-	-	1,444,170	1,568,569
Public safety	1,683,230	1,638,359	-	-	1,683,230	1,638,359
Physical environment	365,343	338,006	-	-	365,343	338,006
Economic environment	25,510	25,141	-	-	25,510	25,141
Human services	56,847	45,119	-	-	56,847	45,119
Culture and recreation	373,181	333,697	-	-	373,181	333,697
Interest on long-term debt	36,907	57,131	-	-	36,907	57,131
Water and sewer	-	-	970,873	944,018	970,873	944,018
Solid waste	-	-	317,351	318,274	317,351	318,274
Stormwater	-	-	158,656	130,663	158,656	130,663
Total expenses	<u>3,985,188</u>	<u>4,006,022</u>	<u>1,446,880</u>	<u>1,392,955</u>	<u>5,432,068</u>	<u>5,398,977</u>
Increase (decrease) in net position before transfers	(157,364)	(56,272)	1,094,364	2,157,471	937,000	2,101,199
Transfers	47,240	181,000	(47,240)	(181,000)	-	-
Change in net position	<u>(110,124)</u>	<u>124,728</u>	<u>1,047,124</u>	<u>1,976,471</u>	<u>937,000</u>	<u>2,101,199</u>
Net position - beginning	<u>8,558,536</u>	<u>8,433,808</u>	<u>3,252,656</u>	<u>1,276,185</u>	<u>11,811,192</u>	<u>9,709,993</u>
Net position - ending	<u>\$ 8,448,412</u>	<u>\$ 8,558,536</u>	<u>\$ 4,299,780</u>	<u>\$ 3,252,656</u>	<u>\$12,748,192</u>	<u>\$11,811,192</u>

Governmental Activities: Governmental activities decreased net position by \$110,124, compared to an increase of \$124,728 in the prior year. Key elements of changes as a result of activities are as follows:

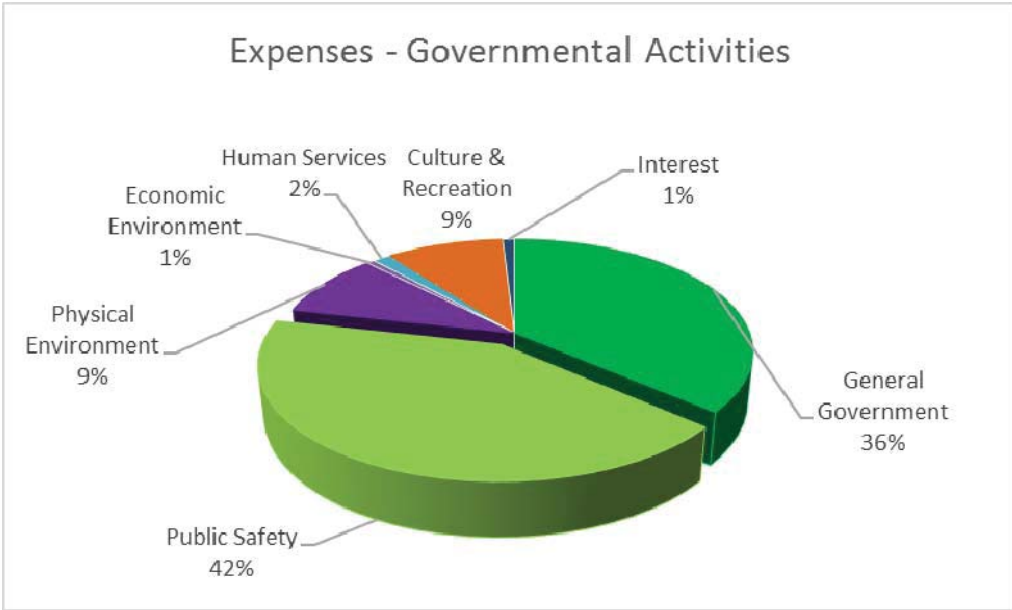
- Charges for services decreased by \$125,720 (23.09%) from 2016 primarily due to a decrease in building permit fees, as the prior year saw more construction and renovation projects throughout the Town than the current year.
- Other revenues decreased \$103,810 (53.60%) and general government expenses decreased \$124,399 (7.93%) from 2016. Both of these changes are primarily the result of in-kind services revenue and expense of \$124,890 recorded in the CRA fund in the prior year due to a grant provided through the Winter Park Health Foundation. This was a one year grant where the entirety of the services offered were used in the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following chart shows the composition of revenues for the Town's governmental activities.



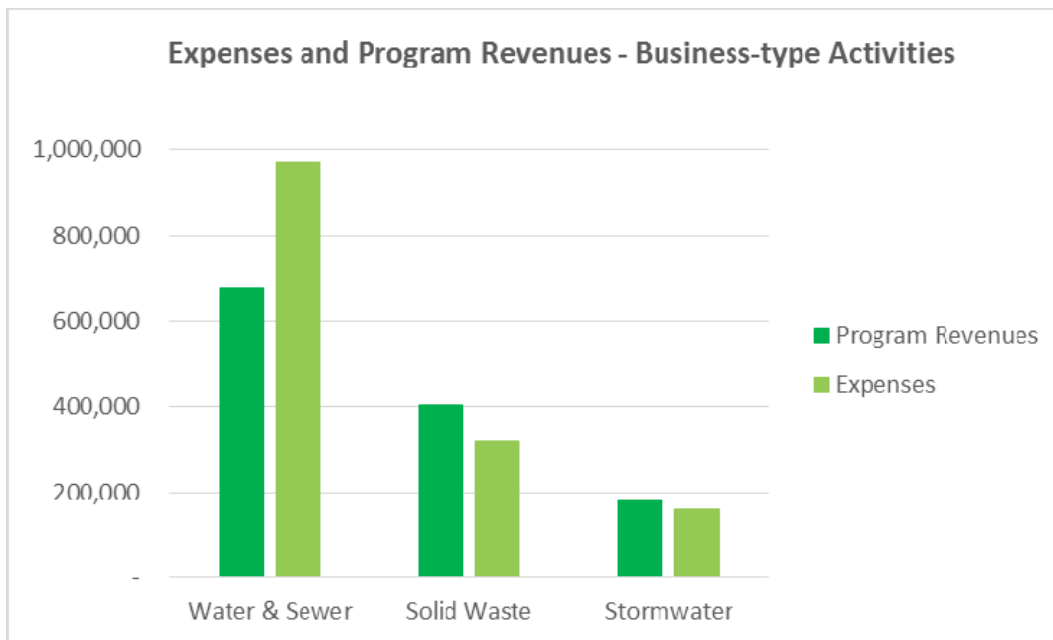
The following chart shows the Town's expenses by category.



MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type Activities: Business-type activities increased net position by \$1,047,124, compared to an increase of \$1,976,471 in the prior year. The primary change resulted from a decrease in capital grants and contributions revenue of \$1,055,503 (45.25%) due to grant and loan assistance received from the State of Florida Department of Environmental Protection for the water and sewer capital improvement project. The majority of this project was conducted in the prior year, while the project was beginning to close out during the current year. This was in part offset by an increase in overtime expenses in the water and sewer fund related to calculating and applying utility overcharge refunds to customers and emergency repairs in the Stormwater fund.

The following chart compares expenses and program revenues for the Town's business-type activities.



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'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.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,373,478, an increase of \$226,632 for the year. Approximately 38% (\$909,749) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of the fund balance is classified as non-spendable (\$44,902) and restricted (\$1,418,827).

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 \$951,459 for the General Fund, an increase of \$96,818 from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total expenditures. As of September 30, 2017, the General Fund's unassigned fund balance represents 26% of total General Fund expenditures.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The fund balance of the Town's CRA Fund increased \$129,814 from the prior year to \$1,422,019. Revenue sources within the CRA of \$300,786 exceeded operating costs of \$170,972.

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 Stormwater Funds at the end of the year amounted to \$1,323,821, with an unrestricted \$2,822,661 deficit in the Water and Sewer Fund offsetting positive balances in the other funds. The Water and Sewer, Solid Waste, and Stormwater Funds increased net positions by \$938,537, \$88,161 and \$20,426, respectively.

The Town intends to rebuild the net position of the Water and Sewer Fund through a change to the utility rate structure and increases in overall utility rates. 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: During the year there was a \$14,734 increase to budgeted expenditures, which exceeded actual expenditures by \$193,445 as shown below. The Town experienced generally favorable budget variances during the fiscal year.

	Budget		Actual Amounts	Variances
	Original	Final		Final Budget Positive/ (Negative)
General government	\$ 1,316,508	\$ 1,315,868	\$ 1,201,258	\$ 114,610
Public safety	1,578,825	1,582,960	1,494,662	88,298
Physical environment	240,432	241,105	233,430	7,675
Economic environment	24,065	25,578	25,510	68
Human services	45,795	56,848	56,847	1
Culture and recreation	293,695	291,877	261,486	30,391
Capital outlay	10,000	20,868	35,621	(14,753)
Debt service				
Principal	45,000	55,000	83,432	(28,432)
Interest	42,400	21,350	25,763	(4,413)
Total expenditures	<u>\$ 3,596,720</u>	<u>\$ 3,611,454</u>	<u>\$ 3,418,009</u>	<u>\$ 193,445</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Long-term Debt: At the end of the current fiscal year, the Town had \$3,008,410 in total long-term debt outstanding. Of this amount, \$884,651 consists of a loan, and the related premium, through the Florida Municipal Loan Council; \$1,795,625 consists of State Revolving Fund loans; \$202,244 consists of capital leases; and the remainder consists of compensated absences obligations.

The State Revolving Fund loans with the State of Florida Department of Environmental Protection are for wastewater facilities improvement projects, with initial draws occurring in fiscal year 2013. Repayments for one of the loans began in fiscal year 2017 and repayments on the second loan will begin in fiscal year 2018.

Additional information on The Town's long-term liabilities can be found in Note 6, pages 40 - 43 of this report.

Capital Assets: The Town's capital assets for its governmental and business-type activities as of September 30, 2017 amounted to \$14,227,997 (net of accumulated depreciation). Capital assets includes land, infrastructure, buildings, improvements, machinery and equipment, and recreational facilities. Additional information on the Town's capital assets can be found in Note 5 on pages 38 - 39 of this report.

Economic Factors

General economic conditions are increasingly positive since the recent recession. Although the Town's fund balances and cash flows are well below desired levels, there has been recent and planned development ongoing in the Town that should prove to be beneficial. In addition to development by external sources, the Town is nearly finished with a major capital improvement project to the water and sewer infrastructure, which will reduce leakages, repairs and waste. Overall, the Town's management believes that these improved economic conditions, capital improvements and other initiatives will help stabilize the Town's fund balances and cash flows.

Requests for Information

This financial report is designed to provide a general overview of the Town'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, 2017

	Primary Government		
	Governmental Activities	Business- type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$ 1,422,128	\$ 72,986	\$ 1,495,114
Accounts receivable, net	95,389	203,285	298,674
Due from other governments	111,680	37,524	149,204
Prepaid items and other assets	52,901	3,808	56,709
Internal balances	1,296,271	(1,296,271)	-
Net pension asset	462,521	-	462,521
Capital assets net of accumulated depreciation:			
Nondepreciable	674,943	5,423,193	6,098,136
Depreciable	6,171,352	1,958,509	8,129,861
Total assets	10,287,185	6,403,034	16,690,219
Deferred outflows of resources			
Deferred outflows related to pensions	4,385	-	4,385
Total deferred outflows of resources	4,385	-	4,385
Liabilities			
Checks paid exceeding cash	-	4,409	4,409
Accounts payable	107,868	72,043	179,911
Due to other governments	228,788	-	228,788
Accrued liabilities	111,085	163,115	274,200
Unearned revenue	148,260	-	148,260
Customer deposits	-	62,189	62,189
Other liabilities	14,085	-	14,085
Long-term liabilities:			
Due within one year	216,858	67,216	284,074
Due in more than one year	990,054	1,734,282	2,724,336
Total liabilities	1,816,998	2,103,254	3,920,252
Deferred inflows of resources			
Deferred inflows related to pensions	26,160	-	26,160
Total deferred inflows of resources	26,160	-	26,160
Net position			
Net investment in capital assets	5,759,400	5,586,077	11,345,477
Restricted for:			
Economic environment	1,416,944	-	1,416,944
Special events	1,883	-	1,883
Capital projects	-	37,524	37,524
Unrestricted (deficit)	1,270,185	(1,323,821)	(53,636)
Total net position	\$ 8,448,412	\$ 4,299,780	\$ 12,748,192

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 1,444,170	\$ 274,526	\$ 108,646	\$ -	\$ (1,060,998)	\$ -	\$ (1,060,998)	
Public safety	1,683,230	37,647	34,711	-	(1,610,872)	-	(1,610,872)	
Physical environment	365,343	23,950	-	-	(341,393)	-	(341,393)	
Economic environment	25,510	-	-	-	(25,510)	-	(25,510)	
Human services	56,847	-	56,847	-	-	-	-	
Culture/recreation	373,181	82,538	8,929	-	(281,714)	-	(281,714)	
Interest on long-term debt	36,907	-	-	-	(36,907)	-	(36,907)	
Total governmental activities	3,985,188	418,661	209,133	-	(3,357,394)	-	(3,357,394)	
Business-type activities:								
Water and sewer	970,873	675,911	-	1,277,074	-	982,112	982,112	
Solid waste	317,351	405,512	-	-	-	88,161	88,161	
Stormwater	158,656	182,747	-	-	-	24,091	24,091	
Total business-type activities	1,446,880	1,264,170	-	1,277,074	-	1,094,364	1,094,364	
Total	\$ 5,432,068	\$ 1,682,831	\$ 209,133	\$ 1,277,074	(3,357,394)	1,094,364	(2,263,030)	
General revenues:								
Property taxes					1,730,220	-	1,730,220	
Franchise fees based on gross receipts					343,634	-	343,634	
Sales taxes					350,948	-	350,948	
Local business tax					78,861	-	78,861	
Utility taxes					606,490	-	606,490	
Miscellaneous and other taxes					86,200	-	86,200	
Unrestricted investment earnings					614	-	614	
Gain on sale of capital assets					3,063	-	3,063	
Transfers					47,240	(47,240)	-	
Total general revenues and transfers					3,247,270	(47,240)	3,200,030	
Change in net position					(110,124)	1,047,124	937,000	
Net position - beginning					8,558,536	3,252,656	11,811,192	
Net position - ending					\$ 8,448,412	\$ 4,299,780	\$ 12,748,192	

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General Fund	Community Redevelopment Agency	Total
Assets			
Cash and cash equivalents	\$ 271,865	\$ 1,150,263	\$ 1,422,128
Accounts receivable, net	95,389	-	95,389
Due from other funds	1,296,271	286,200	1,582,471
Due from other governments	111,680	-	111,680
Prepaid items	39,827	5,075	44,902
Total assets	\$ 1,815,032	\$ 1,441,538	\$ 3,256,570
Liabilities and fund balances			
Liabilities:			
Accounts payable	\$ 92,103	\$ 15,765	\$ 107,868
Due to other governments	228,788	-	228,788
Accrued liabilities	94,137	3,754	97,891
Unearned revenue	148,260	-	148,260
Due to other funds	286,200	-	286,200
Other liabilities	14,085	-	14,085
Total liabilities	863,573	19,519	883,092
Fund balances:			
Nonspendable:			
Prepaid items	39,827	5,075	44,902
Restricted for:			
Special Events	1,883	-	1,883
Community Redevelopment Agency	-	1,416,944	1,416,944
Unassigned	909,749	-	909,749
Total fund balances	951,459	1,422,019	2,373,478
Total liabilities and fund balances	\$ 1,815,032	\$ 1,441,538	\$ 3,256,570

See notes to financial statements.

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

SEPTEMBER 30, 2017

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

Ending fund balance - governmental funds	\$	2,373,478
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:</p>		
Land	\$	674,943
Buildings and improvements, net of \$1,403,043 accumulated depreciation		1,889,725
Improvements other than buildings, net of \$645,976 accumulated depreciation		74,353
Equipment, net of \$1,821,939 accumulated depreciation		65,666
Infrastructure, net of \$1,037,808 accumulated depreciation		<u>4,141,608</u>
Total capital assets, net		6,846,295
Net pension asset included in total assets is not available to pay current expenditures and, therefore, is not reported in the funds.		462,521
Governmental funds record bond insurance costs as expenditures when these costs are first incurred. Unamortized bond insurance costs must be included as a prepaid item in the government-wide statements.		7,999
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. Governmental funds recognize premiums and discounts during the current period as other financing sources/uses. In the government-wide statements, premiums and discounts are applied against note payable. 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	\$	(850,000)
Unamortized premium		(34,651)
Capital leases		(202,244)
Compensated absences		(120,017)
Accrued interest on long-term debt		<u>(13,194)</u>
Total liabilities		(1,220,106)
Deferred outflows of resources represent a consumption of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.		4,385
Deferred inflows of resources represent an acquisition of net position or fund balance that applies to a future period(s) and, therefore, are not reported in the governmental funds.		<u>(26,160)</u>
Net position of governmental activities	<u>\$</u>	<u>8,448,412</u>

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Community Redevelopment Agency	Total
Revenues			
Ad valorem taxes	\$ 1,430,220	\$ 300,000	\$ 1,730,220
Utility taxes	685,351	-	685,351
Franchise fees	343,634	-	343,634
Sales tax	350,948	-	350,948
Intergovernmental revenues	212,631	-	212,631
Licenses and permits	84,718	-	84,718
Charges for services	223,299	-	223,299
Fines and forfeitures	21,648	-	21,648
Interest income	136	478	614
Rental and other income	171,390	308	171,698
Total revenues	<u>3,523,975</u>	<u>300,786</u>	<u>3,824,761</u>
Expenditures			
General government	1,201,258	170,972	1,372,230
Public safety	1,494,662	-	1,494,662
Physical environment	233,430	-	233,430
Economic environment	25,510	-	25,510
Human services	56,847	-	56,847
Culture/recreation	329,268	-	329,268
Capital outlay	35,621	5,469	41,090
Debt service:			
Principal	83,432	-	83,432
Interest	25,763	-	25,763
Total expenditures	<u>3,485,791</u>	<u>176,441</u>	<u>3,662,232</u>
Excess of revenues over expenditures	<u>38,184</u>	<u>124,345</u>	<u>162,529</u>
Other Financing Sources			
Proceeds from capital leases	8,331	5,469	13,800
Gain on sale of capital assets	3,063	-	3,063
Transfers in	47,240	-	47,240
Total other financing sources	<u>58,634</u>	<u>5,469</u>	<u>64,103</u>
Net change in fund balances	96,818	129,814	226,632
Fund balance - beginning	<u>854,641</u>	<u>1,292,205</u>	<u>2,146,846</u>
Fund balance - ending	<u>\$ 951,459</u>	<u>\$ 1,422,019</u>	<u>\$ 2,373,478</u>

See notes to financial statements.

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, 2017

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

Net change in fund balances - total governmental funds	\$	226,632
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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	\$	41,090	
Depreciation		<u>(411,465)</u>	(370,375)

The issuance of long-term debt (e.g. note, leases) provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes resources of the governmental funds. Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

New debt	\$	(13,800)	
Principal paid		83,432	
Premium on new debt		<u>2,665</u>	72,297

Insurance for governmental debt is recorded as an expenditure in the governmental funds. In the government-wide statements, this insurance is recorded as a prepaid item and amortized over the life of the note. (615)

Some expenses reported in the Statement of Activities do not provide (or do not require) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in compensated absences payable	\$	(16,124)	
Increase in accrued interest on long-term debt		<u>(13,194)</u>	(29,318)

Pension expense is reported in the Statement of Activities, which differs from pension expenditures as reported in governmental funds.

Increase in net pension asset	\$	30,818	
Decrease in deferred outflows related to pensions		(13,403)	
Increase in deferred inflows related to pensions		<u>(26,160)</u>	(8,745)

Change in net position of governmental activities	\$	<u><u>(110,124)</u></u>
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TOWN OF EATONVILLE, FLORIDA
BALANCE SHEET
PROPRIETARY FUNDS

SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	
Assets				
Current assets:				
Cash and cash equivalents	\$ 72,986	\$ -	\$ -	\$ 72,986
Accounts receivable, net	109,873	63,390	30,022	203,285
Due from other governments	37,524	-	-	37,524
Prepaid items	2,308	-	1,500	3,808
Total current assets	<u>222,691</u>	<u>63,390</u>	<u>31,522</u>	<u>317,603</u>
Noncurrent assets:				
Due from other funds	-	737,972	831,708	1,569,680
Capital assets				
Capital assets not being depreciated				
Land	2,500	-	-	2,500
Construction in progress	5,420,693	-	-	5,420,693
Total non-depreciable assets	<u>5,423,193</u>	<u>-</u>	<u>-</u>	<u>5,423,193</u>
Capital assets being depreciated				
Buildings and improvements	4,559,692	-	-	4,559,692
Equipment	251,975	-	125,187	377,162
Total depreciable assets	<u>4,811,667</u>	<u>-</u>	<u>125,187</u>	<u>4,936,854</u>
Less accumulated depreciation	<u>(2,873,811)</u>	<u>-</u>	<u>(104,534)</u>	<u>(2,978,345)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>1,937,856</u>	<u>-</u>	<u>20,653</u>	<u>1,958,509</u>
Total noncurrent assets	<u>7,361,049</u>	<u>737,972</u>	<u>852,361</u>	<u>8,951,382</u>
Total assets	<u>\$ 7,583,740</u>	<u>\$ 801,362</u>	<u>\$ 883,883</u>	<u>\$ 9,268,985</u>
Liabilities and net position				
Current liabilities payable from current assets:				
Checks paid exceeding cash	\$ -	\$ -	\$ 4,409	\$ 4,409
Accounts payable	62,379	-	9,664	72,043
Accrued liabilities	12,786	127,011	23,318	163,115
Loans payable	61,343	-	-	61,343
Current portion of compensated absences	4,523	-	1,350	5,873
Customer deposits	62,189	-	-	62,189
Total current liabilities	<u>203,220</u>	<u>127,011</u>	<u>38,741</u>	<u>368,972</u>
Noncurrent liabilities:				
Due to other funds	2,865,951	-	-	2,865,951
Loans payable	1,734,282	-	-	1,734,282
Total noncurrent liabilities	<u>4,600,233</u>	<u>-</u>	<u>-</u>	<u>4,600,233</u>
Total liabilities	<u>4,803,453</u>	<u>127,011</u>	<u>38,741</u>	<u>4,969,205</u>
Net position:				
Net investment in capital assets	5,565,424	-	20,653	5,586,077
Restricted for capital projects	37,524	-	-	37,524
Unrestricted (deficit)	<u>(2,822,661)</u>	<u>674,351</u>	<u>824,489</u>	<u>(1,323,821)</u>
Total net position	<u>2,780,287</u>	<u>674,351</u>	<u>845,142</u>	<u>4,299,780</u>
Total liabilities and net position	<u>\$ 7,583,740</u>	<u>\$ 801,362</u>	<u>\$ 883,883</u>	<u>\$ 9,268,985</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, 2017

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	
Operating revenues				
Charges for services	\$ 675,911	\$ 405,512	\$ 182,747	\$ 1,264,170
Total operating revenues	<u>675,911</u>	<u>405,512</u>	<u>182,747</u>	<u>1,264,170</u>
Operating expenses				
Personnel services	213,589	-	110,910	324,499
Operating	610,856	317,351	46,029	974,236
Depreciation expense	146,428	-	1,717	148,145
Total operating expenses	<u>970,873</u>	<u>317,351</u>	<u>158,656</u>	<u>1,446,880</u>
Income (loss) before contributions and transfers	<u>(294,962)</u>	<u>88,161</u>	<u>24,091</u>	<u>(182,710)</u>
Contributions and transfers				
Capital contributions	1,277,074	-	-	1,277,074
Transfers out	<u>(43,575)</u>	<u>-</u>	<u>(3,665)</u>	<u>(47,240)</u>
Total contributions and transfers	<u>1,233,499</u>	<u>-</u>	<u>(3,665)</u>	<u>1,229,834</u>
Change in net position	938,537	88,161	20,426	1,047,124
Net position - beginning	<u>1,841,750</u>	<u>586,190</u>	<u>824,716</u>	<u>3,252,656</u>
Net position - ending	<u>\$ 2,780,287</u>	<u>\$ 674,351</u>	<u>\$ 845,142</u>	<u>\$ 4,299,780</u>

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2017

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	
Operating activities				
Cash received from customers	\$ 681,002	\$ 344,569	\$ 181,839	\$ 1,207,410
Cash payments to suppliers for goods and services	(622,591)	(317,352)	(29,926)	(969,869)
Cash payments to employees for services	(205,449)	-	(117,438)	(322,887)
Net cash provided by (used in) operating activities	(147,038)	27,217	34,475	(85,346)
Noncapital financing activities				
Borrowings from other funds	171,244	-	-	171,244
Loans and reimbursements to other funds	-	(27,217)	(46,351)	(73,568)
Transfers out to other funds	(43,575)	-	(3,665)	(47,240)
Net cash provided by (used in) noncapital financing activities	127,669	(27,217)	(50,016)	50,436
Capital and related financing activities				
Acquisition and construction of capital assets	(2,529,959)	-	-	(2,529,959)
Proceeds from State Revolving Fund loan	985,707	-	-	985,707
Principal paid on loans	(40,622)	-	-	(40,622)
Proceeds from capital grants	1,677,229	-	-	1,677,229
Net cash provided by capital and related financing activities	92,355	-	-	92,355
Net increase (decrease) in cash and cash equivalents	72,986	-	(15,541)	57,445
Cash and cash equivalents - beginning of year	-	-	15,541	15,541
Cash and cash equivalents - end of year	\$ 72,986	\$ -	\$ -	\$ 72,986
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	\$ (294,962)	\$ 88,161	\$ 24,091	\$ (182,710)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	146,428	-	1,717	148,145
Change in assets and liabilities				
Accounts receivable	3,047	(3,630)	(908)	(1,491)
Prepaid expenses	2,672	-	2,030	4,702
Accounts payable	(14,407)	-	14,073	(334)
Accrued liabilities	6,898	(57,314)	(5,725)	(56,141)
Customer deposits	2,044	-	-	2,044
Compensated absences	1,242	-	(803)	439
Total adjustments	147,924	(60,944)	10,384	97,364
Net cash provided by (used in) operating activities	\$ (147,038)	\$ 27,217	\$ 34,475	\$ (85,346)

See notes to financial statements.

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

SEPTEMBER 30, 2017

Assets	
Investments, at fair value:	
Money market mutual funds	\$ 116,720
Certificates of deposit	15,065
U.S. treasury bonds and notes	30,884
U.S. government agencies	137,231
Asset-backed securities	78,038
Municipal bonds	32,741
Corporate bonds and notes	360,990
Equities	989,040
Total investments	<u>1,760,709</u>
Accrued interest and dividends	<u>5,655</u>
Total assets	<u><u>\$ 1,766,364</u></u>
Net Position	
Restricted for pension benefits	<u><u>\$ 1,766,840</u></u>

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

YEAR ENDED SEPTEMBER 30, 2017

Additions

Contributions:		
Employer	\$	9,000
State of Florida		13,340
Plan members		28,405
Investment earnings:		
Interest		43,819
Investment income from sale		43,367
Net increase in fair value of investments		68,284
Total additions		<u>206,215</u>

Deductions

Administrative expenses		15,150
Investment expenses		3,745
Total deductions		<u>18,895</u>

Change in net position 187,320

Net position restricted for pension benefits - beginning 1,579,520

Net position restricted for pension benefits - ending \$ 1,766,840

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 1 – Summary of Significant Accounting Policies

The Town of Eatonville, Florida (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 relating to the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments as (“GAAP”) 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 is a municipal corporation with a five-member Town Council comprised of the Mayor and four Council persons. As required by GAAP, 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’s operations and the Town’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 has no component units that require discrete presentation.

Pursuant to the requirements of Chapter 163, Part III of Florida Statutes, the Town, with the consent of Orange County, and through a Town Ordinance, created the CRA to foster improvement activities in 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, 2017

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 and timing requirements imposed by the provider have been met.

Governmental funds' 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 Town considers property tax revenues 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 main operating fund of the Town, which 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 – 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.

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.

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.

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

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 – 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 – Accounts for the Town’s garbage and recycling pick up and disposal activities.

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 – 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, Deferred Inflows/Outflows of Resources, and Net Position 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 or amortized cost, which approximates fair value.

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.”

4. Unearned Revenues

Unearned revenues consists of advance receipts for occupational licenses and building permits, as well as a deposit related to a pending sale of land.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

5. Prepaid Items

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 is 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
Building improvements	10 - 15 years
Office and computer equipment	3 years

7. Compensated Absences

It is the Town'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 Town 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, 2017

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 Position of the government-wide financial statements and the proprietary funds' financial statements. In the governmental funds' financial statements, the face amount of debt issued is reported as other financing sources.

9. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. In the government-wide financial statements, a deferred outflow of resources related to pensions is recorded to account for certain differences between projected and actual actuarial results, and certain differences between projected and actual investment earnings.

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, a deferred inflow of resources related to pensions is recorded to account for certain differences between projected and actual actuarial results.

10. Property Taxes

The Town levied a millage rate of \$7.2938 per \$1,000 of assessed value for the fiscal year ended September 30, 2017. Orange County, Florida bills and receives payment for all ad valorem taxes levied by the Town. Payments are then remitted to the Town.

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 is established by the Town Council prior to October 1 of each year. The Orange County Property Appraiser incorporates the Town'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 Orange County.

11. 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.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

12. 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.

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 Town Council through its highest level of decision making authority, ordinance or resolution. 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 Town to be used for specific purposes but are neither restricted nor limited. Intent should be expressed by (a) the Town Council 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 funds' statements utilize an economic resources measurement focus and categorize net position 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 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 available for general operations.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

13. 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, deferred flows of resources, 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.

14. Budget and Budgetary Accounting

All governmental funds' budgets are prepared on a modified accrual basis consistent with 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/expenses 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. Supplemental appropriations were made as necessary during the fiscal year ended September 30, 2017.
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.
7. Encumbrances - Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation in each fund. Encumbrances outstanding at year-end are reported as assigned fund balance for construction and long-term contracts and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 2 – Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments at September 30, 2017 are classified in the accompanying financial statements as follows:

	<u>Carrying Amount</u>
Pension Fund:	
Money market mutual funds	\$ 116,720
Certificates of deposit	15,065
U.S. treasury bonds and notes	30,884
U.S. government agencies	137,231
Asset-backed securities	78,038
Municipal bonds	32,741
Corporate bonds and notes	360,990
Equities	989,040
Total pension fund	<u>1,760,709</u>
 Demand deposits	 <u>1,495,114</u>
 Total	 <u><u>\$ 3,255,823</u></u>

Reconciliation of cash, cash equivalents, and investments

Statement of Net Position:	
Cash and cash equivalents - Governmental	\$ 1,422,128
Cash and cash equivalents - Business	<u>72,986</u>
Total - Primary Government	1,495,114
 Statement of Fiduciary Net Position:	
Investments - Fiduciary	<u>1,760,709</u>
 Total	 <u><u>\$ 3,255,823</u></u>

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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

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.

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 (the "Pension 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.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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

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.

The Town's pension investments categorized by credit risk as of September 30, 2017 are:

Investment Type	Type	Credit Quality Rating	Carrying Amount	Maturities (in Years)			
				Less Than 1	1 to 5	5 to 10	More Than 10
Money market mutual funds	Money Market	NR*	\$ 116,720	\$ 116,720	\$ -	\$ -	\$ -
U.S. Treasury bonds and notes	Fixed income	AA+	30,884	-	10,634	12,324	7,926
Certificates of deposit	Fixed income	NR*	15,065	-	15,065	-	-
Agency securities	Fixed income	AA+	137,231	2,994	71,121	34,246	28,870
Asset-backed securities	Fixed income	AA+	78,038	70	689	4,425	72,854
Municipal bonds	Fixed income	AAA	11,510	-	-	4,953	6,557
Municipal bonds	Fixed income	AA+	5,511	-	5,511	-	-
Municipal bonds	Fixed income	AA	5,255	-	-	-	5,255
Municipal bonds	Fixed income	AA-	5,119	-	-	-	5,119
Municipal bonds	Fixed income	NR*	5,346	-	-	-	5,346
Corporate bonds	Fixed income	AAA	7,069	-	-	-	7,069
Corporate bonds	Fixed income	AA+	6,951	-	6,951	-	-
Corporate bonds	Fixed income	AA-	23,205	-	11,986	-	11,219
Corporate bonds	Fixed income	A+	27,143	-	24,077	-	3,066
Corporate bonds	Fixed income	A	96,563	-	59,738	20,706	16,119
Corporate bonds	Fixed income	A-	74,785	5,129	5,017	49,561	15,078
Corporate bonds	Fixed income	BBB+	47,572	-	30,578	14,937	2,057
Corporate bonds	Fixed income	BBB	70,357	-	20,345	37,863	12,149
Corporate bonds	Fixed income	BBB-	7,345	-	5,049	-	2,296
Total debt securities			654,949	8,193	266,761	179,015	200,980
Common Stock	Equity	NR*	989,040	989,040	-	-	-
Total pension investments			\$ 1,760,709	\$ 1,113,953	\$ 266,761	\$ 179,015	\$ 200,980

* 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.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

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

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, 2017 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.

D. Fair Value

The Town categorizes the fair value measurements of investments within the fair value hierarchy established by GAAP, which is based on the inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain investments are valued at amortized cost, which approximates fair value. The Town's pension investments have the following carrying values as of September 30, 2017, based on the measurement criteria as specified:

<u>Investments</u>	<u>Carrying Amount</u>	<u>Fair Value</u>		<u>Amortized Cost</u>
		<u>Level 1</u>	<u>Level 2</u>	
Money market mutual funds	\$ 116,720	\$ -	\$ -	\$ 116,720
Certificates of deposit	15,065	-	-	15,065
U.S. treasury bonds and notes	30,884	-	30,884	-
U.S. government agencies	137,231	-	137,231	-
Asset-backed securities	78,038	-	78,038	-
Municipal bonds	32,741	-	32,741	-
Corporate bonds and notes	360,990	-	360,990	-
Common stock	989,040	989,040	-	-
Total Investments	\$ 1,760,709	\$ 989,040	\$ 639,884	\$ 131,785

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 3 – Accounts Receivable, Unbilled Revenue, and Other Receivables

Receivables as of September 30, 2017 for the Town's individual major 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	\$ 7,691	\$ 268,678	\$ 166,165	\$ 79,651	\$ 522,185
Franchise and utility	117,488	-	-	-	117,488
	<u>125,179</u>	<u>268,678</u>	<u>166,165</u>	<u>79,651</u>	<u>639,673</u>
Less allowance for uncollectibles	<u>(29,790)</u>	<u>(158,805)</u>	<u>(102,775)</u>	<u>(49,629)</u>	<u>(340,999)</u>
Total receivables, net	<u>\$ 95,389</u>	<u>\$ 109,873</u>	<u>\$ 63,390</u>	<u>\$ 30,022</u>	<u>\$ 298,674</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 4 – Interfund Balances and Transfers

Interfund Balances:

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, 2017:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,296,271	\$ 286,200
CRA	286,200	-
Water and Sewer Fund	-	2,865,951
Solid Waste Fund	737,972	-
Stormwater Fund	831,708	-
Total	<u>\$ 3,152,151</u>	<u>\$ 3,152,151</u>

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:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General	Water & Sewer	\$ 1,296,271
CRA	General	286,200
Solid Waste	Water & Sewer	737,972
Stormwater	Water & Sewer	831,708
		<u>\$ 3,152,151</u>

Interfund Transfers:

Transfers are to finance various general government activities and, to the extent not otherwise charged, to cover General Fund administrative costs incurred on behalf of certain other funds.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
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	5,179,416	-	-	5,179,416
Buildings and improvements	3,292,768	-	-	3,292,768
Improvements other than buildings	713,436	6,893	-	720,329
Equipment	1,905,388	34,197	(51,980)	1,887,605
Total capital assets being depreciated	<u>11,091,008</u>	<u>41,090</u>	<u>(51,980)</u>	<u>11,080,118</u>
Less accumulated depreciation for:				
Infrastructure	(912,367)	(125,441)	-	(1,037,808)
Buildings and improvements	(1,323,959)	(79,084)	-	(1,403,043)
Improvements other than buildings	(628,544)	(17,432)	-	(645,976)
Equipment	(1,684,411)	(189,508)	51,980	(1,821,939)
Total accumulated depreciation	<u>(4,549,281)</u>	<u>(411,465)</u>	<u>51,980</u>	<u>(4,908,766)</u>
Total capital assets being depreciated, net	<u>6,541,727</u>	<u>(370,375)</u>	<u>-</u>	<u>6,171,352</u>
Governmental activities' capital assets, net	<u>\$ 7,216,670</u>	<u>\$ (370,375)</u>	<u>\$ -</u>	<u>\$ 6,846,295</u>

Depreciation/Amortization expense was charged to functions as follows:

Governmental activities:	
General government	\$ 63,842
Public safety	177,931
Physical environment	128,766
Culture and recreation	40,926
Total	<u>\$ 411,465</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 5 – Capital Assets (continued)

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 2,500	\$ -	\$ -	\$ 2,500
Construction in progress	3,358,064	2,062,629	-	5,420,693
Total capital assets not being depreciated	<u>3,360,564</u>	<u>2,062,629</u>	<u>-</u>	<u>5,423,193</u>
Capital assets being depreciated:				
Buildings and improvements	4,520,848	38,844	-	4,559,692
Equipment	412,402	-	(35,240)	377,162
Total capital assets being depreciated	<u>4,933,250</u>	<u>38,844</u>	<u>(35,240)</u>	<u>4,936,854</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,489,872)	(146,109)	-	(2,635,981)
Equipment	(375,568)	(2,036)	35,240	(342,364)
Total accumulated depreciation	<u>(2,865,440)</u>	<u>(148,145)</u>	<u>35,240</u>	<u>(2,978,345)</u>
Total capital assets being depreciated, net	<u>2,067,810</u>	<u>(109,301)</u>	<u>-</u>	<u>1,958,509</u>
Business-type activities' capital assets, net	<u>\$ 5,428,374</u>	<u>\$ 1,953,328</u>	<u>\$ -</u>	<u>\$ 7,381,702</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water and Sewer	\$ 146,428
Stormwater	<u>1,717</u>
Total	<u>\$ 148,145</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 6 – Long-Term Liabilities

A. Governmental Activities

The following is a summary of changes in long-term liabilities of the Town for governmental activities for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
FMLC Series 2016	\$ 850,000	\$ -	\$ -	\$ 850,000	\$ 55,000
Total note payable	<u>850,000</u>	<u>-</u>	<u>-</u>	<u>850,000</u>	<u>55,000</u>
Other liabilities:					
Unamortized premium	37,316	-	(2,665)	34,651	-
Capital leases	271,876	13,800	(83,432)	202,244	83,024
Compensated absences	103,893	80,652	(64,528)	120,017	78,834
Total other liabilities	<u>413,085</u>	<u>94,452</u>	<u>(150,625)</u>	<u>356,912</u>	<u>161,858</u>
Governmental activities long-term liabilities	<u>\$ 1,263,085</u>	<u>\$ 94,452</u>	<u>\$ (150,625)</u>	<u>\$ 1,206,912</u>	<u>\$ 216,858</u>

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

1. FMLC Series 2016 Note Payable

In fiscal year 2016, the Town entered into an agreement with the Florida Municipal Loan Council to advance refund the Series 2005B through the issuance of FMLC Series 2016. The loan contains certain filing requirements. The loan is payable annually on October 1 through October 2030. The interest is payable semi-annually on April 1 and October 1 through October 2030, with interest rates from 2.00% to 5.00% over the term of the loan. Future payment obligations are as follows at September 30, 2017:

	Principal	Interest	Total
Fiscal year ended September 30:			
2018	\$ 55,000	\$ 25,838	\$ 80,838
2019	55,000	24,463	79,463
2020	55,000	22,538	77,538
2021	55,000	20,613	75,613
2022	55,000	18,963	73,963
2023-2027	300,000	70,831	370,831
2027-2030	275,000	24,963	299,963
	<u>\$ 850,000</u>	<u>\$ 208,207</u>	<u>\$ 1,058,207</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 6 – Long-Term Liabilities (continued)

2. Capital Leases

The Town has entered into lease agreements as a lessee for financing the acquisition of police vehicles 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 as of September 30, 2017:

Asset:	
Copiers	\$ 13,800
Vehicles	467,936
Less: accumulated depreciation	<u>(474,155)</u>
 Total	 <u>\$ 7,581</u>

The future minimum lease obligations and the net present value of these minimum lease payments were as follows as of September 30, 2017:

Year Ending September 30:	
2018	\$ 95,556
2019	95,556
2020	40,730
2021	<u>952</u>
 Total minimum lease payments	 232,794
Less: amount representing interest	<u>(30,550)</u>
 Present value of minimum lease payments	 <u>\$ 202,244</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 6 – Long-Term Liabilities (continued)

B. Business-type Activities

The following is a summary of changes in long-term liabilities of the Town for business-type activities for the year ended September 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
State Revolving Fund Loan WW480200	\$ 169,034	\$ 84,740	\$ 40,622	\$ 213,152	\$ 11,161
State Revolving Fund Loan WW480202	681,506	900,967	-	1,582,473	50,182
Total loans payable	<u>850,540</u>	<u>985,707</u>	<u>40,622</u>	<u>1,795,625</u>	<u>61,343</u>
Other liabilities:					
Compensated absences	5,434	8,087	(7,648)	5,873	5,873
Total other liabilities	<u>5,434</u>	<u>8,087</u>	<u>(7,648)</u>	<u>5,873</u>	<u>5,873</u>
Business-type activities long-term liabilities	<u>\$ 855,974</u>	<u>\$ 993,794</u>	<u>\$ 32,974</u>	<u>\$ 1,801,498</u>	<u>\$ 67,216</u>

1. State Revolving Fund Loans

In 2012, the Town entered into a loan agreement with the State of Florida Department of Environmental Protection for the Wastewater Facilities Improvement Projects, of which total draws amounted to \$245,057 as of September 30, 2017. The loan specifies semiannual loan payments of \$6,685, including interest at 2.10%, which is payable semiannually on August 15 and February 15 of each year. This loan is part of an agreement where a grant paid \$41,663 toward the loan during the fiscal year. Of this amount \$33,937 was applied to principal and the rest was applied to interest or other charges. Future payment obligations are as follows at September 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2018	\$ 11,161	\$ 2,209	\$ 13,370
2019	11,279	2,091	13,370
2020	11,397	1,973	13,370
2021	11,517	1,853	13,370
2022	11,639	1,731	13,370
2023-2027	60,057	6,793	66,850
2028-2032	63,285	3,565	66,850
2033-2035	32,816	518	33,334
	<u>\$ 213,152</u>	<u>\$ 20,732</u>	<u>\$ 233,884</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 6 – Long-Term Liabilities (continued)

In 2014, the Town entered into another loan agreement with the State of Florida Department of Environmental Protection. This loan is part of an agreement that provides principal forgiveness. Of the total \$4,480,117 awarded under this agreement, \$2,885,195 will be forgiven and will not be subject to repayment. As of September 30, 2017, \$4,421,851 has been provided under this agreement, \$1,582,473 of which is a loan payable and the remaining, principal-forgiven portion, was recorded as part of capital contributions. The remaining funding provided by this agreement will be received early in fiscal year 2018 and loan payments will begin on November 15, 2017. Future payment obligations as of September 30, 2017 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2018	\$ 50,182	\$ 14,632	\$ 64,814
2019	50,651	14,163	64,814
2020	51,124	13,690	64,814
2021	51,602	13,212	64,814
2022	52,084	12,730	64,814
2023-2027	267,808	56,262	324,070
2028-2032	280,553	43,517	324,070
2033-2037	293,904	30,166	324,070
2038-2042	307,891	16,179	324,070
2042-2045	176,677	2,718	179,395
	<u>\$ 1,582,473</u>	<u>\$ 217,272</u>	<u>\$ 1,799,745</u>

Each of the State Revolving Fund Loans contain covenants that provide for a revenue coverage ratio of 1.15 times debt service payments. As of September 30, 2017, loan WW480200 was in noncompliance with this provision, resulting in a loan default. The State of Florida Department of Environmental Protection may seek remedies in the event of default by accelerating loan payments, increasing the financing rate, intercepting delinquent amounts from unobligated funds due to the Town through the State, or applying for a court to appoint a receiver to manage the water and sewer systems, including setting rates, collecting revenues and applying those revenues to the loan balance. The State of Florida Department of Environmental Protection has agreed to forbear acceleration of loan payments providing the Town takes certain curative actions.

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. Purchased insurance includes general liability, automobile, workers' compensation, property, flood, and health and life insurance. Settlements have not exceeded coverage under insurance policies for each of the past three fiscal years.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 8 – Commitments and Contingencies

The Town has an active wastewater construction project as of September 30, 2017. At year end, the Town has a commitment to CPH engineers for \$124,800.

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 Town 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 Town's legal 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 position of \$2,822,661 at September 30, 2017. The Water and Sewer Fund deficit is anticipated to be funded through enhanced revenues and a reduction of transfers and expenses.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 10 – CRA Deposits and Withdrawals

As required by Florida Statute, additional description of CRA financial information during fiscal year 2017 is as follows:

Beginning cash and cash equivalents	\$ 1,017,865
<u>Source of Deposits</u>	
Tax increment financing - Town	388,619
Tax increment financing - Orange County	224,722
Interest income	478
Miscellaneous revenues	308
Capital lease proceeds	<u>5,469</u>
Total sources	<u>619,596</u>
<u>Purpose of Withdrawals</u>	
Tax increment financing rebate - Town	198,536
Tax increment financing rebate - Orange County	114,805
Salaries	42,761
Taxes and insurance	6,478
Professional services	69,900
Operations	<u>54,718</u>
Total withdrawals	<u>487,198</u>
Ending cash and cash equivalents	<u>\$ 1,150,263</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, 2017

Note 11 – Pension Plans

The Town has two public employee retirement plans - a single employer defined benefit police officers' pension plan for its sworn police officers (Town of Eatonville Municipal 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.

Benefits under the Plan are computed on the basis of age, years of service, average final compensation, and credited service. Members are vested after 10 years of credited service and the retirement age is 55 for normal retirement or 50 for early retirement. Non-vested members are entitled to 100% refund of their accumulated contributions, without interest, if they discontinue employment prior to the 10 year vesting period.

As of October 1, 2015, the date of the Plan's latest actuarial valuation, the Plan had 12 active participants and no inactive participants.

Plan participants contribute 5% of earnings. The Town contributes the remaining amount necessary for payment of normal costs and amortization of the accrued past service liability as provided for in Part VII of Chapter 112, Florida Statutes. 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 Money-Weighted Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on Plan investments, net of investment expense, was 9.50%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 11 – Pension Plans (continued)

2. Net Pension Asset

The following schedule displays the components of the net pension asset as of the Town's measurement date of September 30, 2017.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
Balance at 9/30/2016	<u>\$1,147,817</u>	<u>\$1,579,520</u>	<u>\$ (431,703)</u>
Changes for the year:			
Service Cost	71,173	-	71,173
Interest	85,329	-	85,329
Contributions - Employer	-	9,000	(9,000)
Contributions - State	-	13,340	(13,340)
Contributions - Employee	-	28,405	(28,405)
Net Investment Income	-	151,725	(151,725)
Administrative Expense	-	(15,150)	15,150
Net Changes	<u>156,502</u>	<u>187,320</u>	<u>(30,818)</u>
Balance at 9/30/2017	<u>\$1,304,319</u>	<u>\$1,766,840</u>	<u>\$ (462,521)</u>

Actuarial Assumptions

The following is a summary of actuarial assumptions used in the latest actuarial valuation:

Valuation date 10/1/2015

Actuarial method and assumptions:

Method	Aggregate Actuarial Cost
Investment rate of return	7%
Discount Rate	7%
Inflation rate	3%
Projected salary increases	5.5-10%
Mortality table	RP 2000 Table - Sex Distinct

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 11 – Pension Plans (continued)

Investments

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Value	55.60%	9.18%
Core Fixed	39.50%	1.21%
Cash	4.90%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension asset was 7%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the net pension asset calculated using the discount rate of 7% as well as what it would be if it were calculated using a discount rate that is 1% lower (6%) and 1% higher (8%) than the current rate:

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
Net pension (asset)	\$ (276,106)	\$ (462,521)	\$ (618,575)

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 11 – Pension Plans (continued)

3. Pension Expense and Deferred Inflows and Outflows of Resources Related to Pensions

For the year ended September 30, 2017, the Town recognized a pension expense of \$31,085. At September 30, 2017, the Town reported deferred flows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,385	\$ -
Net difference between projected and actual earnings on plan investments	-	26,160
Total	<u>\$ 4,385</u>	<u>\$ 26,160</u>

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2018	\$ (350)
2019	(352)
2020	(352)
2021	(14,842)
2022	(7,106)
Thereafter	1,227
	<u>\$ (21,775)</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2017

Note 11 – Pension Plans (continued)

B. General Employees Defined Contribution Plan and Trust

The Town's 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, net position 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 \$32,937, which represents approximately five percent (5%) of eligible compensation to the Defined Contribution Plan for the year ended September 30, 2017. 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, 2017.

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, 2017

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 the 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 \$365,728 of accumulated depreciation at September 30, 2017, for a net carrying value of \$263,095. 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 \$315,010 of accumulated depreciation at September 30, 2017, for a net carrying value of \$660,504. 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 (5) year terms. The lease agreement provides for an annual rental of \$60,564, paid in monthly installments, with minimum future rentals of \$121,128 for fiscal years 2018 through 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. The County 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 the County. In 2017, such payment provided \$300,000 of tax increment financing revenue. The 2004 interlocal agreement provides that the payment will effectively provide a net \$300,000 in tax increment financing revenue through 2019 and a net \$350,000 in tax increment financing revenues from 2020 through 2024.

REQUIRED SUPPLEMENTARY INFORMATION



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

YEAR ENDED SEPTEMBER 30, 2017

	<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	\$ 1,393,536	\$ 1,393,536	\$ 1,430,220	\$ 36,684
Utility taxes	633,885	633,885	685,351	51,466
Franchise fees	449,275	449,275	343,634	(105,641)
Sales tax	334,037	334,037	350,948	16,911
Intergovernmental revenues	179,083	188,818	212,631	23,813
Licenses and permits	65,000	65,000	84,718	19,718
Charges for services	42,240	42,240	223,299	181,059
Fines and forfeitures	32,000	32,000	21,648	(10,352)
Interest income	200	200	136	(64)
Rental and other income	107,464	112,463	121,029	8,566
Gain on sale	-	-	3,063	3,063
Proceeds from capital leases	-	-	8,331	8,331
Transfers in	360,000	360,000	47,240	(312,760)
Amounts available for appropriations	<u>3,596,720</u>	<u>3,611,454</u>	<u>3,532,248</u>	<u>(79,206)</u>
Charges to appropriations (outflows)				
General government	1,316,508	1,315,868	1,201,258	114,610
Public safety	1,578,825	1,582,960	1,494,662	88,298
Physical environment	240,432	241,105	233,430	7,675
Economic environment	24,065	25,578	25,510	68
Human services	45,795	56,848	56,847	1
Culture/recreation	293,695	291,877	261,486	30,391
Capital outlay	10,000	20,868	35,621	(14,753)
Debt service:				
Principal	45,000	55,000	83,432	(28,432)
Interest	42,400	21,350	25,763	(4,413)
Total charges to appropriations	<u>3,596,720</u>	<u>3,611,454</u>	<u>3,418,009</u>	<u>193,445</u>
Excess of resources over charges to appropriations	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,239</u>	<u>\$ 114,239</u>

See notes to schedule of revenues, expenditures and changes in fund balances - budget and actual - general fund

TOWN OF EATONVILLE, FLORIDA

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

YEAR ENDED SEPTEMBER 30, 2017

Note 1 – Budgetary Reporting

Reconciliation of Budgetary Basis Reporting Difference

The General Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – 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 funds' financial statement. The following describes the major differences between budgetary financial data and the governmental fund financial statements.

Perspective differences – The Special Events fund is not included in the General Fund's annual budget but is presented in the General Fund for purposes of the governmental financial statements. Resources and charges to appropriations related to this fund was \$50,361 and \$67,782, respectively, for the year ended September 30, 2017.

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 funds' financial statements at September 30, 2017:

	<u>General Fund</u>
General Fund change in fund balance - actual on a budgetary basis	\$ 114,239
Perspective Differences:	
Special Events - budgeted as a separate fund	(17,421)
General Fund change in fund balance - actual on governmental funds' financial statements	<u>\$ 96,818</u>

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

YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Final Budget</u> <u>Positive/</u> <u>(Negative)</u>
Resources (inflows)				
Ad valorem taxes	\$ 313,341	\$ 313,341	\$ 300,000	\$ (13,341)
Interest	-	-	478	478
Rental and other income	-	-	308	308
Proceeds from capital leases	-	-	5,469	5,469
Amounts available for appropriations	<u>313,341</u>	<u>313,341</u>	<u>306,255</u>	<u>(7,086)</u>
Charges to appropriations (outflows)				
General government	1,080,341	470,000	170,972	299,028
Capital outlay	390,000	385,000	5,469	379,531
Total charges to appropriations	<u>1,470,341</u>	<u>855,000</u>	<u>176,441</u>	<u>678,559</u>
 Excess (deficiency) of resources over charges to appropriations	 <u>\$ (1,157,000)</u>	 <u>\$ (541,659)</u>	 <u>\$ 129,814</u>	 <u>\$ 671,473</u>

TOWN OF EATONVILLE, FLORIDA
POLICE OFFICERS' PENSION FUND

YEAR ENDED SEPTEMBER 30, 2017

Schedule of Changes in Net Pension Asset and Related Ratios
Last 10 Fiscal Years

	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Total Pension Liability				
Service Cost	\$ 71,173	\$ 71,173	\$ 66,517	\$ 71,395
Interest	85,329	75,091	65,507	56,863
Differences between expected and actual return	-	-	7,014	-
Benefit payments, including refunds of employee contributions	-	-	(6,670)	-
Net change in total pension liability	<u>156,502</u>	<u>146,264</u>	<u>132,368</u>	<u>128,258</u>
Total pension liability - beginning	<u>1,147,817</u>	<u>1,001,553</u>	<u>869,185</u>	<u>740,927</u>
Total pension liability - ending	<u><u>\$ 1,304,319</u></u>	<u><u>\$ 1,147,817</u></u>	<u><u>\$ 1,001,553</u></u>	<u><u>\$ 869,185</u></u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 9,000	\$ 6,000	\$ -	\$ 16,543
Contributions - State	13,340	2,484	10,398	11,688
Contributions - Employee	28,405	28,010	28,874	29,951
Net investment income	151,725	138,286	19,866	105,889
Benefit payments, including refunds of employee contributions	-	-	(6,670)	-
Administrative expense	(15,150)	(9,900)	(10,650)	(12,158)
Net change in plan fiduciary net position	<u>187,320</u>	<u>164,880</u>	<u>41,818</u>	<u>151,913</u>
Plan fiduciary net position - beginning	<u>1,579,520</u>	<u>1,414,640</u>	<u>1,372,822</u>	<u>1,220,909</u>
Plan fiduciary net position - ending	<u><u>\$ 1,766,840</u></u>	<u><u>\$ 1,579,520</u></u>	<u><u>\$ 1,414,640</u></u>	<u><u>\$ 1,372,822</u></u>
Net pension (asset) - ending	<u><u>\$ (462,521)</u></u>	<u><u>\$ (431,703)</u></u>	<u><u>\$ (413,087)</u></u>	<u><u>\$ (503,637)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	135.46%	137.61%	141.24%	157.94%
Covered payroll	\$ 568,100	\$ 560,200	\$ 577,474	\$ 599,025
Net pension asset as a percentage of covered payroll	(81.42%)	(77.06%)	(71.53%)	(84.08%)

Note: Information is not available for years preceeding fiscal year 2014.

TOWN OF EATONVILLE, FLORIDA
POLICE OFFICERS' PENSION FUND

YEAR ENDED SEPTEMBER 30, 2017

Schedule of Contributions
Last 10 Fiscal Years

Year Ended September 30	Actuarially Determined Contribution (a)	Contribution in Relation to Actuarially Required Contribution (b)	Contribution (Excess) Deficiency (a-b)	Covered Payroll (c)	Percentage of Covered Payroll Contributed (b/c)
2017	\$ 1,084	\$ 22,340	\$ (21,256)	\$ 568,100	3.93%
2016	1,084	8,484	(7,400)	560,200	1.51%
2015	9,240	10,398	(1,158)	577,474	1.80%
2014	8,734	28,231	(19,497)	599,025	4.71%
2013	51,010	51,010	-	552,485	9.23%
2012	46,826	30,077	16,749	670,970	4.48%
2011	46,562	55,426	(8,864)	461,577	12.01%
2010	50,376	69,929	(19,553)	461,577	15.15%
2009	47,900	40,097	7,803	461,577	8.69%

Note: Information is not available for years preceeding fiscal year 2009.

Annual Money Weighted Rate of Return
Last 10 Fiscal Years

	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Annual money-weighted rate of return	9.50%	9.72%	1.72%	8.85%

Note: Information is not available for years preceeding fiscal year 2014.

Actuarial Assumptions

Valuation date	10/1/2015
Actuarial methods and assumptions:	
Method	Aggregate Actuarial Cost
Investment rate of return	7%
Discount Rate	7%
Inflation rate	3%
Projected salary increases	5.5-10%
Mortality table	RP 2000 Table - Sex Distinct

OTHER SUPPLEMENTARY INFORMATION



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

YEAR ENDED SEPTEMBER 30, 2017

	Water and Sewer		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 893,665	\$ 675,911	\$ (217,754)
Total operating revenues	<u>893,665</u>	<u>675,911</u>	<u>(217,754)</u>
Operating expenses			
Personnel services	216,334	213,589	2,745
Operating	2,163,457	610,856	1,552,601
Total operating expenses	<u>2,379,791</u>	<u>824,445</u>	<u>1,555,346</u>
Income (loss) before contributions and transfers	(1,486,126)	(148,534)	1,337,592
Capital contributions	1,746,126	1,277,074	(469,052)
Transfers out	(360,000)	(43,575)	316,425
Total contributions and transfers	<u>1,386,126</u>	<u>1,233,499</u>	<u>(152,627)</u>
Excess (deficiency) of revenues over (under) expenses	<u>\$ (100,000)</u>	<u>\$ 1,084,965</u>	<u>\$ 1,184,965</u>

Note: Depreciation expense of \$146,428 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

YEAR ENDED SEPTEMBER 30, 2017

	Solid Waste		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 396,865	\$ 405,512	\$ 8,647
Total operating revenues	<u>396,865</u>	<u>405,512</u>	<u>8,647</u>
Operating expenses			
Operating	316,510	317,351	(841)
Total operating expenses	<u>316,510</u>	<u>317,351</u>	<u>(841)</u>
Excess of revenues over expenses	<u>\$ 80,355</u>	<u>\$ 88,161</u>	<u>\$ 7,806</u>

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

YEAR ENDED SEPTEMBER 30, 2017

	Stormwater		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 214,245	\$ 182,747	\$ (31,498)
Total operating revenues	<u>214,245</u>	<u>182,747</u>	<u>(31,498)</u>
Operating expenses			
Personnel services	128,027	110,910	17,117
Operating	86,218	46,029	40,189
Total operating expenses	<u>214,245</u>	<u>156,939</u>	<u>57,306</u>
Income before transfers	-	25,808	25,808
Capital contributions	-	-	-
Transfers in	-	-	-
Transfers out	-	(3,665)	(3,665)
Total transfers	<u>-</u>	<u>(3,665)</u>	<u>(3,665)</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ 22,143</u>	<u>\$ 22,143</u>

Note: Depreciation expense of \$1,717 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, 2017, 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 19, 2018.

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.

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. 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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency, described as finding 2017-001 in the schedule of findings and questioned costs, which we consider to be a material weakness. Finding 2017-001 is a repeat deficiency from the preceding two (2) fiscal years' annual financial audit reports, where it was identified as finding 2016-001 and 2015-01, respectively.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-002.

Town's Responses to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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.

Cherry Bekaert LLP

Orlando, Florida
June 19, 2018

TOWN OF EATONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2017

<u>Name of Agency or Department</u>	<u>Name of Program</u>	<u>Project ID Number</u>	<u>CFDA</u>	<u>Expenditures</u>
US Department of Education				
Pass-through Florida Department of Education				
	Summer Food Program -16/17	04-0619	10.559	\$ 56,847
	Total CFDA 10.559			<u>56,847</u>
Department of Economic Opportunity				
	CDBG - Eatonville Westside Wastewater Improvement	15DB-OJ-06-58-02-N52	14.228	11,691
	Total CFDA 14.228			<u>11,691</u>
US Department of Justice				
Pass-through Florida Department of Law Enforcement				
	FDLE - First Responder Equipment	2017-JAGC-ORAN-14F9-129	16.738	10,000
	FDLE - Agency Response to Pulse Nightclub	2017-JAGD-ORAN-16-R3-245	16.738	2,293
	Total CFDA 16.738			<u>12,293</u>
Environmental Protection Agency				
Pass-through Florida Department of Environmental Protection				
	Capitalization Grants for State Revolving Funds	WW480202	66.458	1,900,185
	Total CFDA 66.458			<u>1,900,185</u>
Total Expenditures of Federal Awards				\$ 1,981,016

Notes to the Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards is presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis, as described in Note 1 to the Town's financial statements. The Town's federal awards did not include indirect cost reimbursement and, therefore, the Town did not elect to use the 10 percent de minimus cost rate, as provided by 2 CFR 200.214. There were no subrecipients in connection with federal awards.

2. The following loan balances are outstanding as of 9/30/2017:

State Revolving Fund Loan WW480200 - \$213,152
State Revolving Fund Loan WW480202 - \$1,582,473

Report of Independent Auditor on Compliance for the Major Federal Awards Program and on Internal Control Over Compliance Required by the Uniform Guidance

Honorable Mayor and Town Council
Town of Eatonville, Florida:

Report on Compliance for the Major Federal Awards Program

We have audited the Town of Eatonville, Florida's (the "Town") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended September 30, 2017. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for its major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Orlando, Florida

June 19, 2018

TOWN OF EATONVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2017

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? x yes no

Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards Section

Internal control over major programs:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified? yes x none reported

Type of auditor's report on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of the major federal awards program:

Name of Program or Cluster	CFDA Number
Environmental Protection Agency Capitalization Grants for State Revolving Funds	66.458

Dollar threshold used to determine Type A programs: \$ 750,000

Auditee qualified as low-risk auditee for federal purposes? yes x no

TOWN OF EATONVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2017

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Statements of Condition 2017-001 and 2017-002 are considered material weaknesses required to be reported in accordance with *Government Auditing Standards*. These findings are provided in Attachment A to this schedule.

Part III - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by 2 CFR 200.516(a).

There were no findings required to be reported by 2 CFR 200.516(a).

TOWN OF EATONVILLE, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - ATTACHMENT A

YEAR ENDED SEPTEMBER 30, 2017

Recording and Oversight of Transactions - *Material Weakness*

Statement of Condition 2017-001: Multiple transactions were not recorded consistently with accounting principles generally accepted in the United States of America (GAAP).

Criteria: All transactions should be captured and recorded in accordance with GAAP.

Cause of Condition: Transactions inconsistent with GAAP were recorded due to oversight or insufficiency of knowledge.

Effect of Condition: By not recording all transactions in accordance with GAAP, the Town's financial statements were materially misstated prior to audit adjustments. These adjustments include a \$100,000 refundable deposit recorded as General Fund revenue that should have been recorded as unearned revenue, \$985,707 of Water and Sewer Fund revenues from the Florida Department of Environmental Protection that should have been reported as additions to debt, and \$57,314 of enterprise fund solid waste refunds recorded as a contra revenue that should have been recorded as a decrease in the utility overcharge liability.

Recommendation: We recommend the Finance Department exercise increased diligence in the recording and review of transactions to ensure all transactions are recorded in accordance with GAAP.

Views of Responsible Officials: Management intends to be cognizant of these and other potential adjustments in the future, and will seek assistance to ensure proper recording as necessary.

Debt Covenant Compliance - *Material Noncompliance*

Statement of Condition 2017-002: The Town did not meet the pledged revenue coverage covenant required by its State Revolving Fund Loan WW480200.

Criteria: The Town's State Revolving Fund Loan WW480200 requires that the Town maintain rates and charges for services furnished by the water and sewer systems, which will be sufficient to provide pledged revenues equal to or exceeding 1.15 times the sum of the Town's semiannual loan payments due in such fiscal year. Pledged revenues are those derived from the operation of the water and sewer systems after payment of the operation and maintenance expenses of the systems.

Cause of Condition: The Town has not maintained sufficient water and sewer rates to cover the costs of operating the water and sewer systems.

Effect of Condition: The absence of compliance represents an event of loan default, which provides certain remedies allowed to the lender in the loan agreement. Among such remedies are calling the loan, increasing the financing rate, intercepting delinquent amounts from unobligated funds due to the Town through the State, or applying for a court to appoint a receiver to manage the water and sewer systems, including setting rates, collecting revenues and applying those revenues to the loan balance.

Recommendation: We recommend that the Town increase water and sewer rates and provide other necessary actions to ensure the pledged revenue coverage covenant is met.

Views of Responsible Officials: The Town intends to increase utility rates and change the rate structure in order to increase revenues and meet the coverage requirement.

TOWN OF EATONVILLE, FLORIDA
SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED SEPTEMBER 30, 2017

Reconciliations - *Material Weakness*

Finding 2016-001: Reconciliation 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 interfund balance sheet accounts, and that allowance for doubtful accounts were not analyzed and adjusted at year end; similar to what was reported in prior financial statement audits. While the Finance Department has made efforts to resolve this finding, certain general ledger account balances were incorrectly recorded and considerable time and effort was required to analyze financial statement amounts at year end.

Status: The Town has made progress in correcting this finding. While adjustments were still necessary to reconcile these accounts, the adjustments did not rise to the level of a material weakness.

Recording and Oversight of Transactions - *Material Weakness*

Finding 2016-002: We noted multiple entries that were not recorded consistently with generally accepted accounting principles due to oversight or insufficiency of knowledge and were not detected in the review process. These entries included approximately \$431,000 of Water and Sewer Fund revenues that were not properly accrued, \$777,000 of Water and Sewer Fund revenues that should have been reported as additions to debt, \$397,000 of Water and Sewer Fund payables that were incorrectly recorded to receivables, \$100,000 of General Fund revenues that were not recorded, and \$34,000 of General Fund revenues that were unearned at year end.

Status: This finding was not corrected and is repeated as Statement of Condition 2017-001 in the current year. Management will be cognizant of these and other potential adjustments in the future, and will seek assistance to ensure proper recording as necessary.



TOWN OF EATONVILLE

"THE OLDEST BLACK INCORPORATED MUNICIPALITY IN AMERICA"

CORRECTIVE ACTION PLAN:

Recording and Oversight of Transactions – Material Weakness

Statement of Condition 2017-001: Multiple transactions were not recorded consistently with generally accepted accounting principles (GAAP).

Corrective Action Planned: Management will be cognizant of these and other potential adjustments in the future, and will seek assistance to ensure proper recording as necessary.

Anticipated Completion Date: September 30, 2018

Person(s) Responsible: Katrina Gibson, Finance Director

Debt Covenant Compliance – Material Weakness

Statement of Condition 2017-002: The Town did not meet the pledged revenue coverage covenant required by their State Revolving Fund Loan WW480200.

Corrective Action Planned: The Town intends to raise utility rates and change the utility rate structure in order to increase revenues and meet the loan coverage requirement.

Anticipated Completion Date: September 30, 2019

Person(s) Responsible: Katrina Gibson, Finance Director

Independent Auditor's Management Letter

Honorable Mayor and Town Council
Town of Eatonville, Florida:

Report on the Financial Statements

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, 2017, and have issued our report thereon dated June 19, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

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*; Report of Independent Auditor on Compliance for the Major Federal Awards Program and on Internal Control over Compliance Required by Uniform Guidance; Schedule of Findings and Questioned Costs; and Report of Independent Accountant on Compliance with Local Government Investment Policies. Disclosures in those reports and schedule, which are dated June 19, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

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 to this letter and in Appendix A to the schedule of findings and questioned costs. Statement of Condition 2006-A in Appendix A to this letter is a repeat recommendation from the preceding annual financial audit report, and repeated from the second preceding annual financial audit report, noted as Observation 2006-A.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Such disclosure is included in the notes to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(8), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Town 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.

Pursuant to Sections 10.554(1)(i)5.c and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. We have identified certain matters in Appendix A to 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 to this letter, and, accordingly, we express no opinion on them.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2017, 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, 2017. Our review of the financial report filed with the Florida Department of Financial Services to the Town's 2017 audited financial statements resulted in no material differences.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with 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 warrants the attention of those charged with governance. We have identified certain matters in Appendix A to this letter that are relevant to those charged with governance.

Purpose of this Letter

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.



Orlando, Florida
June 19, 2018

TOWN OF EATONVILLE, FLORIDA

APPENDIX A - MANAGEMENT LETTER COMMENTS

YEAR ENDED SEPTEMBER 30, 2017

Current Year Recommendations

Observations are provided by the year in which they originated.

Financial Condition Assessment

Statement of Condition 2006-A: Our financial condition assessment procedures applied found that the Town, excluding the Community Redevelopment Agency, had a deficit unrestricted/unassigned fund balance of \$414,072 and a deficit unrestricted net position of \$53,636 at September 30, 2017.

Criteria: Rules of the Auditor General, Chapter 10.550, require that we report matters in connection with this assessment if we find there is a deficit for that portion of fund balance not classified as restricted, committed or nonspendable, or a total or unrestricted net assets deficit, as provided by Florida Statute 218.39(5)(b).

Cause of Condition: While the Town is significantly improving its water and sewer infrastructure through capital assistance from the State of Florida Department of Environmental Protection, liquidity remains low as a percent of annual costs and there are minimal funds available to fund ongoing obligations.

Effect of Condition: 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 obligations.

Management Response: Management continues to review spending needs, monitor anticipated revenues against actual and closely monitor expenditures against budget appropriation. In addition, management anticipates a water and sewer rate increase effective October 1, 2018 and anticipates a sale of certain property to strengthen the Town's financial condition. The Town continues to encourage new business to increase the overall tax base for the Town.

TOWN OF EATONVILLE, FLORIDA
APPENDIX A - MANAGEMENT LETTER COMMENTS

YEAR ENDED SEPTEMBER 30, 2017

Reconciliations

Statement of Condition 2017-A: Interfund balance sheet accounts did not reconcile, resulting in approximately \$14,000 of adjustment to operating results, and the allowance for doubtful accounts had not been analyzed or adjusted at year end, resulting in an adjustment of approximately \$11,000.

Criteria: Reconciliation of general ledger accounts to subsidiary detail is a key control to ensure accounting errors are identified on a timely basis.

Cause of Condition: Reconciliations were not completed for interfund balance sheet accounts and the allowance for doubtful accounts had not been analyzed and adjusted at year end.

Effect of Condition: Certain general ledger account balances were incorrectly recorded and considerable time and effort was required to analyze financial statement amounts at year end.

Recommendation: We recommend the Town prepare regular reconciliations of its balance sheet subsidiary ledgers to the general ledger balances in order to ensure accuracy of the general ledger balances. Additionally, these reconciliations should be reviewed and adjustments should be made to avoid errors or omissions of financial data.

Management Response: Management is making every effort to adhere to auditor's recommendation for current transactions.

Ordinance Non-Compliance

Statement of Condition 2017-B: Town Ordinance 2015-5, passed by the Town Council on October 6, 2015, specifies the water and sewer rates to be charged to customers effective no less than 90 days upon the passage and adoption of the Ordinance. Although it is apparent that Town Council informally deferred implementation of the rate increase, the Ordinance was not amended to formally document the Town Council's decision.

Criteria: Town Ordinances represent formal decisions of the Town Council. Likewise, change to such Ordinances should be formally authorized by the Town Council.

Cause: The Town did not implement the water and sewer rates prescribed by the Ordinance and did not amend the rate increase specified in Ordinance 2015-5.

Effect: The Town's water and sewer rates were not in compliance with the Ordinance.

Recommendation: We recommend the Town implement the rates prescribed by Ordinance 2015-5.

Management Response: the Town will take appropriate action to ensure the utility rate implementation is in accordance with Ordinance 2015-5.

TOWN OF EATONVILLE, FLORIDA
APPENDIX A - MANAGEMENT LETTER COMMENTS

YEAR ENDED SEPTEMBER 30, 2017

Journal Entry Review

Statement of Condition 2017-C: Two journal entries out of the 25 selected for testing had not been reviewed by a second person.

Criteria: All journal entries should be reviewed for appropriateness and accuracy by someone other than the original poster.

Cause: Controls were not functioning as intended to ensure all journal entries were reviewed for accuracy by someone other than the original poster.

Effect: Without proper review of journal entries for appropriateness and accuracy, the Town faces an increased risk of fraud or error.

Recommendation: We recommend the Town emphasize the importance of well-functioning internal controls to ensure every journal entry is reviewed for appropriateness and accuracy by someone other than the original poster.

Management Response: Management will review the controls in place over the journal entry process and make any necessary adjustments to ensure all journal entries are reviewed for appropriateness and accuracy.

**Report of Independent Accountant on Compliance
With Local Government Investment Policies**

To the Honorable Mayor and Town Council
Town of Eatonville, Florida

We have examined the Town of Eatonville, Florida's (the "Town's") compliance with the local government investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017. Management is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town's compliance with the specified requirements.

In our opinion, the Town complied, in all material respects, with the local investment policy requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2017.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and Rules of the Auditor General.



Orlando, Florida
June 19, 2018