

**TOWN OF OTTER CREEK, FLORIDA**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended September 30, 2016**

**TOWN OF OTTER CREEK, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
For the Fiscal Year Ended September 30, 2016

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**TOWN OF OTTER CREEK, FLORIDA**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended September 30, 2016**

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## **INTRODUCTORY SECTION**

**TOWN OF OTTER CREEK, FLORIDA**

**LIST OF OFFICIALS**

**September 30, 2016**

**ELECTED OFFICIALS**

**MAYOR**

**Cleah Martin**

**VICE-MAYOR**

**Stuart Stewart**

**COUNCILMEN**

**Ghetty Revlett**

**Darlene Smith**

**Don Severino**

**APPOINTED OFFICIAL**

**CLERK**

**Connie Caldwell**

## **FINANCIAL SECTION**



**Powell & Jones**  
Certified Public Accountants

Richard C. Powell, Jr., CPA  
Marian Jones Powell, CPA

1359 S.W. Main Blvd.  
Lake City, Florida 32025  
386 / 755-4200  
Fax: 386 / 719-5504  
admin@powellandjonescpa.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and Members of the  
Town Council  
Town of Otter Creek, 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 Otter Creek, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### ***Basis for Qualified Opinion***

Due to the inherent limitation in the Town's ability to segregate duties relating to cash receipts, and inadequate records regarding amounts billed and collected, internal control over cash receipts for the year was inadequate. Accordingly it was not practicable for us to extend our audit of such receipts beyond the amounts recorded. Due to the fact that the Town was not required to have audited financial statements prepared in the prior year, and the Town's prior records did not permit adequate retroactive tests of certain prior year balance sheet accounts, we were unable to satisfy ourselves about beginning balance sheet accounts.

### ***Qualified Opinion***

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary; had the collections of cash receipts referred to in the preceding paragraph been susceptible to satisfactory audit tests, and had prior year balance sheet account amounts been subject to verification, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the major funds, and the aggregate remaining fund information of the Town of Otter Creek, Florida, as of September 30, 2016 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

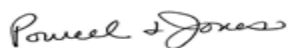
### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2017, on our consideration of the Town of Otter Creek, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Otter Creek, Florida's internal control over financial reporting and compliance.



**POWELL & JONES**  
Certified Public Accountants  
June 27, 2017



## **TOWN OF OTTER CREEK, FLORIDA**

### **Management's Discussion and Analysis**

This discussion and analysis is intended to be an easily readable analysis of the Town of Otter Creek's (Town) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

#### **Report Layout**

The Town has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. The statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as fire control, public works, parks and recreation, and general governmental administration. The Town's water services are reported as business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

#### ***Basic Financial Statements***

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the Town owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the Town's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Town has one major governmental fund which is presented in a separate column. A budgetary comparison is presented for the General Fund. Statements for the Town's proprietary fund follow the governmental funds and include net position, revenue, expenses and changes in net position, and cash flows.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

The MD&A is intended to serve as an introduction to the Town's basic financial statements and to explain the significant changes in financial position and differences in operation between the current and prior year.

## Town as a Whole

### *Government-wide Financial Statements*

A condensed version of the Statement of Net Position at September 30, 2016, follows:

#### **Net Position at September 30, 2016 and 2015**

|                      | 2016                       |                             |            | 2015        |
|----------------------|----------------------------|-----------------------------|------------|-------------|
|                      | Governmental<br>Activities | Business-type<br>Activities | Total      | (unaudited) |
| <b>Assets</b>        |                            |                             |            |             |
| Cash and investments | \$ 191,355                 | \$ 6,108                    | \$ 197,463 | \$ 178,353  |
| Other assets         | -                          | 394                         | 394        | 492         |
| Capital assets       | 8,881                      | 58,098                      | 66,979     | 254,749     |
| Total assets         | 200,236                    | 64,600                      | 264,836    | 433,594     |
| <b>Liabilities</b>   |                            |                             |            |             |
| Current liabilities  | 754                        | 6,487                       | 7,241      | 6,775       |
| Total liabilities    | 754                        | 6,487                       | 7,241      | 6,775       |
| <b>Net position</b>  |                            |                             |            |             |
| Net investment       | 8,881                      | 58,098                      | 66,979     | 254,749     |
| Unrestricted         | 190,601                    | 15                          | 190,616    | 172,070     |
| Total net position   | \$ 199,482                 | \$ 58,113                   | \$ 257,595 | \$ 426,819  |

26% of the Town's net position reflect its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net position of \$190,616 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net position.

A condensed version of the Statement of Activities follows:

**Change in Net Position  
For the Fiscal Year Ended September 30, 2016 and 2015**

|                        | 2016                       |                             |                   | 2015<br>(unaudited) |
|------------------------|----------------------------|-----------------------------|-------------------|---------------------|
|                        | Governmental<br>Activities | Business-type<br>Activities | Total             |                     |
| <b>Revenues</b>        |                            |                             |                   |                     |
| Program revenues       |                            |                             |                   |                     |
| Charges for services   | \$ -                       | \$ 21,916                   | \$ 21,916         | \$ 18,219           |
| General revenues       |                            |                             |                   |                     |
| Taxes                  | 65,205                     | -                           | 65,205            | 66,572              |
| Franchise fees         | 5,621                      | -                           | 5,621             | 5,295               |
| State shared revenues  | 10,425                     | -                           | 10,425            | 9,916               |
| Interest and other     | 1,100                      | -                           | 1,100             | 971                 |
| Fines and forfeitures  | -                          | -                           | -                 | 103                 |
| Total revenues         | <u>82,351</u>              | <u>21,916</u>               | <u>104,267</u>    | <u>101,076</u>      |
| <b>Expenses</b>        |                            |                             |                   |                     |
| General government     | 53,049                     | -                           | 53,049            | 58,717              |
| Public safety          | 6,048                      | -                           | 6,048             | 6,048               |
| Transportation         | 1,094                      | -                           | 1,094             | 330                 |
| Culture/recreation     | 714                        | -                           | 714               | 267                 |
| Water services         | -                          | 212,586                     | 212,586           | 58,082              |
| Total expenses         | <u>60,905</u>              | <u>212,586</u>              | <u>273,491</u>    | <u>123,444</u>      |
| Change in net position | 21,446                     | (190,670)                   | (169,224)         | (22,368)            |
| Beginning net position | 178,036                    | 248,783                     | 426,819           | 449,187             |
| Ending net position    | <u>\$ 199,482</u>          | <u>\$ 58,113</u>            | <u>\$ 257,595</u> | <u>\$ 426,819</u>   |

**Governmental activities:**

Taxes provide 79% of the revenues for Governmental Activities, while state shared revenues provide 13%. Most of the Governmental Activities resources are spent for General Government (87%), Public Safety (10%), Transportation (2%), and Culture/recreation (1%).

**Business-type activities:**

Business-type activities decreased the Town's net position by \$190,670. Key elements of this decrease are as follows:

- Operating expenses, including depreciation of \$20,400, exceeded revenues by \$18,773.
- Abandonment of water improvement project in progress resulted in an expense of \$171,897 recognized in the current year.

**Budgetary Highlights**

The Town operated within its budgetary limits in all funds during the current year.

## Capital Assets and Debt Administration

### Capital Assets

At September 30, 2016, the Town had \$66,979 invested in capital assets, including fire equipment, park and recreation facilities, buildings, general equipment, and water facilities.

#### Capital Assets at September 30, 2016 and 2015

|                            | 2016                       |                             |                  | 2015<br>(unaudited) |
|----------------------------|----------------------------|-----------------------------|------------------|---------------------|
|                            | Governmental<br>Activities | Business-type<br>Activities | Total            |                     |
| Land                       | \$ 2,150                   | \$ -                        | \$ 2,150         | \$ 2,150            |
| Buildings and improvements | 65,523                     | 830,070                     | 895,593          | 895,593             |
| Construction in progress   | -                          | -                           | -                | 171,897             |
| Equipment                  | 85,387                     | 6,569                       | 91,956           | 86,824              |
| Subtotal                   | 153,060                    | 836,639                     | 989,699          | 1,156,464           |
| Accumulated depreciation   | (144,179)                  | (778,541)                   | (922,720)        | (901,715)           |
| Capital assets, net        | <u>\$ 8,881</u>            | <u>\$ 58,098</u>            | <u>\$ 66,979</u> | <u>\$ 254,749</u>   |

### Debt Outstanding

At year-end, the Town had no outstanding debt.

## Other Financial Information

### Economic Factors and Rates

- The current unemployment rate for the County was 5.2% which is approximately the same rate for the Town.
- The estimated population for the Town in 2016 was 124.
- The Town's ad valorem tax rate for 2016 was 7.3731 mills.

### Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town Clerk at P.O. Box 65, Otter Creek, Florida 32683.

## **Basic Financial Statements**

TOWN OF OTTER CREEK, FLORIDA

STATEMENT OF NET POSITION

September 30, 2016

|                                  | Governmental<br>Activities | Business-type<br>Activities | Total             |
|----------------------------------|----------------------------|-----------------------------|-------------------|
| <b>ASSETS</b>                    |                            |                             |                   |
| Current assets:                  |                            |                             |                   |
| Cash                             | \$ 93,563                  | \$ 1,154                    | \$ 94,717         |
| Restricted cash                  | -                          | 4,954                       | 4,954             |
| Accounts receivable              | -                          | 394                         | 394               |
| Investments                      | 97,792                     | -                           | 97,792            |
| Total current assets             | <u>191,355</u>             | <u>6,502</u>                | <u>197,857</u>    |
| Non-current assets:              |                            |                             |                   |
| Capital assets, net              | <u>8,881</u>               | <u>58,098</u>               | <u>66,979</u>     |
| Total non-current assets         | <u>8,881</u>               | <u>58,098</u>               | <u>66,979</u>     |
| Total assets                     | <u>200,236</u>             | <u>64,600</u>               | <u>264,836</u>    |
| <b>LIABILITIES</b>               |                            |                             |                   |
| Current liabilities:             |                            |                             |                   |
| Accounts payable                 | 754                        | 263                         | 1,017             |
| Unearned revenue                 | -                          | 624                         | 624               |
| Deposits                         | -                          | 5,600                       | 5,600             |
| Total current liabilities        | <u>754</u>                 | <u>6,487</u>                | <u>7,241</u>      |
| Total liabilities                | <u>754</u>                 | <u>6,487</u>                | <u>7,241</u>      |
| <b>NET POSITION</b>              |                            |                             |                   |
| Net Investment in capital assets | 8,881                      | 58,098                      | 66,979            |
| Unrestricted                     | <u>190,601</u>             | <u>15</u>                   | <u>190,616</u>    |
| Total net position               | <u>\$ 199,482</u>          | <u>\$ 58,113</u>            | <u>\$ 257,595</u> |

**TOWN OF OTTER CREEK, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2016

|                                | Expenses   | Program Revenues | Net (Expense) Revenue and Changes in Net Position |                         |                          |
|--------------------------------|------------|------------------|---|-------------------------|--------------------------|
|                                |            |                  | Charges for Services                              | Governmental Activities | Business-type Activities |
|                                |            |                  |   |                         | Total                    |
| <u>Functions/Programs</u>      |            |                  |   |                         |                          |
| Governmental activities        |            |                  |   |                         |                          |
| General government             | \$ 53,049  | \$ -             | \$ (53,049)                                       | \$ -                    | \$ (53,049)              |
| Public safety                  | 6,048      | -                | (6,048)   | -                       | (6,048)                  |
| Transportation                 | 1,094      | -                | (1,094)   | -                       | (1,094)                  |
| Culture/recreation             | 714        | -                | (714)   | -                       | (714)                    |
| Total governmental activities  | 60,905     | -                | (60,905)  | -                       | (60,905)                 |
| Business-type activities       |            |                  |   |                         |                          |
| Water utility                  | 40,689     | 21,916           | -   | (18,773)                | (18,773)                 |
| Total business-type activities | 40,689     | 21,916           | -   | (18,773)                | (18,773)                 |
| Total government               | \$ 101,594 | \$ 21,916        | (60,905)  | (18,773)                | (79,678)                 |
| General revenues               |            |                  |   |                         |                          |
| Property taxes                 |            |                  | 53,574  | -                       | 53,574                   |
| Sales and use taxes            |            |                  | 15,317  | -                       | 15,317                   |
| Franchise fees                 |            |                  | 5,621   | -                       | 5,621                    |
| Communications services tax    |            |                  | 327   | -                       | 327                      |
| State shared revenues          |            |                  | 5,287   | -                       | 5,287                    |
| Gas taxes                      |            |                  | 1,125   | -                       | 1,125                    |
| Interest                       |            |                  | 458   | -                       | 458                      |
| Miscellaneous                  |            |                  | 642   | -                       | 642                      |
| Abandonment of asset loss      |            |                  | -   | (171,897)               | (171,897)                |
| Total general revenues         |            |                  | 82,351  | (171,897)               | (89,546)                 |
| Change in net position         |            |                  | 21,446  | (190,670)               | (169,224)                |
| Net position - beginning       |            |                  | 178,036   | 248,783                 | 426,819                  |
| Net position - ending          |            |                  | \$ 199,482  | \$ 58,113               | \$ 257,595               |

See notes to financial statements.

**TOWN OF OTTER CREEK, FLORIDA**

**GOVERNMENTAL FUND**

**BALANCE SHEET**

**September 30, 2016**

|  | <u>General Fund</u> |
|--|---------------------|
| <b>ASSETS</b>  |                     |
| Cash   | \$ 93,563           |
| Investments  | 97,792              |
| Total assets   | <u>191,355</u>      |
| <br><b>LIABILITIES AND FUND BALANCE</b>  |                     |
| Liabilities  |                     |
| Accounts payable   | 754                 |
| Total liabilities  | <u>754</u>          |
| <br>Fund balance   |                     |
| Unassigned fund balance  | 190,601             |
| Total fund balance   | <u>190,601</u>      |
| Total liabilities and fund balance   | <u>191,355</u>      |
| <br>Total fund balance reported above  | 190,601             |
| Amounts reported for governmental activities in the<br>statement of net position are different because:  |                     |
| <br>Capital assets used in governmental activities are not<br>financial resources and, therefore, are not reported in the<br>governmental funds. | 8,881               |
| Net position of government activities  | <u>\$ 199,482</u>   |



TOWN OF OTTER CREEK, FLORIDA

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE

For the Fiscal Year Ended September 30, 2016

|                                   | <u>General Fund</u> |
|-----------------------------------|---------------------|
| <b>REVENUES</b>                   |                     |
| Taxes                             | \$ 65,205           |
| Intergovernmental revenue         | 10,425              |
| Franchise Fees                    | 5,621               |
| Interest                          | 458                 |
| Miscellaneous                     | 642                 |
| Total revenues                    | <u>82,351</u>       |
| <b>EXPENDITURES</b>               |                     |
| Current expenditures              |                     |
| General government                | 52,464              |
| Public safety                     | 6,028               |
| Transportation                    | 1,094               |
| Culture/recreation                | 714                 |
| Total expenditures                | <u>60,300</u>       |
| Change in fund balance            | 22,051              |
| Fund balance at beginning of year | 168,550             |
| Fund balance at end of year       | <u>\$ 190,601</u>   |

**TOWN OF OTTER CREEK, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For the Fiscal Year Ended September 30, 2016**

|  |           |
|--|-----------|
| Net change in fund balance - governmental fund | \$ 22,051 |
|--|-----------|

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

Governmental funds report capital outlay as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

|                           |              |
|---------------------------|--------------|
| Current year depreciation | <u>(605)</u> |
|---------------------------|--------------|

|   |                         |
|---|-------------------------|
| Change in net position of governmental activities | <u><u>\$ 21,446</u></u> |
|---|-------------------------|

TOWN OF OTTER CREEK, FLORIDA

PROPRIETARY FUND

STATEMENT OF NET POSITION

September 30, 2016

Enterprise Fund

**ASSETS**

Current assets:

|                      |              |
|----------------------|--------------|
| Cash                 | \$ 1,154     |
| Accounts receivable  | 394          |
| Restricted cash      | 4,954        |
| Total current assets | <u>6,502</u> |

Fixed assets:

|                            |                         |
|----------------------------|-------------------------|
| Plant and improvements     | 836,639                 |
| Allowance for depreciation | <u>(778,541)</u>        |
| Total fixed assets         | <u>58,098</u>           |
| Total assets               | <u><u>\$ 64,600</u></u> |

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Current liabilities:

|                           |              |
|---------------------------|--------------|
| Accounts payable          | \$ 263       |
| Deposits                  | 5,600        |
| Unearned revenue          | 624          |
| Total current liabilities | <u>6,487</u> |

**NET POSITION**

|                                    |                         |
|------------------------------------|-------------------------|
| Net investment in capital assets   | 58,098                  |
| Unrestricted                       | <u>15</u>               |
| Total net position                 | <u>58,113</u>           |
| Total liabilities and net position | <u><u>\$ 64,600</u></u> |

TOWN OF OTTER CREEK, FLORIDA

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Fiscal Year Ended September 30, 2016

|                                      | <u>Enterprise Fund</u> |
|--------------------------------------|------------------------|
| <b>OPERATING REVENUES</b>            |                        |
| Water utility revenue                |                        |
| Water sales                          | \$ 21,916              |
| Total operating revenues             | <u>21,916</u>          |
| <b>OPERATING EXPENSES</b>            |                        |
| Water utility services               |                        |
| Operating expenses                   |                        |
| Depreciation                         | 20,400                 |
| Office expenses                      | 516                    |
| Repair and maintenance               | 3,191                  |
| Plant operations                     | 14,944                 |
| Tests                                | 1,638                  |
| Total operating expenses             | <u>40,689</u>          |
| Operating Loss                       | (18,773)               |
| <b>NON-OPERATING EXPENSES</b>        |                        |
| Loss on abandonment of capital asset | <u>(171,897)</u>       |
| Total non-operating expenses         | <u>(171,897)</u>       |
| Change in net position               | (190,670)              |
| Net position, beginning of year      | 248,783                |
| Net position, end of year            | <u>\$ 58,113</u>       |

TOWN OF OTTER CREEK, FLORIDA

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended September 30, 2016

|   | <u>Enterprise Fund</u> |
|---|------------------------|
| Cash flows from operating activities:   |                        |
| Cash received from customers  | \$ 22,917              |
| Cash paid to suppliers  | (20,381)               |
| Net cash provided by operating activities   | <u>2,536</u>           |
| Cash flows used in capital activities   |                        |
| Purchase of fixed assets  | (5,132)                |
| Net cash used in capital activities   | <u>(5,132)</u>         |
| Decrease in cash  | (2,596)                |
| Cash, beginning of year   | 8,704                  |
| Cash, end of year   | <u><u>\$ 6,108</u></u> |
| Reported as:  |                        |
| Cash  | 1,154                  |
| Restricted cash   | 4,954                  |
|   | <u><u>\$ 6,108</u></u> |
| Reconciliation of operating loss to net cash provided by operating activities:        |                        |
| Operating loss  | \$ (18,773)            |
| Adjustments to reconcile operating loss to net cash provided by operating activities: |                        |
| Depreciation  | 20,400                 |
| Change in net assets decrease (increase) and current liabilities increase (decrease): |                        |
| Accounts receivable   | 98                     |
| Accounts payable  | (93)                   |
| Customer deposits   | 280                    |
| Unearned revenue  | 624                    |
| Total adjustments   | <u>21,309</u>          |
| Net cash provided by operating activities   | <u><u>\$ 2,536</u></u> |

## **TOWN OF OTTER CREEK, FLORIDA**

### **NOTES TO FINANCIAL STATEMENTS**

September 30, 2016

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Town of Otter Creek (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As provided by GASB 34, the Town has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than ten million. The Town has implemented all other applicable provisions of this Statement.

**A. Reporting Entity** - The Town of Otter Creek, Florida is a municipal, political subdivision of the State of Florida, established by House Bill 560, (1969). Accordingly, it is controlled by the Florida Constitution and various Florida Statutes as well as its own local charter, ordinances and policies. It is governed by an elected Mayor and Town Council.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that no potential component units existed which should be included within the reporting entity.

**B. Measurement Focus and Basis of Accounting** - The basic financial statements of the Town are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

## **1. Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the Town also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

## **2. Fund Financial Statements**

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Town's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually for governmental and enterprise funds.

**Governmental Funds** – The Town's General Fund is its only governmental fund. 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 collected within

the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources, during a period."

Any non-current portions of long-term receivables (special assessments) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Proprietary Funds** - The Town's Enterprise Fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The Town applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operation revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce



long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

**C. Basis of Accounting** - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has only one major governmental fund and one major proprietary fund at year end.

**1. Governmental Major Fund:**

**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.

**2. Proprietary Major Fund:**

**Enterprise Fund** - The Enterprise Fund accounts for the revenues, expenses, assets, and liabilities associated with the Town operated water supply service.

**3. Non-current Governmental Assets/Liabilities:**

GASB Statement 34 requires non-current governmental assets, such as land and building, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net position.

**D. Assets, Liabilities and Net Position or Equity**

**1. Cash and Investments** - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.

**2. Allowance for Doubtful Accounts** - The Town periodically provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2016, this allowance was \$0, based upon current anticipation of full collectibility.

**3. Compensated Absences** - The Town's employees do not accrue or receive vacation or sick leave benefits.

**4. Inventories** - The costs of governmental and enterprise fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.

**5. Fund Equity** - Restrictions represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use. Assigned fund balances represent tentative plans for future use of financial resources.

**6. Capital Assets** - Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements to acquire or construct them. All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

7. **Short-term Interfund Receivable/Payables** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivable and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.
8. **Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.  
  
All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.
9. **Prepaid Items** - Significant payments made to vendors for goods or services that will benefit periods beyond September 30, 2016, are recorded as prepaid items.
10. **Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
11. **Budgets** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all Town funds. All annual appropriations lapse at fiscal year end. The encumbrance system is not utilized by the Town.

## NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide State of Net Position.

“Total fund balances” of the Town’s governmental funds \$190,601 differs from “net position” of governmental activities \$199,482 reported in the statement of net position. This difference primarily results from the long-term economical focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

#### Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the Town as a whole.

|                          |                 |
|--------------------------|-----------------|
| Cost of capital assets   | \$ 153,060      |
| Accumulated depreciation | (144,179)       |
| Total                    | <u>\$ 8,881</u> |

**TOWN OF OTTER CREEK, FLORIDA**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

|   | Total<br>Governmental<br>Funds | Capital<br>Related<br>Items | Statement<br>of<br>Net Position |
|---|--------------------------------|-----------------------------|---------------------------------|
| <b>ASSETS</b>                                     |                                |                             |                                 |
| Cash  | \$ 93,563                      | \$ -                        | \$ 93,563                       |
| Investments                                       | 97,792                         | -                           | 97,792                          |
| Capital assets - net                              | -                              | 8,881                       | 8,881                           |
| Total assets                                      | <u>\$ 191,355</u>              | <u>\$ 8,881</u>             | <u>\$ 200,236</u>               |
| <b>LIABILITIES AND FUND BALANCES/NET POSITION</b> |                                |                             |                                 |
| Liabilities                                       |                                |                             |                                 |
| Accounts payable                                  | \$ 754                         | \$ -                        | \$ 754                          |
| Total liabilities                                 | <u>754</u>                     | <u>-</u>                    | <u>754</u>                      |
| Fund balance/Net position                         | <u>190,601</u>                 | <u>8,881</u>                | <u>199,482</u>                  |
| Total liabilities and fund balance/net position   | <u>\$ 191,355</u>              | <u>\$ 8,881</u>             | <u>\$ 200,236</u>               |

**B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” for governmental funds \$22,051 differs from the “change in net position” for governmental activities \$21,446 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charges for the year.

|                      |                 |
|----------------------|-----------------|
| Depreciation expense | \$ (605)        |
|                      | <u>\$ (605)</u> |

**TOWN OF OTTER CREEK, FLORIDA**

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**B. Explanation of Differences Between Government Fund Operating Statements and the Statement of Activities**

|                                    | Total<br>Governmental<br>Funds | Capital<br>Related<br>Items | Statement<br>of<br>Activities |
|------------------------------------|--------------------------------|-----------------------------|-------------------------------|
| <b>REVENUES</b>                    |                                |                             |                               |
| Taxes                              | \$ 65,205                      | \$ -                        | \$ 65,205                     |
| Intergovernmental revenue          | 10,425                         | -                           | 10,425                        |
| Franchise fees                     | 5,621                          | -                           | 5,621                         |
| Fines and forfeitures              | -                              | -                           | -                             |
| Interest                           | 458                            | -                           | 458                           |
| Miscellaneous                      | 642                            | -                           | 642                           |
| Total revenues                     | <u>82,351</u>                  | <u>-</u>                    | <u>82,351</u>                 |
| <b>EXPENDITURES</b>                |                                |                             |                               |
| Current expenditures               |                                |                             |                               |
| General government                 | 52,464                         | 585                         | 53,049                        |
| Public safety                      | 6,028                          | 20                          | 6,048                         |
| Transportation                     | 1,094                          | -                           | 1,094                         |
| Culture/recreation                 | 714                            | -                           | 714                           |
| Total expenditures                 | <u>60,300</u>                  | <u>605</u>                  | <u>60,905</u>                 |
| Change in net position             | 22,051                         | (605)                       | 21,446                        |
| Fund balances at beginning of year | 168,550                        | 9,486                       | 178,036                       |
| Fund balances at end of year       | <u>\$ 190,601</u>              | <u>\$ 8,881</u>             | <u>\$ 199,482</u>             |

### **NOTE 3. LEGAL COMPLIANCE–BUDGETS**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Town Council develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of a resolution.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the Town Council.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council. No amendments were made to the budget during the year.

### **NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits. The bank balances of the Town deposits were fully insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the Town is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. At year end, all investments consisted of bank certificates of deposits which was fully insured or collateralized. These investments are classified as Category 1 in accordance with GASB Standard No. 3, "Deposits with Financial Institutions, Investments, and Reserve Repurchase Agreements."

### **NOTE 5. PROPERTY TAX REVENUES**

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2015-2016 fiscal year were levied in October 2015. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

|   | Beginning<br>Balance | Additions          | Deletions           | Ending<br>Balance |
|---|----------------------|--------------------|---------------------|-------------------|
| <b><u>Governmental activities:</u></b>          |                      |                    |                     |                   |
| Capital assets:                                 |                      |                    |                     |                   |
| Land  | \$ 2,150             | \$ -               | \$ -                | \$ 2,150          |
| Buildings and improvements                      | 65,523               | -                  | -                   | 65,523            |
| Equipment and vehicles                          | 85,387               | -                  | -                   | 85,387            |
| Total capital assets                            | 153,060              | -                  | -                   | 153,060           |
| Less accumulated depreciation                   | (143,574)            | (605)              | -                   | (144,179)         |
| Governmental activities<br>capital assets, net  | <u>\$ 9,486</u>      | <u>\$ (605)</u>    | <u>\$ -</u>         | <u>\$ 8,881</u>   |
| <b><u>Business-type activities:</u></b>         |                      |                    |                     |                   |
| Equipment                                       | \$ 1,437             | \$ 5,132           | \$ -                | \$ 6,569          |
| Construction in progress                        | 171,897              | -                  | (171,897)           | -                 |
| Building and improvements                       | 830,070              | -                  | -                   | 830,070           |
| Total capital assets                            | 1,003,404            | 5,132              | (171,897)           | 836,639           |
| Less accumulated depreciation                   | (758,141)            | (20,400)           | -                   | (778,541)         |
| Business-type activities<br>capital assets, net | <u>\$ 245,263</u>    | <u>\$ (15,268)</u> | <u>\$ (171,897)</u> | <u>\$ 58,098</u>  |

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

|   |                  |
|---|------------------|
| <b>Governmental activities:</b>                       |                  |
| General government                                    | \$ 585           |
| Public Safety   | 20               |
| Total depreciation expense - governmental activities  | <u>\$ 605</u>    |
| <b>Business-type activities:</b>                      |                  |
| Water services  | \$ 20,400        |
| Total depreciation expense - business-type activities | <u>\$ 20,400</u> |

## **NOTE 7. RECEIVABLE AND PAYABLE BALANCES**

### **Receivables**

Receivables at September 30, 2016, were as follows:

|                           | Customer<br>Accounts |
|---------------------------|----------------------|
| Business-type activities: |                      |
| Enterprise                | \$ 394               |
|                           | <u>\$ 394</u>        |

### **Payables**

Payables at September 30, 2016, were as follows:

|                           | Vendors         |
|---------------------------|-----------------|
| Governmental activities:  |                 |
| General                   | \$ 754          |
| Business-type activities: |                 |
| Enterprise                | 263             |
|                           | <u>\$ 1,017</u> |

## **NOTE 8. RETIREMENT PLAN**

The Town has made no provision for an employee retirement plan and has no related liability for such a plan.

## **NOTE 9. CONTINGENT LIABILITIES**

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

## **NOTE 10. ABANDONMENT LOSS**

In 2013 the Town began a project to improve water services. Costs incurred between 2013 and 2015 consisting of project engineering were capitalized in the Construction in Progress asset account of the Enterprise Fund. The project was discontinued during the current year, causing the engineering services to have no future value. As a result, an abandonment loss of \$171,897 was recognized in the Enterprise Fund operating statement.



**NOTE 11. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to theft of, damage to and destruction of assets, and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverages for the past three years. There has been no reduction in insurance coverage from the previous year. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Employee Dishonesty Bond

**NOTE 12. LONG-TERM LIABILITIES**

The Town had no outstanding debt at September 30, 2016 or debt transactions during the fiscal year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

TOWN OF OTTER CREEK, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2016

|  | Original<br>and Final<br>Budget | Actual<br>Amount | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------------------|------------------|---|
| <b>REVENUES</b>                        |                                 |                  |   |
| <b>TAXES</b>                           |                                 |                  |   |
| Ad valorem taxes                       | \$ 56,136                       | \$ 53,574        | \$ (2,562)  |
| Discretionary sales tax                | 11,608                          | 10,179           | (1,429)   |
| Franchise fees                         |                                 |                  |   |
| Electricity                            | 5,300                           | 5,621            | 321   |
| Utility services tax                   |                                 |                  |   |
| Communications services tax            | -                               | 327              | 327   |
| Local option gas tax                   | -                               | 1,125            | 1,125   |
| Total taxes                            | <u>73,044</u>                   | <u>70,826</u>    | <u>(2,218)</u>  |
| <b>INTERGOVERNMENTAL REVENUE</b>       |                                 |                  |   |
| State shared revenues                  |                                 |                  |   |
| State revenue sharing                  | 5,208                           | 5,287            | 79  |
| Local governmental half-cent sales tax | 5,061                           | 5,138            | 77  |
| Total intergovernmental revenue        | <u>10,269</u>                   | <u>10,425</u>    | <u>156</u>  |
| <b>FINES AND FORFEITURES</b>           |                                 |                  |   |
| Court fines                            | 350                             | -                | (350)   |
| Total fines and forfeitures            | <u>350</u>                      | <u>-</u>         | <u>(350)</u>  |
| <b>MISCELLANEOUS</b>                   |                                 |                  |   |
| Interest on investments                |                                 | 458              |   |
| Other miscellaneous                    | 325                             | 642              | 317   |
| Total miscellaneous                    | <u>325</u>                      | <u>1,100</u>     | <u>775</u>  |
| Total revenues                         | <u>83,988</u>                   | <u>82,351</u>    | <u>(1,637)</u>  |
| <b>EXPENDITURES</b>                    |                                 |                  |   |
| General government                     |                                 |                  |   |
| Executive                              |                                 |                  |   |
| Personnel services                     | -                               | 4,726            | (4,726)   |
| Financial and administrative           |                                 |                  |   |
| Personnel services                     | -                               | 17,898           | (17,898)  |
| Operating expenses                     | 74,721                          | 26,890           | 47,831  |
| Legal counsel                          | -                               | 2,950            | (2,950)   |
| Total general government               | <u>74,721</u>                   | <u>52,464</u>    | <u>22,257</u>   |

TOWN OF OTTER CREEK, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2016

|   | Original<br>and Final<br>Budget | Actual<br>Amount | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------------------|------------------|---|
| <b>EXPENDITURES (continued)</b>         |                                 |                  |   |
| Public safety                           |                                 |                  |   |
| Fire control                            |                                 |                  |   |
| Operating expenses                      | 6,347                           | 6,028            | 319   |
| Total fire control                      | 6,347                           | 6,028            | 319   |
| Total public safety                     | 6,347                           | 6,028            | 319   |
| Transportation                          |                                 |                  |   |
| Roads and streets                       |                                 |                  |   |
| Operating expenses                      | 2,270                           | 1,094            | 1,176   |
| Culture/recreation                      |                                 |                  |   |
| Operating expenses                      | 650                             | 714              | (64)  |
| Total culture/recreation                | 650                             | 714              | (64)  |
| Total expenditures                      | 83,988                          | 60,300           | 23,688  |
| Excess of revenues over<br>expenditures | -                               | 22,051           | 22,051  |
| Change in fund balance                  | -                               | 22,051           | 22,051  |
| Fund balance at beginning of year       | 168,550                         | 168,550          | -   |
| Fund balance at end of year             | \$ 168,550                      | \$ 190,601       | \$ 22,051   |

**TOWN OF OTTER CREEK, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2016**

**I. Stewardship, Compliance, and Accountability**

- A. Budgetary Information.** The Town, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The Town prepares a tentative budget, which is used by the Town at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the Town's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the Town Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Town Council, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the Town Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

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

To the Mayor and Members of the  
Town Council  
Town of Otter Creek, Florida

We have audited the basic financial statements of the Town of Otter Creek, Florida as of and for the year ended September 30, 2016, and have issued our report thereon dated June 27, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Town of Otter Creek, Florida is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Otter Creek, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Otter Creek, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Otter Creek, Florida's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting.

**Finding 2011-1**

**Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the Town does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **MANAGEMENT'S RESPONSE**

***We agree with this finding. We are a very small government and have used our available resources to employ competent bookkeepers who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the Town Council review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the Town Council.***

***At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.***

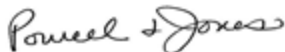
## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Otter Creek, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

This report is intended solely for the information and use of management and the Town Council, the Auditor General of the State of Florida, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**POWELL & JONES**  
Certified Public Accountants  
June 27, 2017

## MANAGEMENT LETTER

To the Mayor and Members of the  
Town Council  
Town of Otter Creek, Florida

We have audited the financial statements of the Town of Otter Creek, Florida, (the Town) as of and for the year ended September 30, 2016, and have issued our report thereon dated June 27, 2017. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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. Additionally our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

### PRIOR YEAR FINDINGS

#### Finding 2013-1

Payroll Transactions – From our audit of payroll transactions in prior years, we found that the Town was inadvertently withholding both the employee and Town portions of FICA from employee paychecks, thus underpaying employees by the Town's portion of FICA. We recommend that the Town correct these errors in the current year and amend any required payroll-related reports.

This finding was substantially corrected during the fiscal year ended September 30, 2015.

### CURRENT YEAR FINDINGS

There were no additional reportable findings in the current year.

### AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the Town of Otter Creek, Florida, for the year ended September 30, 2016.

Financial Emergency Status – We determined that the Town had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(7)(c) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.



Our audit did not disclose any further items that would be required to be reported under *Rules of the Auditor General*, Chapter 10.5549(1)(f).

**Deteriorating Financial Conditions** – From our audit procedures, we found the following conditions which together comprise “deteriorating financial conditions” as defined by Chapter 10.550, *Rules of the Auditor General*.

The Enterprise Fund showed the following trends:

|  | <u>9/30/2016</u>   | <u>9/30/2015</u>   | <u>9/30/2014</u>   |
|--|--------------------|--------------------|--------------------|
| Operating loss for the year ended        | <u>\$ (18,773)</u> | <u>\$ (39,863)</u> | <u>\$ (44,129)</u> |
| Unrestricted cash balance<br>at year end | <u>\$ 1,154</u>    | <u>\$ 3,904</u>    | <u>\$ 8,573</u>    |

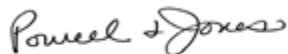
To correct these deteriorating financial conditions of the Enterprise Fund, we recommend that the Town implement strict measures during the current budget cycle to assure that revenues are sufficient to fund expenditures and replenish needed fiscal reserves in the Enterprise Fund. Finances should then be closely monitored during the subsequent year to ensure that these objectives are met.

Failure to correct these conditions could cause the Town in the future to meet a statutory condition that could result in a financial emergency.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*., Chapter 10.550.

## **CONCLUSION**

We have reviewed each of our specific findings with appropriate officials or employees and have provide them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year’s audit of the Town. We appreciate the helpful assistance and courtesy afforded us by all Town employees and look forward to working with you in the future.



**POWELL & JONES**  
Certified Public Accountants  
June 27, 2017

## INDEPENDENT ACCOUNTANT'S REPORT

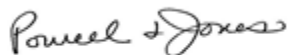
To the Mayor and Members of the  
Town Council  
Town of Otter Creek, Florida

We have examined the Town of Otter Creek, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2017. 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.

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 Town's compliance with specified requirements.

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

This report is intended solely for the information and use of the Town of Otter Creek, Florida and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



**POWELL & JONES**  
Certified Public Accountants  
June 27, 2017

## **Communication with Those Charged with Governance**

To the Mayor and Members of the  
Town Council  
Town of Otter Creek, Florida

We have audited the financial statements of the Town of Otter Creek, Florida for the year ended September 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Otter Creek, Florida are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the Town of Otter Creek, Florida's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

#### ***Disagreements with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that

could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 27, 2017.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

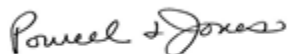
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of County Commissioners and management of the Town of Otter Creek, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**POWELL & JONES**

Certified Public Accountants

June 27, 2017