



TOWN OF EATONVILLE, FLORIDA

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2016

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, 2016, 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, 2016, 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 20, 2017 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 20, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Eatonville, (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended September 30, 2016. Please read our discussion and analysis of the Town's financial activities for the year ended September 30, 2016 in conjunction with the Town's basic financial statements, which immediately follow the discussion.

Financial Highlights

The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$11,811,192 (*net position*), which included a \$131,044 unrestricted deficit. The Town's total net position increased by \$2,101,199 during fiscal year 2016, including a \$1,976,471 increase in business-type activities and a \$124,728 increase in governmental activities.

The Town has a major wastewater improvement project that was ongoing during the year and will continue through 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.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the Town include general government, human services, public safety, community redevelopment, physical environment, economic development, and culture and recreation. The business-type activities of the Town include Water and Sewer, Solid Waste and Stormwater operations.

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

The Town's government-wide financial statements can be found on pages 11-12 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 fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains the following two individual governmental funds: General Fund and Community Redevelopment Agency Fund. Information is presented separately in the governmental fund balance sheet, and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. The Town adopts an annual appropriated budget for its enterprise funds and its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with the budget. The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary Funds: The Town maintains three enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its Water and Sewer, Solid Waste, and Stormwater operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer, Solid Waste, and Stormwater operations. The basic proprietary fund financial statements can be found on pages 17 -19 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 20-21 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 22-46 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report presents certain *required supplementary information* concerning the Town's General Fund and Community Redevelopment Agency Fund budget compliance and 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 47-52 of this report.

Additional budgetary information is presented immediately following the required supplementary information and can be found on pages 53-56 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 a government's financial position. In the case of the Town, assets plus deferred outflows of resources exceeded liabilities by \$11,811,192 at the close of the most recent fiscal year.

The following schedule is a summary of the Statement of Net Position found on page 11 of this report.

Statement of Net Position						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Assets:						
Current and other assets	\$ 2,935,015	\$ 2,564,432	\$ (535,071)	\$ (727,004)	\$ 2,399,944	\$ 1,837,428
Capital assets	7,216,670	7,565,513	5,428,374	2,414,690	12,645,044	9,980,203
Total assets	<u>10,151,685</u>	<u>10,129,945</u>	<u>4,893,303</u>	<u>1,687,686</u>	<u>15,044,988</u>	<u>11,817,631</u>
Deferred outflows of resources	17,788	64,098	-	-	17,788	64,098
Liabilities:						
Other liabilities	347,852	438,548	784,673	341,207	1,132,525	779,755
Long-term liabilities	1,263,085	1,321,687	855,974	70,294	2,119,059	1,391,981
Total liabilities	<u>1,610,937</u>	<u>1,760,235</u>	<u>1,640,647</u>	<u>411,501</u>	<u>3,251,584</u>	<u>2,171,736</u>
Net Position:						
Net investment in capital assets	6,066,092	6,338,479	4,149,348	2,348,811	10,215,440	8,687,290
Restricted	1,289,117	1,085,015	437,679	-	1,726,796	1,085,015
Unrestricted (deficit)	1,203,327	1,010,314	(1,334,371)	(1,072,626)	(131,044)	(62,312)
Total net position	<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>

By far the largest portion of the Town of Eatonville's net position, \$10,215,440, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets. The Town of Eatonville uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$1,726,796 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 \$1,334,371 and positive balances in all other categories of net position for both the governmental activities and business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following schedule is a summary of the Statement of Activities on page 12 of this report.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for Services	\$ 544,381	\$ 205,341	\$ 1,217,849	\$ 1,184,953	\$ 1,762,230	\$ 1,390,294
Operating grants and contributions	206,902	187,437	-	-	206,902	187,437
Capital grants and contributions	-	11,528	2,332,577	-	2,332,577	11,528
General revenues:						
Property taxes	1,693,849	1,655,576	-	-	1,693,849	1,655,576
Other taxes	1,310,931	1,362,721	-	-	1,310,931	1,362,721
Other revenue	193,687	76,034	-	-	193,687	76,034
Total revenue	<u>3,949,750</u>	<u>3,498,637</u>	<u>3,550,426</u>	<u>1,184,953</u>	<u>7,500,176</u>	<u>4,683,590</u>
Expenses:						
General government	1,568,569	1,205,612	-	-	1,568,569	1,205,612
Public safety	1,638,359	1,597,104	-	-	1,638,359	1,597,104
Physical environment	338,006	340,415	-	-	338,006	340,415
Economic environment	25,141	50,613	-	-	25,141	50,613
Human services	45,119	52,636	-	-	45,119	52,636
Culture and recreation	333,697	264,836	-	-	333,697	264,836
Interest on long-term debt	57,131	51,171	-	-	57,131	51,171
Water and sewer	-	-	944,018	695,493	944,018	695,493
Solid waste	-	-	318,274	305,175	318,274	305,175
Stormwater	-	-	130,663	102,543	130,663	102,543
Total expenses	<u>4,006,022</u>	<u>3,562,387</u>	<u>1,392,955</u>	<u>1,103,211</u>	<u>5,398,977</u>	<u>4,665,598</u>
Increase (decrease) in net position before transfers	(56,272)	(63,750)	2,157,471	81,742	2,101,199	17,992
Transfers	181,000	295,000	(181,000)	(295,000)	-	-
Change in net position	<u>124,728</u>	<u>231,250</u>	<u>1,976,471</u>	<u>(213,258)</u>	<u>2,101,199</u>	<u>17,992</u>
Net position - beginning	<u>8,433,808</u>	<u>8,202,558</u>	<u>1,276,185</u>	<u>1,489,443</u>	<u>9,709,993</u>	<u>9,692,001</u>
Net position - ending	<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>

Governmental Activities: Governmental activities increased net position by \$124,728, as compared to an increase of \$231,250 in the prior year. Key elements of changes as a result of activities are primarily the result of increased expenditures in the general government for new staff positions and increased attorney fees related to the sale of the Hungerford Property.

Business-type Activities: Business-type activities increased net position by \$1,976,471, as compared to a decrease of \$213,258 in the prior year. The primary change resulted from an increase in capital grants and contributions revenue of \$2,332,577 due to assistance received from the Florida Department of Environmental Protection for upgrades to the water and sewer capital infrastructure of the Town. This was in part offset by an increase in expenses due to new staff positions and an emergency water main repair at West St. and Kennedy Blvd.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Town of Eatonville's Funds

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

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

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town reported a positive fund balance of \$854,641 for the General Fund, an increase of \$206,934 from the prior year. The primary causes of the increase in net position from the prior year include: an increase in building permits received during the year, a decrease in capital outlay due to the acquisition of police vehicles in the prior year through a capital lease, an increase in salaries expense due to new positions, and an increase in legal expenditures related to the sale of the Hungerford property.

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 \$1,334,371, with an unrestricted \$2,722,907 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 \$1,887,459, \$47,388 and \$41,624, respectively.

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

General Fund Budgetary Highlights:

	Budget		Actual Amounts	Variances Final Budget Positive/ (Negative)
	Original	Final		
General government	\$ 1,341,602	\$ 1,338,999	\$ 1,295,929	\$ 43,070
Public safety	1,552,797	1,611,879	1,421,927	189,952
Physical environment	230,765	228,645	207,358	21,287
Economic environment	22,910	25,029	25,141	(112)
Human services	45,765	45,765	45,119	646
Culture and recreation	265,124	270,124	235,847	34,277
Capital outlay	-	10,000	58,166	(48,166)
Debt service				
Debt service interest	45,000	45,000	125,158	(80,158)
Debt service principal	42,400	42,400	54,423	(12,023)
Payments to escrow agent	-	-	850,750	(850,750)
Transfers	-	-	5,000	(5,000)
Total expenditures	<u>\$ 3,546,363</u>	<u>\$ 3,617,841</u>	<u>\$ 4,324,818</u>	<u>\$ (706,977)</u>

Town did not budget for the bond refunding that took place at the end of the fiscal year. Other line items experienced generally favorable budget variances during the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Long-term Debt: At the end of the current fiscal year, the Town had \$2,119,059 in total long-term debt outstanding. Of this amount, \$887,316 consists of a loan, and the related premium, through the Florida Municipal Loan Council, \$850,540 consists of State Revolving Fund loans, \$271,876 consists of capital leases, and the remainder consists of compensated absences obligations.

The State Revolving Fund loan with the State of Florida Department of Environmental Protection is for wastewater facilities improvement projects, with initial draws occurring in fiscal year 2013.

The Town refunded the Series 2005B loan with the Florida Municipal Loan Council, with the issuance of the Series 2016 loan with Florida Municipal Loan Council. This refunding resulted in a future cash flow savings of \$67,843.

Additional information on The Town's long-term debt can be found in Note 6, pages 37 - 39 of this report.

Capital Assets: The Town's net investment in capital assets for its governmental and business-type activities as of September 30, 2016 amounts to \$12,645,044 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, improvements, machinery and equipment, and recreational facilities. Additional information on the Town's capital assets can be found in Note 5 on pages 35 - 36 of this report.

Economic Factors

General economic conditions have recently stabilized, although considerably below what had been experienced prior to the recent recession. Corresponding reductions in appraised property values and lack of development continue to have a significant effect on property tax revenue and the overall economic growth of the Town. Corresponding fund balances and cash flows have been compromised and have reached minimal levels. The Town is assessing various means by which to stabilize its fund balances and cash flows.

Requests for Information

This financial report is designed to provide a general overview of the Town of Eatonville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Town of Eatonville, 307 Kennedy Blvd., Eatonville, Florida, 32751.

FINANCIAL STATEMENTS



TOWN OF EATONVILLE, FLORIDA
STATEMENT OF NET POSITION

SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business- type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$ 1,017,865	\$ 15,541	\$ 1,033,406
Accounts receivable, net	79,800	201,794	281,594
Due from other governments	136,052	437,679	573,731
Prepaid items and other assets	71,000	8,510	79,510
Internal balances	1,198,595	(1,198,595)	-
Net pension asset	431,703	-	431,703
Capital assets net of accumulated depreciation:			
Nondepreciable	674,943	3,360,564	4,035,507
Depreciable	6,541,727	2,067,810	8,609,537
Total assets	10,151,685	4,893,303	15,044,988
Deferred outflows of resources			
Deferred outflows related to pensions	17,788	-	17,788
Total deferred outflows of resources	17,788	-	17,788
Liabilities			
Checks paid exceeding cash	31,386	20,033	51,419
Accounts payable	49,572	56,753	106,325
Construction contracts payable	-	428,486	428,486
Due to other governments	112,107	-	112,107
Accrued liabilities	85,578	219,256	304,834
Unearned revenue	52,437	-	52,437
Customer deposits	-	60,325	60,325
Other liabilities	16,772	(180)	16,592
Long-term liabilities:			
Due within one year	143,489	13,122	156,611
Due in more than one year	1,119,596	842,852	1,962,448
Total liabilities	1,610,937	1,640,647	3,251,584
Net position			
Net investment in capital assets	6,066,092	4,149,348	10,215,440
Restricted for:			
Economic environment	1,287,234	-	1,287,234
Special events	1,883	-	1,883
Capital projects	-	437,679	437,679
Unrestricted (deficit)	1,203,327	(1,334,371)	(131,044)
Total net position	\$ 8,558,536	\$ 3,252,656	\$ 11,811,192

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,568,569	\$ 405,020	\$ 107,877	\$ -	\$ (1,055,672)	\$ -	\$ (1,055,672)
Public safety	1,638,359	24,021	35,360	-	(1,578,978)	-	(1,578,978)
Physical environment	338,006	22,810	-	-	(315,196)	-	(315,196)
Economic environment	25,141	-	-	-	(25,141)	-	(25,141)
Human services	45,119	-	45,119	-	-	-	-
Culture/recreation	333,697	92,530	18,546	-	(222,621)	-	(222,621)
Interest on long-term debt	57,131	-	-	-	(57,131)	-	(57,131)
Total governmental activities	<u>4,006,022</u>	<u>544,381</u>	<u>206,902</u>	<u>-</u>	<u>(3,254,739)</u>	<u>-</u>	<u>(3,254,739)</u>
Business-type activities:							
Water and sewer	944,018	679,900	-	2,332,577	-	2,068,459	2,068,459
Solid waste	318,274	365,662	-	-	-	47,388	47,388
Stormwater	130,663	172,287	-	-	-	41,624	41,624
Total business-type activities	<u>1,392,955</u>	<u>1,217,849</u>	<u>-</u>	<u>2,332,577</u>	<u>-</u>	<u>2,157,471</u>	<u>2,157,471</u>
Total	<u>\$ 5,398,977</u>	<u>\$ 1,762,230</u>	<u>\$ 206,902</u>	<u>\$ 2,332,577</u>	<u>(3,254,739)</u>	<u>2,157,471</u>	<u>(1,097,268)</u>
General revenues:							
Property taxes					1,693,849	-	1,693,849
Franchise fees based on gross receipts					342,939	-	342,939
Sales taxes					334,997	-	334,997
Local business tax					77,592	-	77,592
Utility taxes					555,403	-	555,403
Miscellaneous and other taxes					189,346	-	189,346
Unrestricted investment earnings					481	-	481
Gain on sale of capital assets					3,860	-	3,860
Transfers					181,000	(181,000)	-
Total general revenues and transfers					<u>3,379,467</u>	<u>(181,000)</u>	<u>3,198,467</u>
Change in net position					<u>124,728</u>	<u>1,976,471</u>	<u>2,101,199</u>
Net position - beginning					8,433,808	1,276,185	9,709,993
Net position - ending					<u>\$ 8,558,536</u>	<u>\$ 3,252,656</u>	<u>\$ 11,811,192</u>

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	General Fund	Community Redevelopment Agency	Total
Assets			
Cash and cash equivalents	\$ -	\$ 1,017,865	\$ 1,017,865
Accounts receivable, net	79,800	-	79,800
Due from other funds	1,198,595	269,497	1,468,092
Due from other governments	136,052	-	136,052
Prepaid items	57,415	4,971	62,386
Total assets	\$ 1,471,862	\$ 1,292,333	\$ 2,764,195
Liabilities and fund balances			
Liabilities:			
Checks paid exceeding cash	\$ 31,386	\$ -	\$ 31,386
Accounts payable	49,572	-	49,572
Due to other governments	112,107	-	112,107
Accrued liabilities	85,450	128	85,578
Unearned revenue	52,437	-	52,437
Due to other funds	269,497	-	269,497
Other liabilities	16,772	-	16,772
Total liabilities	617,221	128	617,349
Fund balances:			
Nonspendable:			
Prepaid items	57,415	4,971	62,386
Restricted for:			
Special Events	1,883	-	1,883
Community Redevelopment Agency	-	1,287,234	1,287,234
Unassigned	795,343	-	795,343
Total fund balances	854,641	1,292,205	2,146,846
Total liabilities and fund balances	\$ 1,471,862	\$ 1,292,333	\$ 2,764,195

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, 2016

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

Ending fund balance - governmental funds	\$	2,146,846
<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 \$1,323,959 accumulated depreciation		1,968,809
Improvements other than buildings, net of \$628,544 accumulated depreciation		84,892
Equipment, net of \$1,684,411 accumulated depreciation		220,977
Infrastructure, net of \$912,367 accumulated depreciation		<u>4,267,049</u>
Total capital assets, net		7,216,670
Net pension asset included in total assets is not available to pay current expenditures and, therefore, is not reported in the funds.		431,703
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.		8,614
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 bonds 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		(37,316)
Capital leases		(271,876)
Compensated absences		<u>(103,893)</u>
Total liabilities		(1,263,085)
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.		<u>17,788</u>
Net position of governmental activities	\$	<u><u>8,558,536</u></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, 2016

	General Fund	Community Redevelopment Agency	Total
Revenues			
Ad valorem taxes	\$ 1,393,848	\$ 300,001	\$ 1,693,849
Utility taxes	632,995	-	632,995
Franchise fees	342,939	-	342,939
Sales tax	334,997	-	334,997
Intergovernmental revenues	247,458	-	247,458
Licenses and permits	158,921	-	158,921
Charges for services	218,493	-	218,493
Fines and forfeitures	30,200	-	30,200
Interest income	81	400	481
Rental and other income	151,344	130,656	282,000
Total revenues	3,511,276	431,057	3,942,333
Expenditures			
General government	1,295,979	221,984	1,517,963
Public safety	1,425,942	-	1,425,942
Physical environment	207,358	-	207,358
Economic environment	25,141	-	25,141
Human services	45,119	-	45,119
Culture/recreation	292,089	-	292,089
Capital outlay	58,116	-	58,116
Debt service:			
Principal	125,158	-	125,158
Interest	54,423	-	54,423
Total expenditures	3,529,325	221,984	3,751,309
Excess (deficiency) of revenues over expenditures	(18,049)	209,073	191,024
Other Financing Sources			
Proceeds from issuance of debt	850,000	-	850,000
Premium on issuance of debt	37,316	-	37,316
Payment to escrow agent	(850,750)	-	(850,750)
Gain on sale of capital assets	7,417	-	7,417
Transfers in	186,000	-	186,000
Transfers out	(5,000)	-	(5,000)
Total other financing sources	224,983	-	224,983
Net change in fund balances	206,934	209,073	416,007
Fund balance - beginning	647,707	1,083,132	1,730,839
Fund balance - ending	\$ 854,641	\$ 1,292,205	\$ 2,146,846

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, 2016

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

Net change in fund balances - total governmental funds	\$	416,007
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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	\$	58,116	
Depreciation		<u>(406,959)</u>	
			(348,843)

The issuance of long-term debt (e.g. bonds, 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	\$	(850,000)	
Principal paid		955,158	
Premium on new debt		<u>(37,316)</u>	
			67,842

Bond insurance for governmental debt is recorded as an expenditure in the governmental funds. In the government-wide statements bond insurance is recorded as a prepaid item and amortized over the life of the bond.		8,614
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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	\$	(9,240)	
Decrease in accrued interest on long-term debt		<u>18,042</u>	
			8,802

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

Increase in net pension asset	\$	18,616	
Decrease in deferred outflows related to pensions		<u>(46,310)</u>	
			<u>(27,694)</u>

Change in net position of governmental activities	\$	<u><u>124,728</u></u>
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TOWN OF EATONVILLE, FLORIDA
BALANCE SHEET
PROPRIETARY FUNDS

SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	
Assets				
Current assets				
Cash and cash equivalents	\$ -	\$ -	\$ 15,541	\$ 15,541
Accounts receivable, net	112,920	59,760	29,114	201,794
Due from other governments	437,679	-	-	437,679
Prepaid items	4,980	-	3,530	8,510
Restricted cash				
Total current assets	<u>555,579</u>	<u>59,760</u>	<u>48,185</u>	<u>663,524</u>
Noncurrent assets				
Due from other funds	-	710,755	785,357	1,496,112
Capital assets				
Capital assets not being depreciated				
Land	2,500	-	-	2,500
Construction in progress	3,358,064	-	-	3,358,064
Total non-depreciable assets	<u>3,360,564</u>	<u>-</u>	<u>-</u>	<u>3,360,564</u>
Capital assets being depreciated				
Buildings and improvements	4,520,848	-	-	4,520,848
Equipment	251,975	-	160,427	412,402
Total depreciable assets	<u>4,772,823</u>	<u>-</u>	<u>160,427</u>	<u>4,933,250</u>
Less accumulated depreciation	<u>(2,727,383)</u>	<u>-</u>	<u>(138,057)</u>	<u>(2,865,440)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>2,045,440</u>	<u>-</u>	<u>22,370</u>	<u>2,067,810</u>
Total noncurrent assets	<u>5,406,004</u>	<u>710,755</u>	<u>807,727</u>	<u>6,924,486</u>
Total assets	<u>\$ 5,961,583</u>	<u>\$ 770,515</u>	<u>\$ 855,912</u>	<u>\$ 7,588,010</u>
Liabilities and net position				
Current liabilities payable from current assets				
Checks paid exceeding cash	\$ 20,033	\$ -	\$ -	\$ 20,033
Accounts payable	56,753	-	-	56,753
Construction contracts payable	428,486	-	-	428,486
Accrued liabilities	5,888	184,325	29,043	219,256
Loans payable	7,688	-	-	7,688
Current portion of compensated absences	3,281	-	2,153	5,434
Customer deposits	60,145	-	-	60,145
Total current liabilities	<u>582,274</u>	<u>184,325</u>	<u>31,196</u>	<u>797,795</u>
Noncurrent liabilities				
Due to other funds	2,694,707	-	-	2,694,707
Loans payable	842,852	-	-	842,852
Total noncurrent liabilities	<u>3,537,559</u>	<u>-</u>	<u>-</u>	<u>3,537,559</u>
Total liabilities	<u>4,119,833</u>	<u>184,325</u>	<u>31,196</u>	<u>4,335,354</u>
Net position				
Net investment in capital assets	4,126,978	-	22,370	4,149,348
Restricted for capital projects	437,679	-	-	437,679
Unrestricted (deficit)	<u>(2,722,907)</u>	<u>586,190</u>	<u>802,346</u>	<u>(1,334,371)</u>
Total net position	<u>1,841,750</u>	<u>586,190</u>	<u>824,716</u>	<u>3,252,656</u>
Total liabilities and net position	<u>\$ 5,961,583</u>	<u>\$ 770,515</u>	<u>\$ 855,912</u>	<u>\$ 7,588,010</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, 2016

	Business-type Activities - Enterprise Funds			Total
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	
Operating revenues				
Charges for services	\$ 679,900	\$ 365,662	\$ 172,287	\$ 1,217,849
Total operating revenues	<u>679,900</u>	<u>365,662</u>	<u>172,287</u>	<u>1,217,849</u>
Operating expenses				
Personnel services	188,780	-	110,304	299,084
Operating	610,654	318,274	18,642	947,570
Depreciation expense	144,584	-	1,717	146,301
Total operating expenses	<u>944,018</u>	<u>318,274</u>	<u>130,663</u>	<u>1,392,955</u>
Operating income (loss)	<u>(264,118)</u>	<u>47,388</u>	<u>41,624</u>	<u>(175,106)</u>
Contributions and transfers				
Capital contributions	2,332,577	-	-	2,332,577
Transfers out	(181,000)	-	-	(181,000)
Total contributions and transfers	<u>2,151,577</u>	<u>-</u>	<u>-</u>	<u>2,151,577</u>
Change in net position	1,887,459	47,388	41,624	1,976,471
Net position - beginning	<u>(45,709)</u>	<u>538,802</u>	<u>783,092</u>	<u>1,276,185</u>
Net position - ending	<u>\$ 1,841,750</u>	<u>\$ 586,190</u>	<u>\$ 824,716</u>	<u>\$ 3,252,656</u>

See notes to financial statements.

TOWN OF EATONVILLE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Solid Waste Fund	Stormwater Fund	Total
Operating activities				
Cash received from customers	\$ 687,752	\$ 372,336	\$ 174,033	\$ 1,234,121
Cash payments to suppliers for goods and services	(606,171)	(318,275)	(21,173)	(945,619)
Cash payments to employees for services	(186,025)	-	(108,804)	(294,829)
Net cash provided by (used in) operating activities	(104,444)	54,061	44,056	(6,327)
Noncapital financing activities				
Borrowings from other funds	216,125	-	-	216,125
Loans and reimbursements to other funds	-	(54,061)	(30,252)	(84,313)
Transfers out to other funds	(181,000)	-	-	(181,000)
Net cash used in noncapital financing activities	35,125	(54,061)	(30,252)	(49,188)
Capital and related financing activities				
Acquisition and construction of capital assets	(2,731,499)	-	-	(2,731,499)
Proceeds from State Revolving Fund loan	776,973	-	-	776,973
Proceeds from capital grants	1,894,898	-	-	1,894,898
Net cash used in capital and related financing activities	(51,940)	-	-	(51,940)
Net increase (decrease) in cash and cash equivalents	(121,259)	-	13,804	(107,455)
Cash and cash equivalents - beginning of year	121,259	-	1,737	122,996
Cash and cash equivalents - end of year	\$ -	\$ -	\$ 15,541	\$ 15,541
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ (264,118)	\$ 47,388	\$ 41,624	\$ (175,106)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	144,584	-	1,717	146,301
Change in assets and liabilities				
Accounts receivable	2,762	6,673	1,746	11,181
Prepaid expenses	(2,672)	-	(2,030)	(4,702)
Accounts payable	7,155	-	(501)	6,654
Accrued liabilities	1,630	-	1,606	3,236
Customer deposits	5,090	-	-	5,090
Compensated absences	1,125	-	(106)	1,019
Total adjustments	159,674	6,673	2,432	168,779
Net cash provided by (used in) operating activities	\$ (104,444)	\$ 54,061	\$ 44,056	\$ (6,327)
Noncash investing, capital, and financing activities:				
Capital contributions	\$ 2,332,577	\$ -	\$ -	\$ 2,332,577

See notes to financial statements.

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

SEPTEMBER 30, 2016

Assets	
Investments, at fair value:	
Money market mutual funds	\$ 75,840
Certificates of deposit	15,204
U.S. treasury bonds and notes	34,461
U.S. government agencies	121,838
Asset backed securities	25,527
Municipal bonds	12,617
Corporate bonds and notes	407,098
Equities	881,315
Total investments	<u>1,573,900</u>
Accrued interest and dividends	<u>5,619</u>
Total assets	<u><u>\$ 1,579,519</u></u>
Net Position	
Restricted for pension benefits	<u><u>\$ 1,579,519</u></u>

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

YEAR ENDED SEPTEMBER 30, 2016

Additions

Contributions:		
Employer	\$	6,000
State of Florida		2,484
Plan members		28,010
Investment earnings:		
Interest		41,137
Investment income from sale		60,113
Net decrease in fair value of investments		40,448
Total additions		<u>178,192</u>

Deductions

Administrative expenses		9,900
Investment expenses		3,413
Total deductions		<u>13,313</u>

Change in net position 164,879

Net position restricted for pension benefits - beginning 1,414,640

Net position restricted for pension benefits - ending \$ 1,579,519

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 1 – Summary of Significant Accounting Policies

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

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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, 2016

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

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

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

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

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

D. Assets, Liabilities, Deferred Inflows/Outflows, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Investments

Investments are stated at fair value 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 Revenue

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

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

5. Inventories and Prepaid Items

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

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

6. Capital Assets

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

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

<u>Assets</u>	<u>Depreciable Life</u>
Infrastructure	50 years
Buildings	40 years
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, 2016

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 fund financial statements. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

9. Deferred Outflows

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 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.

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, 2016. 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, 2016

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

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

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

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

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

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

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

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

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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

1. The Town Chief Administrative Officer submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget is restricted to proposed expenditures and the means of financing them by means of appropriated revenues, other financing sources and appropriations of fund balances.
2. Two public hearings are conducted to obtain taxpayer comments as required by Truth in Millage (TRIM) legislation.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Budgeted amounts are as originally adopted or as amended. There were several supplemental appropriations during fiscal year ended September 30, 2016.
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, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

E. New Accounting Standard

Effective October 1, 2015, the Town adopted the provisions of Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the Town has enhanced disclosures regarding investments to include the level of the fair value hierarchy.

Note 2 – Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments at September 30, 2016 are classified in the accompanying financial statements as follows:

	Carrying Amount
Pension Fund:	
Money market mutual funds	\$ 75,840
Certificates of deposit	15,204
Treasury bonds and notes	34,461
U.S. government agencies	121,838
Asset-backed securities	25,527
Municipal bonds	12,617
Corporate bonds and notes	407,098
Common stock	881,315
Total pension fund	<u>1,573,900</u>
Demand deposits	<u>1,033,406</u>
Total Primary-Government	<u>\$ 2,607,306</u>

Reconciliation of cash, cash equivalents, and investments

Statement of Net Assets:	
Cash and cash equivalents - Governmental	\$ 1,017,865
Cash and cash equivalents - Business	<u>15,541</u>
Total - Primary Government	1,033,406
Statement of Fiduciary Net Assets:	
Investments - Fiduciary	<u>1,573,900</u>
Total	<u>\$ 2,607,306</u>

TOWN OF EATONVILLE, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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, 2016

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, 2016 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*	\$ 75,840	\$ 75,840	\$ -	\$ -	\$ -
U.S. treasury bonds and notes	Fixed income	AA+	34,461	-	26,262	8,199	-
Certificates of deposit	Fixed income	NR*	15,204	-	15,204	-	-
Agency securities	Fixed income	AA+	121,838	-	52,849	52,675	16,314
Asset-backed securities	Fixed income	AA+	25,527	137	1,573	6,124	17,693
Municipal bonds	Fixed income	AAA	7,054	-	-	-	7,054
Municipal bonds	Fixed income	AA	5,563	-	-	-	5,563
Corporate bonds	Fixed income	AAA	7,129	-	-	-	7,129
Corporate bonds	Fixed income	AA+	7,167	-	-	-	7,167
Corporate bonds	Fixed income	AA	5,478	-	5,478	-	-
Corporate bonds	Fixed income	AA-	55,051	-	26,512	10,630	17,909
Corporate bonds	Fixed income	A+	24,408	-	14,967	9,441	-
Corporate bonds	Fixed income	A	98,839	-	40,482	50,081	8,276
Corporate bonds	Fixed income	A-	69,380	-	5,342	52,022	12,016
Corporate bonds	Fixed income	BBB+	60,647	-	18,713	28,945	12,989
Corporate bonds	Fixed income	BBB	64,130	-	32,525	22,756	8,849
Corporate bonds	Fixed income	BBB-	14,869	-	10,534	2,134	2,201
Total debt securities			616,745	137	250,441	243,007	123,160
Common Stock	Equity	NR*	881,315	881,315	-	-	-
Total pension investments			\$ 1,573,900	\$ 957,292	\$ 250,441	\$ 243,007	\$ 123,160

* 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, 2016

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, 2016 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 GASB 72. The hierarchy 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, 2016, based on the measurement criteria as specified:

Investments	Carrying Amount	Level 1	Level 2	Amortized Cost
Money market mutual funds	\$ 75,840	\$ -	\$ -	\$ 75,840
Certificates of deposit	15,204	-	-	15,204
Treasury bonds and notes	34,461	-	34,461	-
U.S. government agencies	121,838	-	121,838	-
Asset-backed securities	25,527	-	25,527	-
Municipal bonds	12,617	-	12,617	-
Corporate bonds and notes	407,098	-	407,098	-
Common stock	881,315	881,315	-	-
Total Investments	\$ 1,573,900	\$ 881,315	\$ 601,541	\$ 91,044

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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

Receivables as of September 30, 2016 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	\$ 4,808	\$ 283,319	\$ 161,694	\$ 77,991	\$ 527,812
Franchise and utility	104,782	-	-	-	104,782
	<u>109,590</u>	<u>283,319</u>	<u>161,694</u>	<u>77,991</u>	<u>632,594</u>
Less allowance for uncollectibles	<u>(29,790)</u>	<u>(170,399)</u>	<u>(101,934)</u>	<u>(48,877)</u>	<u>(351,000)</u>
Total receivables, net	<u>\$ 79,800</u>	<u>\$ 112,920</u>	<u>\$ 59,760</u>	<u>\$ 29,114</u>	<u>\$ 281,594</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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, 2016:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$1,198,595	\$ 269,497
CRA	269,497	-
Water and Sewer Fund	-	2,694,707
Solid Waste Fund	710,755	-
Stormwater Fund	785,357	-
	<u>\$2,964,204</u>	<u>\$2,964,204</u>
Total	<u>\$2,964,204</u>	<u>\$2,964,204</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	\$1,198,595
CRA	General	269,497
Solid Waste	Water & Sewer	710,755
Stormwater	Water & Sewer	785,357
		<u>\$2,964,204</u>

Interfund Transfers:

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

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2016 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	710,511	2,925	-	713,436
Equipment	1,916,732	55,191	(66,535)	1,905,388
Total capital assets being depreciated	<u>11,099,427</u>	<u>58,116</u>	<u>(66,535)</u>	<u>11,091,008</u>
Less accumulated depreciation for:				
Infrastructure	(786,926)	(125,441)	-	(912,367)
Buildings and improvements	(1,244,583)	(79,376)	-	(1,323,959)
Improvements other than buildings	(609,512)	(19,032)	-	(628,544)
Equipment	(1,567,836)	(183,110)	66,535	(1,684,411)
Total accumulated depreciation	<u>(4,208,857)</u>	<u>(406,959)</u>	<u>66,535</u>	<u>(4,549,281)</u>
Total capital assets being depreciated, net	<u>6,890,570</u>	<u>(348,843)</u>	<u>-</u>	<u>6,541,727</u>
Governmental activities capital assets, net	<u>\$ 7,565,513</u>	<u>\$ (348,843)</u>	<u>\$ -</u>	<u>\$ 7,216,670</u>

Depreciation/Amortization expense was charged to functions as follows:

Governmental activities:	
General government	\$ 57,145
Public safety	178,719
Physical environment	130,169
Culture and recreation	40,926
Total	<u>\$ 406,959</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 5 – Capital Assets (continued)

Capital asset activity for the year ended September 30, 2016 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	219,479	3,138,585	-	3,358,064
Total capital assets not being depreciated	<u>221,979</u>	<u>3,138,585</u>	<u>-</u>	<u>3,360,564</u>
Capital assets being depreciated:				
Buildings and improvements	4,499,448	21,400	-	4,520,848
Equipment	412,402	-	-	412,402
Total capital assets being depreciated	<u>4,911,850</u>	<u>21,400</u>	<u>-</u>	<u>4,933,250</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,345,607)	(144,265)	-	(2,489,872)
Equipment	(373,532)	(2,036)	-	(375,568)
Total accumulated depreciation	<u>(2,719,139)</u>	<u>(146,301)</u>	<u>-</u>	<u>(2,865,440)</u>
Total capital assets being depreciated, net	<u>2,192,711</u>	<u>(124,901)</u>	<u>-</u>	<u>2,067,810</u>
Business-type activities capital assets, net	<u>\$ 2,414,690</u>	<u>\$ 3,013,684</u>	<u>\$ -</u>	<u>\$ 5,428,374</u>

Depreciation/Amortization expense was charged to functions as follows:

Business-type activities:	
Water and Sewer	\$ 144,584
Stormwater	1,717
Total	<u>\$ 146,301</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
FMLC Series 2005B	\$ 875,000	\$ -	\$ (875,000)	\$ -	\$ -
FMLC Series 2016	-	850,000	-	850,000	-
Total notes payable	<u>875,000</u>	<u>850,000</u>	<u>(875,000)</u>	<u>850,000</u>	<u>-</u>
Other liabilities:					
Unamortized premium	-	37,316	-	37,316	-
Capital leases	352,034	-	(80,158)	271,876	79,574
Compensated absences	94,653	72,862	(63,622)	103,893	63,915
Total other liabilities	<u>446,687</u>	<u>110,178</u>	<u>(143,780)</u>	<u>413,085</u>	<u>143,489</u>
Governmental activities long-term liabilities	<u>\$ 1,321,687</u>	<u>\$ 960,178</u>	<u>\$ (1,018,780)</u>	<u>\$ 1,263,085</u>	<u>\$ 143,489</u>

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

1. FMLC Series 2016 Note Payable

On September 29, 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. This refunding resulted in future cash savings of \$67,843 and the transaction did not result in a gain or loss on refunding. The loan contains certain filing requirements and revenue coverage 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, 2016:

	Principal	Interest	Total
Fiscal year ended September 30:			
2017	\$ -	\$ 13,340	\$ 13,340
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
2022-2026	290,000	78,338	368,338
2027-2030	340,000	36,419	376,419
	<u>\$ 850,000</u>	<u>\$ 221,546</u>	<u>\$ 1,071,546</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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, radios and copiers. There were no down payments related to these acquisitions. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of their inception dates.

The assets acquired through capital leases are as follows as of September 30, 2016:

Asset:	
Copier	\$ 14,705
Vehicles	467,936
Less: accumulated depreciation	<u>(326,663)</u>
Total	<u>\$ 155,978</u>

The future minimum lease obligations and the net present value of these minimum lease payments were as follows as of September 30, 2016:

Year Ending September 30:	
2017	\$ 91,536
2018	91,536
2019	91,536
2020	<u>38,138</u>
Total minimum lease payments	312,746
Less: amount representing interest	<u>(40,870)</u>
Present value of minimum lease payments	<u>\$ 271,876</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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, 2016:

	<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 WW420200	\$ 65,879	\$ 103,155	\$ -	\$ 169,034	\$ 7,688
State Revolving Fund Loan WW420202	-	681,506	-	681,506	-
Total loans payable	<u>65,879</u>	<u>784,661</u>	<u>-</u>	<u>850,540</u>	<u>7,688</u>
Other liabilities:					
Compensated absences	4,415	9,228	(8,209)	5,434	5,434
Total other liabilities	<u>4,415</u>	<u>9,228</u>	<u>(8,209)</u>	<u>5,434</u>	<u>5,434</u>
Business-type activities long-term liabilities	<u>\$ 70,294</u>	<u>\$ 793,889</u>	<u>\$ (8,209)</u>	<u>\$ 855,974</u>	<u>\$ 13,122</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 \$169,034 as of September 30, 2016. The loan specifies semiannual loan payments of \$7,866 including interest at 2.10%, which will be due on August 15 and February 15 of each year for a 20 year period starting August 15, 2017. The semiannual payment amount will be subject to amendment at project close-out as this loan is part of an agreement where a grant pays a portion of the loan. Of the total \$262,758 awarded under this agreement, \$41,663 is expected to be forgiven and will not be subject to repayment.

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 is expected to be forgiven and will not be subject to repayment. As of September 30, 2016, \$2,341,372 has been provided under this agreement, \$681,506 of which was an increase to the loan balance and the remaining, principal-forgiven portion, was recorded as part of capital contributions.

Note 7 – Risk Management

The Town purchases commercial insurance to cover exposure to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. Settlements have not exceeded coverage under insurance policies for each of the past three fiscal years.

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 8 – Commitments and Contingencies

The Town has an active wastewater construction project as of September 30, 2016. At year end, the Town has a commitment to CPH engineers for \$285,052.

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

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the 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 \$2,722,907 at September 30, 2016. The Water and Sewer Fund deficit is anticipated to be funded through normal operations and a reduction of transfers and expenses.

Note 10 – CRA Deposits and Withdrawals

As required by Florida Statute, additional description of CRA financial information during fiscal year 2016 is as follows:

Beginning cash and cash equivalents	\$ 813,944
<u>Source of Deposits</u>	
Tax increment financing - Town	328,049
Tax increment financing - Orange County	191,335
Interest income	400
Miscellaneous Revenue	5,766
Total sources	<u>525,550</u>
<u>Purpose of Withdrawals</u>	
Tax increment financing rebate - Town	138,565
Tax increment financing rebate - Orange County	80,818
Professional services	89,816
Operations	12,430
Total withdrawals	<u>321,629</u>
Ending cash and cash equivalents	<u>\$1,017,865</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, 2016

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, 2016, the annual money-weighted rate of return on Plan investments, net of investment expense, was 9.72%. 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, 2016

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, 2016.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 9/30/2015	<u>\$1,001,553</u>	<u>\$1,414,640</u>	<u>\$ (413,087)</u>
Changes for the year:			
Service Cost	71,173	-	71,173
Interest	75,091	-	75,091
Contributions - Employer	-	6,000	(6,000)
Contributions - State	-	2,484	(2,484)
Contributions - Employee	-	28,010	(28,010)
Net Investment Income	-	138,286	(138,286)
Administrative Expense	-	(9,900)	9,900
Net Changes	<u>146,264</u>	<u>164,880</u>	<u>(18,616)</u>
Balance at 9/30/2016	<u><u>\$1,147,817</u></u>	<u><u>\$1,579,520</u></u>	<u><u>\$ (431,703)</u></u>

Actuarial Assumptions

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

Valuation date 10/1/2015

Actuarial assumptions:

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, 2016

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, 2016 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	100.00%	

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 <u>6%</u>	Current Discount Rate <u>7%</u>	1% Increase <u>8%</u>
Net pension (asset)	\$ (258,516)	\$ (431,703)	\$ (576,241)

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

Note 11 – Pension Plans (continued)

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

For the year ended September 30, 2016, the Town recognized a pension expense of \$36,178. At September 30, 2016, the Town reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Differences between Expected and actual experience	\$ 5,262
Net difference between projected and actual earnings on plan investments	<u>12,526</u>
Total	<u>\$ 17,788</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:	
2017	\$ 7,631
2018	7,631
2019	7,631
2020	(6,859)
2021	877
Thereafter	<u>877</u>
	<u>\$ 17,788</u>

TOWN OF EATONVILLE, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2016

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, fund balance and operations are not recorded within the Town's financial statements.

1. Funding Provisions

The Town Council is responsible for setting the employer's contribution annually during budget adoption. The Town budgets the lesser of \$28,047 or five percent (5%) of eligible compensation. However, the Town contributed \$21,818, which represents approximately five percent (5%) of eligible compensation to the Defined Contribution Plan for the year ended September 30, 2016. 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, 2016.

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, 2016

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 \$354,766 of accumulated depreciation at September 30, 2016, for a net carrying value of \$274,057. 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 \$290,622 of accumulated depreciation at September 30, 2016, for a net carrying value of \$684,892. The lease will terminate in 2019, at which time all additions to the property will revert to the Town. OCLS has the option to extend the lease for two additional five year terms. The lease agreement provides for an annual rental of \$60,564, paid in monthly installments, with minimum future rentals of \$181,692 for fiscal years 2017 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. Orange County, Florida and the Town are required to make tax increment payments to the CRA trust fund by January 1st of each year in accordance with Florida Statutes. Payments are determined by the 2004 interlocal agreement between the Town, the CRA, and Orange County. In 2016, 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 revenue from 2020 through 2024.

Note 14 – Utility Tax

During fiscal year 2011, the Town discovered it had been charging a 10% utility tax on Solid Waste and Stormwater fees without proper authority between October 1, 2003 and May 31, 2011, resulting in unauthorized billings totaling \$184,325 and \$25,460, respectively, in accrued liabilities as of September 30, 2016. The Town has adopted an Ordinance that authorizes these charges, effective June 1, 2011. Repayment of unauthorized billings to residents are being credited to the affected citizens’ utility invoices, with the intention of payments to be made in full by the end of fiscal year 2017. The Town has not yet determined when repayment of unauthorized billings to commercial businesses will commence.

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF EATONVILLE, FLORIDA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)

YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts	Variances
	Original	Final		Final Budget Positive/ (Negative)
Resources (inflows)				
Ad valorem taxes	\$ 1,391,576	\$ 1,391,576	\$ 1,393,848	\$ 2,272
Utility taxes	643,528	643,528	632,995	(10,533)
Franchise fees	449,275	449,275	342,939	(106,336)
Sales tax	322,842	294,700	334,997	40,297
Intergovernmental revenues	168,238	181,678	247,458	65,780
Licenses and permits	47,300	47,300	158,921	111,621
Charges for services	22,440	39,357	63,493	24,136
Fines and forfeitures	34,500	34,500	30,200	(4,300)
Interest income	500	500	81	(419)
Rental and other income	107,463	107,463	108,512	1,049
Gain on Sale	-	39,825	3,557	(36,268)
Proceeds from debt refunding	-	-	850,000	850,000
Premium on issuance of debt	-	-	37,316	37,316
Transfers in	360,000	360,000	336,000	(24,000)
Amounts available for appropriations	3,547,662	3,589,702	4,540,317	950,615
Charges to appropriations (outflows)				
General government	1,341,602	1,338,999	1,295,979	43,020
Public safety	1,552,797	1,611,879	1,421,927	189,952
Physical environment	230,765	228,645	207,358	21,287
Economic environment	22,910	25,029	25,141	(112)
Human services	45,765	45,765	45,119	646
Culture/recreation	265,124	270,124	235,847	34,277
Capital outlay	-	10,000	58,116	(48,116)
Debt service:				
Principal	45,000	45,000	125,158	(80,158)
Interest	42,400	42,400	54,423	(12,023)
Payments to escrow agent	-	-	850,750	(850,750)
Transfers out	-	-	5,000	(5,000)
Total charges to appropriations	3,546,363	3,617,841	4,324,818	(706,977)
Excess (deficiency) of resources over charges to appropriations	\$ 1,299	\$ (28,139)	\$ 215,499	\$ 243,638

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, 2016

Note 1 – Budgetary Reporting

Reconciliation of Budgetary Basis Reporting Difference

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

Perspective differences – The Special Events and Police Forfeiture funds are not included in the General Fund's annual budget but are presented in the General Fund for purposes of the governmental financial statements. Resources and charges to appropriations related to those funds were \$51,692 and \$60,257, respectively, for the year ended September 30, 2016. In addition, \$155,000 of transfers in are shown as charges for services revenue on the statement of revenues, expenditures and changes in fund balances.

The following table presents a reconciliation of General Fund change in Fund Balance perspective on a budgetary basis to the fund balances shown on the governmental fund financial statements at September 30, 2016:

	<u>General Fund</u>
General Fund change in Fund Balance - actual on a budgetary basis	\$ 215,499
Perspective Differences:	
Special Events - budgeted as a separate fund	(8,410)
Police Forfeiture - budgeted as a separate fund	(155)
General Fund change in Fund Balance - actual on governmental fund financial statements	<u>\$ 206,934</u>

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

YEAR ENDED SEPTEMBER 30, 2016

	<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	\$ 300,000	\$ 300,000	\$ 300,001	\$ 1
Interest	-	-	400	400
Rental and other income	-	-	130,656	130,656
Amounts available for appropriations	<u>300,000</u>	<u>300,000</u>	<u>431,057</u>	<u>131,057</u>
Charges to appropriations (outflows)				
General government	<u>1,157,000</u>	<u>470,000</u>	<u>221,984</u>	<u>248,016</u>
Total charges to appropriations	<u>1,157,000</u>	<u>470,000</u>	<u>221,984</u>	<u>248,016</u>
Excess (deficiency) of resources over charges to appropriations	<u>\$ (857,000)</u>	<u>\$ (170,000)</u>	<u>\$ 209,073</u>	<u>\$ 379,073</u>

TOWN OF EATONVILLE, FLORIDA
POLICE OFFICERS' PENSION FUND

YEAR ENDED SEPTEMBER 30, 2016

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

	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Total Pension Liability			
Service Cost	\$ 71,173	\$ 66,517	\$ 71,395
Interest	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>146,264</u>	<u>132,368</u>	<u>128,258</u>
Total pension liability - beginning	<u>1,001,553</u>	<u>869,185</u>	<u>740,927</u>
Total pension liability - ending	<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	\$ 6,000	\$ -	\$ 16,543
Contributions - State	2,484	10,398	11,688
Contributions - Employee	28,010	28,874	29,951
Net investment income	138,286	19,866	105,889
Benefit payments, including refunds of employee contributions	-	(6,670)	-
Administrative expense	(9,900)	(10,650)	(12,158)
Net change in plan fiduciary net position	<u>164,880</u>	<u>41,818</u>	<u>151,913</u>
Plan fiduciary net position - beginning	<u>1,414,640</u>	<u>1,372,822</u>	<u>1,220,909</u>
Plan fiduciary net position - ending	<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>\$ (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	137.61%	141.24%	157.94%
Covered employee payroll	\$ 560,200	\$ 577,474	\$ 599,025
Net pension asset as a percentage of covered employee payroll	(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, 2016

Schedule of Contributions
Last 10 Fiscal Years

Year Ended September 30	Actuarially Determined Contribution (a)	Contribution in Relation to Actuarially Required (b)	Contribution (Excess) Deficiency (a-b)	Covered Payroll (c)	Percentage of Covered Payroll Contributed (b/c)
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

	9/30/2016	9/30/2015	9/30/2014
Annual money-weighted rate of return	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 assumptions:	
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)

SEPTEMBER 30, 2016

	Water and Sewer		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 897,665	\$ 679,900	\$ (217,765)
Total operating revenues	<u>897,665</u>	<u>679,900</u>	<u>(217,765)</u>
Operating expenses			
Personnel services	239,289	188,780	50,509
Operating	3,106,777	542,669	2,564,108
Total operating expenses	<u>3,346,066</u>	<u>731,449</u>	<u>2,614,617</u>
Operating loss	<u>(2,448,401)</u>	<u>(51,549)</u>	<u>2,396,852</u>
Non-operating revenues (expenses)			
Other income	87,015	87,015	-
Total non-operating revenues	<u>87,015</u>	<u>87,015</u>	<u>-</u>
Income (loss) before contributions and transfers	(2,361,386)	35,466	2,396,852
Capital contributions	2,621,386	2,332,577	(288,809)
Transfers out	(360,000)	(336,000)	24,000
Total contributions and transfers	<u>2,261,386</u>	<u>1,996,577</u>	<u>(264,809)</u>
Excess (deficiency) of revenues over expenses	<u>\$ (100,000)</u>	<u>\$ 2,032,043</u>	<u>\$ 2,132,043</u>

Note: Depreciation expense of \$144,584 is not budgeted and, therefore, is not included on this schedule. In addition, \$87,015 of other income and \$87,015 of operating expense are netted, and \$155,000 of transfers out are shown as operating expense on the statement of revenue, expenses and changes in net position.

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

SEPTEMBER 30, 2016

	Solid Waste		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 323,135	\$ 365,662	\$ 42,527
Total operating revenues	<u>323,135</u>	<u>365,662</u>	<u>42,527</u>
Operating expenses			
Operating	282,480	318,274	(35,794)
Total operating expenses	<u>282,480</u>	<u>318,274</u>	<u>(35,794)</u>
Excess of revenues over expenses	<u>\$ 40,655</u>	<u>\$ 47,388</u>	<u>\$ 6,733</u>

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

SEPTEMBER 30, 2016

	Stormwater		
	Final Budget	Actual	Variance Positive/ (Negative)
Operating revenues			
Charges for services	\$ 214,245	\$ 172,287	\$ (41,958)
Total operating revenues	<u>214,245</u>	<u>172,287</u>	<u>(41,958)</u>
Operating expenses			
Personnel services	119,172	110,304	8,868
Operating	95,073	18,642	76,431
Total operating expenses	<u>214,245</u>	<u>128,946</u>	<u>85,299</u>
Excess of revenues over expenses	<u>\$ -</u>	<u>\$ 43,341</u>	<u>\$ 43,341</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, 2016, 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 20, 2017.

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 deficiencies, described as finding 2016-001 and 2016-002 in the schedule of findings and questioned costs, which we consider to be a material weakness. Finding 2016-001 is a repeat deficiency from the preceding two annual financial audit reports, where it was identified as finding 2006-01, and Finding 2016-002 is a repeat deficiency from the prior audit, where it was identified as finding 2015-01.

Compliance and Other Matters

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

Town's Response to Finding

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.

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.



Orlando, Florida
June 20, 2017

TOWN OF EATONVILLE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2016

Name of Agency or Department	Name of Program	Project ID Number	CFDA	Expenditures
US Department of Education				
Pass-through Florida Department of Education				
	Summer Food Program -15/16	04-0619	10.559	\$ 45,119
	Total CFDA 10.559			<u>45,119</u>
Department of Economic Opportunity				
	CDBG - Eatonville Westside Wastewater Improvement	15DB-OJ-06-58-02-N52	14.228	671,101
	Total CFDA 14.228			<u>671,101</u>
US Department of Justice				
Pass-through Florida Department of Law Enforcement				
	FDLE-Traffic Awareness and Safety	2016-JAGC-ORAN-9-H3-106	16.738	10,000
	FDLE- Officer Protection	2016-JAGD-ORAN-4-H4-069	16.738	1,000
	Total CFDA 16.738			<u>11,000</u>
Environmental Protection Agency				
Pass-through Florida Department of Environmental Protection				
	Capitalization Grants for State Revolving Funds	WW480202	66.458	2,346,349
	Total CFDA 66.458			<u>2,346,349</u>
Total Expenditures of Federal Awards				\$ 3,073,569

Notes to the Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards was prepared in accordance with accounting principles generally accepted in the United States of America. 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.

Report of Independent Auditor on Compliance for the Major Federal Awards Program and on Internal Control Over Compliance Required by 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, 2016. 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 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, 2016.

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 its major federal program and to test and report on internal control over compliance in accordance with 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Orlando, Florida

June 20, 2017

TOWN OF EATONVILLE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2016

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, 2016

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*.

FINDING 2016-001 - Reconciliations

Material Weakness

Finding: 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.

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

FINDING 2016-002 - Recording and Oversight of Transactions

Material Weakness

Finding: Entries and transactions should be recorded in accordance with generally accepted accounting principles (GAAP). We noted multiple entries that were not recorded consistently with GAAP due to oversight or insufficiency of knowledge and were not detected in the review process. These entries included approximately \$431,000 of enterprise fund grant revenues from the Florida Department of Environmental Protection that were not properly accrued, \$777,000 of enterprise fund revenues from the Florida Department of Environmental Protection that should have been reported as additions to debt, \$397,000 of enterprise fund payables from the Florida Department of Environmental Protection 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.

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 generally accepted accounting principles.

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 PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2016

Prior Audit Findings:

FINDING 2006-01 - Reconciliations

Material Weakness

Finding: Reconciliations of general ledger accounts to subsidiary detail is a key control to ensure accounting errors are identified on a timely basis. We noted reconciliations were not provided for billed and unbilled receivables and interfund balance sheet accounts, and that prepaid balances and allowance for doubtful accounts was not analyzed and adjusted at year end; similar to what was reported in prior financial statement audits. In addition, the cash reconciliation was not prepared accurately. 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.

Corrective Action Taken: This finding was partially corrected during fiscal year 2016. The reconciliations related to billed and unbilled receivables, prepaid balances, and cash were performed in fiscal year 2016. This comment is repeated as Finding 2016-001 in the current year for the reconciliations not performed in fiscal year 2016, which include interfund balance sheet accounts and analysis of the allowance for doubtful accounts.

FINDING 2015-01 - Recording and Oversight of Transactions

Material Weakness

Finding: 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 \$34,000 of enterprise fund expenses that should have been recorded as assets and approximately \$65,000 of interest expense that was improperly included in proceeds from a capital lease. Additionally, the Town recorded approximately \$17,000 in revenue that was unearned at year end and recorded a reimbursement of approximately \$97,000 on the SRF loan that was not received until the subsequent fiscal year.

Corrective Action Taken: This finding was not corrected and is repeated as Finding 2016-002 in the current year.

TOWN OF EATONVILLE, FLORIDA

SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2016

Corrective Action Plan:

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.

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

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.

Management Response: The Finance Department will be cognizant of these and other potential adjustments in the future, and will seek assistance to ensure proper recording as necessary.

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, 2016, and have issued our report thereon dated June 20, 2017.

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; and 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).

Other Reports

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 20, 2017, 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 of this letter and in the schedule of findings and questioned costs. Observations 2006-A, and 2012-C in Appendix A of this letter are repeat recommendations from the preceding annual financial audit report, and repeated from the second preceding annual financial audit report, noted as Observations 2006-A, and 2012-C.

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

Section 10.554(1)(i)5.a. 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 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.

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, 2016, 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, 2016. Our review of the financial report filed with the Florida Department of Financial Services to the Town's 2016 audited financial statements resulted in no material differences.

Other Matters

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the Town's financial management. We have identified certain matters in Appendix A of this letter that are relevant to financial management.

We did not audit the Town's responses to these matters, which are also provided in Appendix A of this letter, and, accordingly, we express no opinion on them.

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 20, 2017

TOWN OF EATONVILLE, FLORIDA

APPENDIX A - MANAGEMENT LETTER COMMENTS

YEAR ENDED SEPTEMBER 30, 2016

Current Year Recommendations

Observations are provided by the year in which they originated.

Financial Condition Assessment

Observation 2006-A: We applied financial condition assessment procedures as part of the annual audit of the Town, in accordance with Rules of the Auditor General, Chapter 10.550. These procedures require that we report matters in connection with this assessment if we find there 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). Our financial condition assessment procedures applied found that the Town had a deficit unrestricted fund balance of \$539,028 and a deficit unrestricted net position of \$131,044 at September 30, 2016. While the Town has significantly improved its water and sewer infrastructure through capital assistance from the Florida Department of Environmental Protection, liquidity remains low as a percent of annual costs and there are minimal funds available to fund ongoing obligations. 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 is reviewing spending needs, monitoring anticipated revenues against actual and closely monitoring expenditures against budget appropriation. In addition, the management will cut down unnecessary expenses and find other resources or revenues to strengthen the Town's financial condition. The Town continues to encourage new business to increase the overall tax base for the Town.

Enterprise Fund Transfers and Accountability

Observation 2012-C: It appears the Water and Sewer Fund has effectively borrowed from other funds in order to finance transfers made to the General Fund over the years, resulting in an improved fund balance position for the General Fund but leaving a deficit in unrestricted Water and Sewer Fund balance of \$2,292,916 at September 30, 2016. It is unclear as to the portion of Water and Sewer Fund transfers to the General Fund that might represent payments for administrative overhead versus simply transfers of equity. Accordingly, fund level accountability is compromised and, due to the amount owed and limited resources available in the Water and Sewer Fund, it is unclear as to how interfund balances will be eliminated. For fiscal year 2016, the Town has allotted a portion of the transfers to an administrative charge for the estimated cost allocable to the Water and Sewer Fund. The calculation of this allocation will continue to be refined for future budgeting and accounting.

Recommendation: We recommend interfund activity be further evaluated for enterprise funds in order to determine how interfund balances will be eliminated and to establish an appropriate methodology for future transfers and/or administrative charges.

Management Response: The Utilities Department will continue to refine the calculation of administrative overhead, which will be used to develop a clear, concise, and effective methodology for future transfers and operating activity based on the cost of services provided.

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

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

Report on Compliance

We have examined the Town of Eatonville, Florida's (the "Town's") compliance with the local government investment policy requirements of 218.415, Florida Statutes, for the year ended September 30, 2016. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Scope

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

Opinion

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.



Orlando, Florida
June 20, 2017