

TOWN OF CARYVILLE, FLORIDA

FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

**JOSEPH A. JONES
Certified Public Accountant
Crestview, Florida
June 10, 2019**

TOWN OF CARYVILLE, FLORIDA
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INDEPENDENT AUDITORS' REPORT

The Honorable Chairman and Members of the Town Council, Town of Caryville, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, and the business-type activities, of the Town of Caryville, Florida (the "Town"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Caryville'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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 judgement, 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, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Basis for Qualified Opinions on Government-Wide and Proprietary Funds
Opinions**

Accounting principles generally accepted in the United States of America require historical cost and related accumulated depreciation of capital assets be reported on the government-wide and proprietary fund statement of Net Position. The Town did not maintain adequate capital asset records noting asset descriptions, dates acquired, cost, depreciation, and accumulated depreciation. The Town did not maintain adequate paid expenditure/expense documentation. Due to the inadequacy of accounting records, I was unable to satisfy myself as to the accuracy and completeness of the accounting records in both the General Fund and the Water and Garbage Fund. Since there were many missing accounting records, I am unable to conclude that the financial statements as a whole are free from material misstatement due to the inability to obtain sufficient appropriate audit evidence. As a result, I was unable to form an opinion regarding the General fund assets, net position, and expenditures and the Water and Garbage fund assets, net position, and expenses.

Qualified Opinions

In my opinion, except for the effects of the matters described in the “Basis for Qualified Opinions on Government-Wide and Proprietary Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities, of the Town of Caryville, Florida (the “Town”), as of and for the year ended September 30, 2017, in accordance with accounting principles generally accepted in the United States of America.

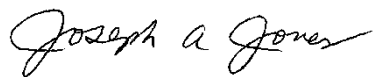
Other Matters

Required Supplementary Information

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement basis financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated June 10, 2019 on my consideration of the Town of Caryville’s internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Caryville’s internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Caryville’s internal control over financial reporting and compliance.



Joseph A. Jones, CPA
Crestview, Florida
June 10, 2019

Town of Caryville, Florida
Statement of Net Position
September 30, 2017

	Governmental	Business-Type	Total
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>
Assets:			
Current assets:			
Cash Unrestricted	\$ 324	\$ 7,182	\$ 7,507
Receivables, net	8,000	8,691	16,691
Due from other funds	-		-
Restricted assets:			-
Cash	115	718	833
Total Current Assets	<u>8,440</u>	<u>16,591</u>	<u>25,031</u>
Noncurrent assets:			
Receivables, net	<u>40,000</u>		<u>40,000</u>
Capital assets, net of depreciation:			
Land	957,640	12,000	969,640
Buildings	-	1,000	1,000
Vehicles and equipment	8,487	48,855	57,342
Water System	-	187,705	187,705
Water Well	-	517,316	517,316
Total capital assets, net	<u>966,127</u>	<u>766,876</u>	<u>1,733,003</u>
Total noncurrent assets	<u>1,006,127</u>	<u>766,876</u>	<u>1,773,003</u>
Total Assets	<u>\$ 1,014,567</u>	<u>\$ 783,467</u>	<u>\$ 1,798,034</u>

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

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Town of Caryville, Florida
Statement of Net Position
September 30, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total <u>Activities</u>
Liabilities:			
Current liabilities:			
Accounts Payable	\$ 17,297	\$ 5,612	\$ 22,909
Payroll Tax liabilities	14,176	17,326	31,502
Notes Payable	1,471	18,157	19,628
Accrued interest		1,009	1,009
Customer Deposits		2,060	2,060
Total Current Liabilities	<u>32,944</u>	<u>44,164</u>	<u>77,108</u>
Noncurrent liabilities:			
Notes Payable	5,588	17,498	23,085
Total noncurrent liabilities	<u>5,588</u>	<u>17,498</u>	<u>23,085</u>
Total Liabilities	<u>38,532</u>	<u>61,661</u>	<u>100,193</u>
Unearned Revenue - easement sale	<u>48,000</u>	-	<u>48,000</u>
Total liabilities and unearned revenue	<u>86,532</u>	<u>61,661</u>	<u>148,193</u>
Net Position			
Investment in capital assets, net of related debt	959,069	730,213	1,689,281
Restricted for street improvements	115		115
Restricted for customer deposits		2,060	2,060
Unrestricted	(31,149)	(10,467)	(41,616)
Total Net Position	<u>928,035</u>	<u>721,806</u>	<u>1,649,841</u>
Total liabilities, unearned revenue, & net Position	<u>\$ 1,014,567</u>	<u>\$ 783,467</u>	<u>\$ 1,798,034</u>

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

Town of Caryville, Florida
Statement of Activities
For fiscal year ended September 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Revenues:</u>			<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	
<u>General government activities:</u>					
General government	\$ 113,531	\$ -	\$ -	\$ -	\$ (113,531)
Culture and Recreation	2,183				(2,183)
Total governmental activities	115,714	-	-	-	(115,714)
<u>Business-type activities:</u>					
Water & Garbage Expenses	146,285	108,383	-	-	(37,902)
Total business-type activities	146,285	108,383	-	-	(37,902)
Total	\$ 261,999	\$ 108,383	\$ -	\$ -	\$ (153,616)

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

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Town of Caryville, Florida
Statement of Activities
For fiscal year ended September 30, 2017

Changes in Net Assets:	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) revenue	<u>\$ (115,714)</u>	<u>\$ (37,902)</u>	<u>\$ (153,616)</u>
 <u>General revenues:</u>			
Cemetery Plots	\$ 50		\$ 50
FDOT Highway Lighting Maintenance	5,675		5,675
FDOT Right of Way Maintenance	9,370		9,370
Franchise Fees	6,315		6,315
Miscellaneous Income	895		895
Rental Income	2,075		2,075
State Alcohol Beverage Tax	63		63
State Communication Service Tax	3,488		3,488
State Discretionary Sur-Tax	19,607		19,607
State Half Cent Sales Tax	9,098		9,098
State Local Option Gas Tax	855		855
State Mobile Home Tax	228		228
State Revenue Sharing	16,052		16,052
Utility Tax	18,045		18,045
Qualifying Fees	700		700
Flea Market Rent	2,922		2,922
Worm Fiddlin - Sponsors	400		400
Worm Fiddlin - Vendors	370		370
Worm Fiddlin Festival	610		610
Easement revenue	8,000		8,000
Total general revenues	<u>\$ 104,817</u>	<u>\$ -</u>	<u>\$ 104,817</u>
Changes in net position:	(10,897)	(37,902)	(48,799)
Net Position - beginning	<u>938,932</u>	<u>759,708</u>	<u>1,698,640</u>
Net Position - ending	<u><u>\$ 928,035</u></u>	<u><u>\$ 721,806</u></u>	<u><u>\$ 1,649,841</u></u>

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

Town of Caryville, Florida
 Balance Sheet Governmental Funds
 September 30, 2017

	<u>General Fund</u>
Assets:	
Cash, restricted	\$ 115
Cash, Unrestricted	<u>324</u>
Total Assets	<u><u>440</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts Payable	17,297
Payroll Taxes Payable	14,176
Current portion of Loan Payable	<u>1,471</u>
Total liabilities	32,944
Fund balance:	
Restricted	115
Unassigned	<u>(32,619)</u>
Total fund balance	<u>(32,504)</u>
Total Liabilities and Fund Balance	<u><u>\$ 440</u></u>

Reconciliation of Governmental Fund Balance Sheet to the
 Statement of Net Position

Fund balance - governmental fund	\$ (32,504)
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets in governmental activities are not reported on this statement	<u>966,127</u>
Net Position of Governmental Activities Per Statement of Net Position	<u><u>\$ 928,035</u></u>

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

Town of Caryville, Florida
Statement of Revenues, Expenditures and Changes in
Net Position - Governmental Funds
For fiscal year ended September 30, 2017

	<u>General Fund</u>
<u>REVENUES:</u>	
Cemetery Plots	\$ 50
FDOT Highway Lighting Maintenance	5,675
FDOT Right of Way Maintenance	9,370
Franchise Fees	6,315
Miscellaneous Income	895
Rental Income	2,075
State Alcohol Beverage Tax	63
State Communication Service Tax	3,488
State Discretionary Sur-Tax	19,607
State Half Cent Sales Tax	9,098
State Local Option Gas Tax	855
State Mobile Home Tax	228
State Revenue Sharing	16,052
Utility Tax	18,045
Qualifying Fees	700
Flea Market Rent	2,922
Worm Fiddlin - Sponsors	400
Worm Fiddlin - Vendors	370
Worm Fiddlin Festival	610
Easement revenue	8,000
Total Revenues	<u>\$ 104,817</u>
<u>EXPENDITURES:</u>	
General Government (excludes Depreciation)	\$ 113,460
Culture and Recreation, Worm Fiddlin	2,183
Capital Outlay, Mower	8,558
Total Expenditures	<u>124,201</u>
Excess (deficiency) of revenues (under) expenditures	\$ (19,384)
Net Position at beginning of year	<u>(13,120)</u>
Net Position at end of year	<u><u>\$ (32,504)</u></u>

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

Town of Caryville, Florida
 Reconciliation of Statement of Revenues, Expenditures and
 Changes in Net Position of Governmental Funds to the
 Statement of Activities
 For fiscal year ended September 30, 2017

Excess (deficiency) of revenues (under) expenditures	<u>\$ (19,384)</u>
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Amounts reported for governmental activities in the statement of activities are different because:
 Governmental fund reports outlays for capital outlay as expenditures in the year of purchase because such outlays use current financial resources. In contrast, the Statement of Activities allocates capital outlays over the assets' estimated useful lives as depreciation expense.

Capital asset expenditure, mower	8,558
Minus Depreciation expense	<u>(71)</u>
Subtotal	8,487

Change in Net Position of Statement of Activities	<u><u>\$ (10,897)</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Caryville, Florida
 General Fund Statement of Revenues and Expenditures
 Budget and Actual
 For fiscal year ended September 30, 2017

<u>Revenues</u>	Budgeted Amounts	Actual Amounts
Cemetery Plots	\$ 1,050	\$ 50
FDOT Highway Lighting Maintenance		5,675
FDOT Right of Way Maintenance	9,377	9,370
Franchise Fees	6,341	6,315
Miscellaneous Income	20	895
Rental Income	1,600	2,075
State Alcohol Beverage Tax	70	63
State Communication Service Tax	3,169	3,488
State Discretionary Sur-Tax	20,321	19,607
State Half Cent Sales Tax	8,200	9,098
State Local Option Gas Tax	916	855
State Mobile Home Tax	100	228
State Revenue Sharing	7,057	16,052
Utility Tax	17,099	18,045
Qualifying Fees		700
Flea Market Rent	500	2,922
Worm Fiddlin - Sponsors	594	400
Worm Fiddlin - Vendors	235	370
Worm Fiddlin Festival	697	610
Easement revenue	8,000	8,000
Total Revenues	\$ 85,345	\$ 104,817
 <u>Expenditures:</u>		
General Governmental Services	83,319	\$ 113,460
Public Safety		-
Streets		-
Culture and Recreation-Worm Fiddlin	2,026	2,183
Capital Outlay, mower		8,558
Reserved Funds		-
Total Expenditures	\$ 85,345	\$ 124,201
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (19,384)

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

Town of Caryville, Florida
 Balance Sheet - Proprietary Fund
 September 30, 2017

Business-type Activities - Enterprise Funds - Water & Garbage Fund

Assets:

Current Assets:

Cash, Unrestricted	\$ 7,182
Accounts Receivable, net	8,691
Restricted Assets:	
Cash, Restricted for Customer Deposits	718
Total current assets	<u>16,591</u>

Noncurrent Assets:

Capital assets:

Land	12,000
Buildings	6,000
Vehicles and equipment	162,049
Water System	1,039,292
Water Well	600,367
Less accumulated depreciation	<u>(1,052,832)</u>
Total capital assets (net of accumulated depreciation)	<u>766,876</u>
Total noncurrent assets	766,876

Total Assets	<u><u>\$ 783,467</u></u>
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Liabilities and Net Position:

Liabilities:

Current Liabilities:

Accounts payable	\$ 5,612
Payroll Tax liabilities	17,326
Notes Payable	18,157
Accrued Interest	1,009
Customer Deposits	2,060
Total current liabilities	<u>44,164</u>

Noncurrent liabilities

Notes Payable	17,498
Total noncurrent liabilities	<u>17,498</u>
Total Liabilities	61,661

Net Position:

Invested in capital assets, net of related debt	730,213
Restricted for customer deposits	2,060
Unrestricted	<u>(10,467)</u>
Total Net Position	<u>721,806</u>

Total Liabilities and Net Position	<u><u>\$ 783,467</u></u>
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The notes to the financial statements are an integral part of this statement

Town of Caryville, Florida
Statement of Revenues, Expenses, and changes
in Net Position - Proprietary Fund
For Fiscal Year Ended September 30, 2017

Business-type Activities - Enterprise Funds - Water Fund

Operating revenues:	
Water Revenues	\$ 48,857
Garbage Revenues	59,527
Total Revenues	<u>108,383</u>
Operating expenses:	
Wages & payroll taxes	32,297
Water Operator	4,725
Water samples	1,100
Utilities	8,485
Repairs & maintenance-Water	9,458
Repairs & maintenance-Garbage	5,283
Garbage Landfill Fees	12,823
Gas & Oil	6,187
Insurance	1,081
Supplies, Fees, Freight, Postage, Miscellaneous	3,098
Council gratuity	2,100
Depreciation-water	46,850
Depreciation-Garbage	11,182
Total operating expenses	<u>144,669</u>
Operating Income or (Loss)	<u>(36,286)</u>
Non-operating revenues (expenses)	
Interest expense - garbage truck	<u>(1,616)</u>
Total Non-operating revenues (expenses)	<u>(1,616)</u>
Income (Loss) and Change in Net Position	(37,902)
Net Position at beginning of year	<u>759,708</u>
Net Position at End of Year	<u>\$ 721,806</u>

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

Town of Caryville, Florida
 Proprietary Fund: Statement of Revenues and Expenses
 Budget and Actual
 For Fiscal Year Ended September 30, 2017

Business-type Activities - Enterprise Funds - Water & Garbage Fund

	Budget	Actual
Operating revenues:		
Water Revenues	\$ 40,706	\$ 48,857
Garbage Revenues	39,176	59,527
Total Revenues	<u>79,882</u>	<u>108,383</u>
Operating expenses:		
Wages & payroll taxes	31,456	32,297
Water Operator		4,725
Water samples		1,100
Utilities	10,157	8,485
Repairs & maintenance-Water	1,042	9,458
Repairs & maintenance-Garbage	5,708	5,283
Garbage Landfill Fees		12,823
Gas & Oil	4,500	6,187
Insurance	5,342	1,081
Supplies, Fees, Freight, Postage, Miscellaneous	3,206	3,098
Council gratuity		2,100
Depreciation-water		46,850
Depreciation-Garbage		11,182
Total operating expenses	<u>61,410</u>	<u>144,669</u>
OPERATING INCOME (LOSS)	<u>18,472</u>	<u>(36,286)</u>
Non-operating revenues (expenses)		
Interest expense - garbage truck	(1,616)	(1,616)
Total Non-operating revenues (expenses)	<u>(1,616)</u>	<u>(1,616)</u>
Income (Loss) and Change in Net Position	<u>\$ 16,856</u>	<u>\$ (37,902)</u>

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

Town of Caryville, Florida
Statement of Cash Flows - Proprietary Fund
For Fiscal Year Ended September 30, 2017

Business-type Activities - Enterprise Funds - Water & Garbage Fund

Cash Flows from Operating Activities	
Receipts from water customers	\$ 48,857
Receipts from garbage customers	59,527
Total receipts from customers	<u>108,383</u>
Less payments for:	
Wages & payroll taxes	32,297
Water Operator	4,725
Water samples	1,100
Utilities	8,485
Repairs & maintenance-Water	9,458
Repairs & maintenance-Garbage	5,283
Garbage Landfill Fees	12,823
Gas & Oil	6,187
Insurance	1,081
Supplies, Fees, Freight, Postage, Miscellaneous	3,098
Council gratuity	2,100
Less Total of payments listed above	<u>(86,637)</u>
Net cash provided by operating activities	21,747
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	16,531
Interest paid on capital debt	1,616
Less Net cash provided (used) by capital and related financing activities	<u>(18,148)</u>
Cash Flows from Investing & Non-Operating Activities	
None	-
Net cash provided by investing & non-operating activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,599
Cash and Cash Equivalents at beginning of year	4,301
Cash and Cash Equivalents at End of Year	<u><u>\$ 7,900</u></u>
Cash and Cash Equivalents at End of Year consist of:	
Unrestricted cash	7,182
Restricted cash	718
Total	<u><u>\$ 7,900</u></u>

The notes to the financial statements are an integral part of this statement.
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Town of Caryville, Florida
Statement of Cash Flows - Proprietary Fund (continued)
For Fiscal Year Ended September 30, 2017

Business-type Activities - Enterprise Funds - Water & Garbage Fund

Reconciliation of Operating income to Net Cash Provided by Operating Activities	
Operating income	\$ (37,902)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Add back Depreciation-water	46,850
Add back Depreciation-garbage	11,182
add back Interest paid	1,616
Change in assets and liabilities:	
Receivables (increase) decrease	2,867
Accounts Payable increase (decrease)	77
Payroll tax liability increase (decrease)	12,188
Accrued Interest increase (decrease)	(325)
Customer Deposits increase (decrease)	1,724
Notes Payable increase (decrease)	(16,531)
	<hr/>
Net cash provided by operating activities	<u>\$ 21,747</u>

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

Town of Caryville, Florida
Notes to Financial Statements
For fiscal year ended September 30, 2017

Note 1 – Summary of Significant Accounting Policies

The financial statements of the Town of Caryville, Florida (the “Town”) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units in accordance with the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the Town’s basic financial statements.

Reporting Entity

The Town became an incorporated municipality of the State of Florida in 1965 and operates under an elected council form of government. The authority of the Council and the policies it may implement are regulated by the Town’s Charter, Ordinances, Resolutions, and Statutes of the State of Florida. The Town provides general government, recreation, and water and garbage services to its residents. The Town has no component units. Police and fire protection are provided by Washington County, Florida.

Government-wide and Fun Financial Statements

The basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the general and proprietary funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town’s general administration services, parks and recreation, and streets are classified as governmental activities. The water and garbage services are classified as business-type enterprise funds or proprietary funds. In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis, and are reported in full accrual, economic resource measurement basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The Town’s net position is reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town first uses restricted resources to finance qualifying activities. The government-wide Statement of Position reports as restricted net assets those resources that are restricted by legislation. The government-wide Statement of Activities reports both gross and net cost of each of the Town’s functions and business-type activities: general government, water and garbage, etc. The functions are also supported by general government revenues (State Revenue Sharing, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues must be directly associated with the function or business-type activity. The net costs (by function or business-type activity) are normally covered by general revenue (Electric Franchise or Utility taxes, Communication Services taxes, etc.). The Town does not allocate indirect costs. Inter-fund activity has been removed from the Town’s financial statements. This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town’s net assets resulting from current year activities.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regarding of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or within sixty days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Garbage Fund are charges to customers for sales and services. Operating expenses for the Water and Garbage Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The effect of inter-fund activity has been eliminated from the government-wide financial statements.

General Fund: The Town's major governmental fund is the General Fund . The general fund is the general operating fund of the Town. It is used to account for all major financial resources of the general government, including the Gas tax revenues and expenditures, and Worm Fiddlin' Festival revenues and expenditures.

Water and Garbage Fund: The Town's proprietary fund is the Water & Garbage Fund. The Water & Garbage Fund accounts for all activity related to providing water services and garbage services to its citizens.

Note 1 – Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents:

Cash and cash equivalents represent cash on hand, demand deposits and short-term investments with an original maturity date within three months of the date acquired by the government. The Town currently has Cash and Cash equivalents in demand deposits.

Investments: The Town has no separate investment policy, and historically has invested only in interest bearing time deposits and savings accounts.

Accounts Receivable:

The General Fund accounts receivable includes a note receivable for the sale of an easement. The accounts receivable of the Water and Garbage Fund (the proprietary fund) consists of current, and delinquent, water and garbage bills. The Town grants credit to its proprietary fund customers who use its various services, substantially all of whom are local residents or businesses. Provisions for uncollectible utilities charges are charged to revenues in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses.

Inventories:

Purchases of inventories are reported as expenditures in the period purchased. Inventories are not considered to be material in amount and are not reported on the balance sheet or the statement of net position.

Prepaid Items:

Payments for goods or services, applicable to future periods, are recorded as prepaid items in the government-wide and business-type financial statements.

Town of Caryville, Florida
Notes to Financial Statements
For fiscal year ended September 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Restricted Assets:

Certain assets of the general fund, and water and garbage fund, are required by resolution to be set aside and used for specific purposes; thus, they are not available for general operating purposes. It is the City's policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures. The Gas tax fund bank account is restricted for road and street improvements. The Water system customer deposits bank account is restricted for payment of water customer unpaid bills.

Capital Assets:

Capital assets, including property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as equipment, buildings, and land with an estimated useful life in excess of one year and a cost, or value if donated, of \$5,000 or

Note 1 – Summary of Significant Accounting Policies (continued)

more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The Town did not report infrastructure acquired prior to October 1, 2003. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred, and are not capitalized. Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings 40 years
Improvements 40 years
Equipment 5 – 10 years

Long Term, or Non-Current, Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town had no deferred outflows.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has reported unearned revenues from an installment sale of an easement, which represents future payments to be received under the installment sale agreement.

Net Position and Fund Equity

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net asset categories:

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

Restricted: Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted: Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Town Council.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund balances are reported in the fund financial statements in two major categories: non-spendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. In addition to the non-spendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

Restricted : Fund balances that are constrained by external parties, constitutional provisions or enabling legislation.

Committed : Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.

Assigned: Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The Town has no fund balances classified as assigned.

Unassigned: Fund balances of the general fund that are not constrained for any particular purpose.

The authority to establish, modify or rescind a committed or assigned fund balance rests with the Town council and these actions are accomplished through an adopted resolution.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to use committed funds first, then assigned, and finally unassigned.

Tax Revenue

Florida Statute allows the Town to assess and collect property taxes within its municipal limits. However, the Town has chosen to operate on revenues generated from other sources. Its primary sources of revenue come from state collected and shared revenues generated from sales and gasoline taxes.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

Subsequent Events

Subsequent events have been evaluated through June 6, 2019, the date these financial statements were available to be issued, and no event was deemed to warrant recognition or disclosure. See note 8 for details of subsequent events.

Note 2 – Stewardship, compliance and Accountability

Budgetary Information:

The Town adopted a formal budget for the fiscal year. A Budgetary Comparison Schedule is included in the financial statements.

Town of Caryville, Florida
 Notes to Financial Statements
 For fiscal year ended September 30, 2017

Note 3 – Cash, Cash Equivalents, and Investments

Custodial Risk:

The Town maintains its deposits with “Qualified Public Depositories” as defined in Chapter 280 Florida Statutes. Under Florida Statute 280, and the federal depository insurance program, all of the Town’s deposits are fully insured or collateralized with collateral held by the State Treasurer.

Investments:

The Town is authorized under Chapter 218.415, Florida Statutes, to invest and reinvest surplus funds in its control or possession, in accordance with resolutions. The Town has invested its funds only in interest-bearing time deposits or savings accounts in banks.

Note 4 – Accounts Receivables

Water and Garbage Fund Accounts Receivable are reported at their gross value and then are reduced by the estimated portion expected to be uncollectible.

Water Accounts Receivable	\$ 8,996
Garbage Accounts Receivable	<u>13,335</u>
Subtotal of Accounts Receivable, gross	22,331
Less Allowance for Doubtful Accounts	<u>(13,640)</u>
Accounts Receivable, net	<u><u>\$ 8,691</u></u>

Town of Caryville, Florida
 Notes to Financial Statements
 For fiscal year ended September 30, 2017
 Town of Caryville, Florida
 Notes to Financial Statements
 For fiscal year ended September 30, 2017

Note 5 - Notes Receivable and sale of easement

On April 2013 the Town executed an agreement to convert a lease with Crown Castle Towers 09 LLC, Canonsburg, PA (Crown Castle) to an easement for access to cell phone tower property located at 1099 St. Mary’s Road, Caryville, FL. The easement is perpetual. In exchange, Crown Castle agreed to pay the Town an easement purchase price of \$100,000. Crown Castle agreed to pay a down payment of \$20,000 in April 2013, and pay the remaining \$80,000 of the sales price in annual installments of \$8,000 per year. The first payment is due April 1, 2014 and the last payment is due on April 1, 2023. The interest rate on the remaining balance is zero. The following installment schedule lists the agreed payments.

Town of Caryville, Florida
Notes to Financial Statements
For fiscal year ended September 30, 2017

Note 5 - Notes Receivable and sale of easement (continued)

Installment schedule for sale of easement to Crown Castle:

Easement sale price	\$ 100,000
Down payment at closing in April 2013	20,000
Payoff amount after down payment	<u>\$ 80,000</u>

<u>Payment #</u>	<u>Installment Payment Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Installment Payment</u>	<u>Payoff amount after current Installment Payment</u>
1	4/1/2014	\$ 8,000	\$ -	\$ 8,000	\$ 72,000
2	4/1/2015	\$ 8,000	\$ -	\$ 8,000	\$ 64,000
3	4/1/2016	\$ 8,000	\$ -	\$ 8,000	\$ 56,000
4	4/1/2017	\$ 8,000	\$ -	\$ 8,000	\$ 48,000
5	4/1/2018	\$ 8,000	\$ -	\$ 8,000	\$ 40,000
6	4/1/2019	\$ 8,000	\$ -	\$ 8,000	\$ 32,000
7	4/1/2020	\$ 8,000	\$ -	\$ 8,000	\$ 24,000
8	4/1/2021	\$ 8,000	\$ -	\$ 8,000	\$ 16,000
9	4/1/2022	\$ 8,000	\$ -	\$ 8,000	\$ 8,000
10	4/1/2023	\$ 8,000	\$ -	\$ 8,000	\$ -
Totals		<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	

Town of Caryville, Florida
Notes to Financial Statements
For fiscal year ended September 30, 2017

Note 5 – Capital Assets

Capital asset activity for the year was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<u>Governmental activities (General Fund)</u>				
Capital assets, not being depreciated:				
Land	\$ 957,640	\$ -	\$ -	\$ 957,640
Total Capital Assets not being depreciated	<u>957,640</u>	<u>-</u>	<u>-</u>	<u>957,640</u>
Capital Assets, being depreciated:				
Buildings	99,097	-	-	99,097
Vehicles and equipment	<u>-</u>	<u>8,558</u>	<u>-</u>	<u>8,558</u>
Total Capital Assets being depreciated	<u>99,097</u>	<u>8,558</u>	<u>-</u>	<u>107,655</u>
Total Cost of Capital Assets	1,056,737	8,558	-	1,065,295
Less accumulated depreciation for:				
Buildings	(99,097)	-	-	(99,097)
Vehicles and equipment	<u>-</u>	<u>(71)</u>	<u>-</u>	<u>(71)</u>
Total Accumulated Depreciation	<u>(99,097)</u>	<u>(71)</u>	<u>-</u>	<u>(99,168)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>8,487</u>	<u>-</u>	<u>8,487</u>
Governmental activities capital assets, net	<u>\$ 957,640</u>	<u>\$ 8,487</u>	<u>\$ -</u>	<u>\$ 966,127</u>

The increases reflect the purchase of a mower for \$8,558.

Town of Caryville, Florida
Notes to Financial Statements
For fiscal year ended September 30, 2017

Note 5 – Capital Assets (continued)

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<u>Business-type activities (Water & Garbage Fund)</u>				
Capital assets, not being depreciated:				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Total Capital Assets not being depreciated	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
Capital Assets, being depreciated:				
Buildings	6,000	-	-	6,000
Vehicles and equipment	162,049	-	-	162,049
Water System	1,039,292	-	-	1,039,292
Water Well	<u>600,367</u>	<u>-</u>	<u>-</u>	<u>600,367</u>
Total Capital Assets being depreciated	<u>1,807,708</u>	<u>-</u>	<u>-</u>	<u>1,807,708</u>
Total Cost of Capital Assets	1,819,708	-	-	1,819,708
Less accumulated depreciation for:				
Buildings	(4,800)	(200)	-	(5,000)
Vehicles and equipment	(102,012)	(11,182)	-	(113,194)
Water System	(816,944)	(34,643)	-	(851,587)
Water Well	<u>(71,043)</u>	<u>(12,007)</u>	<u>-</u>	<u>(83,051)</u>
Total Accumulated Depreciation	<u>(994,799)</u>	<u>(58,032)</u>	<u>-</u>	<u>(1,052,832)</u>
Total capital assets, being depreciated, net	<u>812,909</u>	<u>(58,032)</u>	<u>-</u>	<u>754,876</u>
Business-type activities capital assets, net	<u>\$ 824,909</u>	<u>\$ (58,032)</u>	<u>\$ -</u>	<u>\$ 766,876</u>

Town of Caryville, Florida
Notes to Financial Statements
For fiscal year ended September 30, 2017

Note 6 – Long Term, or Non-Current Debt

Non-current debt is as follows:

General Fund:

Mower purchased 8/25/2017 for a cost of	\$ 8,558
Less down payment	(1,500)
Note Payable with Sheffield Financial with no interest	\$ 7,058
Note payments are \$147.06 per month for 48 months beginning 12/23/2017	
Current liability for 10 months at \$147.06	\$ 1,471
Non-Current liability for 38 months at \$147.06 per month	5,588
Total Debt at September 30, 2017	<u>\$ 7,059</u>

Water and Garbage Fund:

Garbage truck purchased 2/12/2012 for a cost of	\$ 111,820
Note payable with Mercedes Benz Financial.	
Annual payments of \$18,472.25 are due beginning on March 28, 2013 with the last annual payment due on March 28, 2019. The interest rate is \$3.77%.	
The fiscal year 2017 payment was made in March 2017.	
After September 30, 2017, the March 2018 payment was made, and the final payment was made in March 2019.	
Current liability (paid in March 2018)	\$ 17,154
Non-Current liability (final payment was made in March 2019)	17,801
Total Debt at September 30, 2017	<u>\$ 34,955</u>

Note 7 – Risk Management

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained coverage from commercial insurance companies, effectively transferring any significant risk of loss.

Note 8 - Subsequent Events

Subsequent events have been evaluated through June 6, 2019, the date these financial statements were available to be issued, and no event was deemed to warrant recognition or disclosure. The Town has failed to timely issue audited financial statements and file the Annual Financial Report required by Florida Statutes Chapter 218 for the fiscal year ended September 30, 2017. As a result of the Town's failure to comply with these filing requirements, the State has been withholding revenues that normally would have been remitted to the Town.

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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

The Honorable Chairman and Members of the Town Council, Town of Caryville, Florida

I have audited, in accordance with the auditing standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the Town of Caryville, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Caryville's basic financial statements and have issued my report thereon dated June 10, 2019.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (Continued)

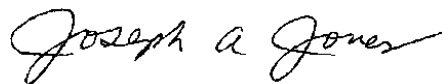
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



Joseph A. Jones, CPA
Crestview, Florida
June 10, 2019

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MANAGEMENT LETTER

The Honorable Chairman and Members of the Town Council, Town of Caryville, Florida

Report on the Financial Statements

I have audited the financial statements of the Town of Caryville, Florida, as of and for the year ended September 30, 2017, and I have issued my report thereon dated June 10, 2019.

Auditor's Responsibility

I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports and Schedule

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated June 6, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendation made in the preceding annual financial audit report.

Audit finding 2013-01 & 2010-01, Financial Condition Assessment (repeated in finding 2017-01)

The Water and Garbage fund is in a state of deteriorating financial condition as of fiscal year September 30, 2013, and this condition still exists as of fiscal year September 30, 2017. In FY2013 the Water and Garbage fund had an operating loss of \$88,880, and the current liabilities exceeded the current assets by \$47,080. In FY2010 the General fund operating deficit was \$18,775 and the Water and Garbage operating deficit was \$26,487. The recommendation for finding 2013-01 was the Town should closely monitor its revenues and expenditures and take steps necessary to reverse the trend of excess expenditures over revenues.

Audit findings 2013-03 & 2010-05, Accounts Receivable – Water & Garbage (repeated in finding 2017-02)

The Water and Garbage accounts receivable subsidiary report generated each month that reflects detailed balances and charges and collections for water and garbage service, by customer, does not agree with the general ledger.

The recommendations for findings 2013-03 and 2010-05 were the Town should take steps to determine whether the subsidiary ledger of customer accounts receivable for the Water and Garbage department is correct and if so, adjust the general ledger to agree with the balance. Thereafter each month, the subsidiary ledger should be reconciled with the general ledger.

Audit findings 2013-04 Water Revenue and 2013-05 Water Loss (repeated in finding 2017-03)

Regarding the water billing, inconsistencies were noted between meter readings and the amounts charged to customers based on the recorded readings. The Town appears to have unaccounted water usage and/or leakage. The potential result of unaccounted water usage is a loss of water revenues.

The recommendations for findings 2013-04 and 2013-05 were as follows: customers with unpaid bills should have their water service discontinued for non-payment; the Town should authorize an inspection of the water lines to determine where significant leakage is occurring; and an inspection or testing of the water meters should be made to determine if they are functioning properly.

Audit findings 2013-07 and 2010-01 Financial Report (repeated in finding 2017-05)

The Town failed to comply with the deadline established by the Florida Statutes for having a financial audit performed on its accounts and records and for filing its annual financial report (AFR) with the Department of Financial Services. Florida Statute 218.39 requires that a local government entity with revenues or the total of expenditures and expenses between \$100,000 and \$250,000, as reported on the fund financial statements, which has not be subject to a financial audit for the two (2) preceding years, have an annual financial audit completed within nine (9) months after the end of its fiscal year. Florida Statute 218.32 requires an AFR be filed with the Department of Financial Services at least annually.

The recommendations for these prior year findings were the Town should adhere to the statutory requirements noted above.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Caryville is a municipality in Washington County, Florida. The Town has no component units.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require me to apply appropriate procedures and communicate the results of my determination as to whether or not the Town of Caryville has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with my audit, it does appear the Town is in a state of deteriorating financial condition. The Water and Garbage Fund had a current year operating loss of \$37,902, and September 30, 2017 current liabilities exceeded current assets by \$27,573. The General Fund

expenditures exceeded revenues by \$10,897. The General Fund had a current year operating loss of \$37,902, and September 30, 2017 current liabilities exceeded current assets by \$24,504.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I communicate any recommendations to improve financial management. In connection with my audit, I have eight (8) findings and recommendations as listed below.

2017-01 Financial Condition Assessment (a repeat finding of finding 2013-01)

Pursuant to Section 10.554(1)(i)5.a. and 10.556(7), Rule of the Auditor General, I applied certain financial condition assessment procedures. Based on procedures, I determined the General Fund, and the Water and Garbage Fund, are in a state of deteriorating financial condition. The Water and Garbage Fund had a current year operating loss of \$37,902, and September 30, 2017 current liabilities exceeded current assets by \$27,573. The General Fund expenditures exceeded revenues by \$10,897. The General Fund had a current year operating loss of \$37,902, and September 30, 2017 current liabilities exceeded current assets by \$24,504.

It is management's responsibility to monitor the Town's financial condition, to help ensure the Town's ability to continue to provide services and pay for its operations. The causes of this financial condition are decreasing revenues without a corresponding decrease in expenditures. Also there are unpaid payroll taxes and uncollected delinquent water bills. If the current trend continues the Town could eventually be in a "state of financial emergency" and unable to provide critical services.

Recommendation: I recommend the Town closely monitor its revenues and expenditures and take steps necessary to reverse the trend of excess revenues over expenses/expenditures.

2017-02 Accounts Receivable – Water and Garbage (a repeat finding of finding 2013-03)

The subsidiary report generated each month that reflects detailed balances and charges and collections for water and garbage service, by customer, does not agree with the general ledger. To insure proper accounting and reporting of customer charges and payments, the subsidiary ledger used to capture all payments, charges, and adjustments to customer accounts should reconcile with the general ledger. The balance in the general ledger and the subsidiary ledger has not been adjusted to reconcile the subsidiary and general ledger. Water and garbage records may not reflect correct balances for accounts receivable, water revenue, and garbage revenue.

Recommendation: I recommend the Town take steps to determine whether the subsidiary ledger of customer accounts receivable for the Water and Garbage department is correct and if so, adjust the general ledger to agree with the balance. Thereafter each month, the subsidiary ledger should be reconciled with the general ledger.

2017-03 Water Revenue and Water Loss (repeat finding of findings 2013-04 and 2013-05)

The Town appears to have unaccounted water usage and/or leakage. The potential result of unaccounted water usage is the loss of water revenues. The potential result of water leakage is an unnecessary drain on the water system and is a waste of a limited natural resource. The Town clerk said many water meters are no longer working, and customers, having non-working meters, are charged the minimum rate. The September 2013 water subsidiary ledger lists 160 active water customers consisting of 135 customers whose meters show some water usage and 25 customers whose meters show no water usage. 150 water

customers were billed at the minimum water bill rate. 10 water customers were billed at a rate higher than the minimum water bill rate. Billing water customers for the minimum water rate charge may result in lost revenue when those customers are using more than the number of gallons of water for the minimum rate charge.

Recommend the Town work with appropriate state officials to request advice and assistance on replacement of leaking water lines, and on replacement of non-working, or inaccurate, water meters.

2017-04 Water customers continued to receive water service when they had unpaid prior month bills.

Many water customers were allowed to receive water service even though they had unpaid prior month water bills. Sixty two (62) water customers were allowed to continue to receive water service even though they had prior month unpaid water bills. Per the September 2013 subsidiary ledger Sixty two (62) water customers had prior month unpaid bills totaling to \$10,041. One customer had unpaid prior month water bills in excess of \$1,000, four customers had unpaid prior water month bills in excess of \$500, nineteen customers had unpaid prior month water bills in excess of \$100, and thirty eight customers had unpaid prior month water bills of less than \$100 each.

Lack of enforcement of water bill collection is a violation of Town ordinances, may be a violation of Florida Statutes, and results in lost revenue to the Town.

Recommendation: Recommend Town officials enforce Town ordinances requiring cut off of water services due to unpaid water bills.

2017-05 Financial Report (repeat finding of finding 2013-07)

The Town failed to comply with the deadline established by the Florida Statutes for having a financial audit performed on its accounts and records and for filing its annual financial report (AFR) with the Department of Financial Services. Florida Statute 218.39 requires that a local government entity with revenues or the total of expenditures and expenses between \$100,000 and \$250,000, as reported on the fund financial statements, which has not be subject to a financial audit for the two (2) preceding years, have an annual financial audit completed within nine (9) months after the end of its fiscal year. Florida Statute 218.32 requires an AFR be filed with the Department of Financial Services at least annually.

Recommendation: Recommend the Town adhere to the statutory requirements noted above.

2017-06 Failure to reconcile bank balances

Attempts were made to reconcile the bank statement balances to the bank balances reflected in the general ledger. However at September 30, 2017, the Water and Garbage bank reconciliation was out of balance by \$2,328, and showed the balance per books to be greater than the bank statement reconciled balance. Also the General Fund bank reconciliation was out of balance by \$2,424, and showed the balance per books to be greater than the bank statement reconciled balance. The Town did not maintain a detailed list of the September 30, 2017 un-cleared deposits and un-cleared checks, which is necessary information for performing bank reconciliations. Bank reconciliation out-of-balance differences indicate revenues and expenditures/expenses are overstated, or understated, in the general ledger accounts.

Recommendation: Recommend the Town Clerk ensure that bank reconciliations are properly performed, that the bank general ledger balance is reconciled to the bank statement, and that detailed lists of un-cleared deposits and un-cleared checks are maintained with the bank reconciliations.

2017-07 Failure to maintain records of all paid invoices

During my audit of expenditures for the General Fund, and expenses for the Water and Garbage Fund, the Town Clerk was unable to locate many of the paid invoices that I selected for audit. The current Town clerk was hired in fiscal year 2019. The previous Town clerk was not available to explain the lack of missing paid invoices. As a result I am unable to satisfy myself that many expenditures and expenses were for a lawful and appropriate purpose.

Recommendation: Recommend the Town officials make improvements to records filing procedures so that the Town is in compliance with State statutes regarding records retention.

2017-08 Failure to pay federal payroll taxes on employee wages

Federal payroll taxes due to the Internal Revenue Service (IRS) have gone unpaid for five prior year quarters (in FY2016 and FY2015), and those prior year taxes, penalties and interest total to \$19,314. Also all four quarters of the current year FY2017 payroll taxes were not paid, and the current year FY2017 taxes, penalties, and interest total to \$12,188. Total unpaid payroll taxes , penalties, and interest due to the IRS for current year FY2017, and prior years, totals \$31,502.

Recommendation: Recommend the new Town Clerk (hired in FY2019) work with the IRS to obtain a repayment plan to start paying down the payroll tax debt. Recommend the Town ensure that current and future quarterly payroll taxes are timely paid when due.

Special District Component Units

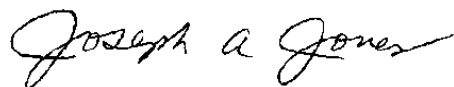
Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that I communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with my audit, I determined that the Town of Caryville has no component units.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires me to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with my audit, I did not have any such findings.

Purpose of this Letter

My management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City officials, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Joseph A. Jones, CPA
Crestview, Florida
June 10, 2019

JOSEPH A JONES
CERTIFIED PUBLIC ACCOUNTANT
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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA
STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES**

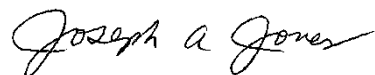
The Honorable Chairman and Members of the Town Council, Town of Caryville, Florida

I have examined the Town of Caryville, Florida's (the Town) 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. My responsibility is to express an opinion on the Town's compliance based on my examination.

My 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 I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the Town's compliance with specified requirements.

In my opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of the Town 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.



Joseph A. Jones, CPA
Crestview, Florida
June 10, 2019

Town of Caryville
4436 Old Spanish Trail
Caryville, FL 32427

(850) 548-5571
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June 10, 2019

JOSEPH A. JONES, CPA
6075 Bud Moulton Road
Crestview, Fl. 32536

Subject: the Town of Caryville's response to the FY2017 Audit Findings

The Town of Caryville has reviewed your FY2017 audit findings and the purpose of this letter is to provide the Town's response to the audit finds.

2017-01 Financial Condition Assessment (a repeat finding of finding 2013-01)

You recommended the Town closely monitor its revenues and expenditures and take steps necessary to reverse the trend of excess revenues over expenses/expenditures.

The Town agrees with this audit finding. The Town hired a new Town clerk in FY2019 and the new clerk wants to take what steps are necessary to improve the financial condition of the Town. The Town has hired a contract bookkeeper to assist the Town Clerk in improving the financial condition of the Town.

2017-02 Accounts Receivable – Water and Garbage (a repeat finding of finding 2013-03)

You recommended the Town take steps to determine whether the subsidiary ledger of customer accounts receivable for the Water and Garbage department is correct and if so, adjust the general ledger to agree with the balance. Thereafter each month, the subsidiary ledger should be reconciled with the general ledger.

The Town agrees with this audit finding. The Town clerk and the contract bookkeeper will take necessary steps to improve the bookkeeping and financial management processes of the Town.

2017-03 Water Revenue and Water Loss (repeat finding of findings 2013-04 and 2013-05)

You recommended the Town work with appropriate state officials to request advice and assistance on replacement of leaking water lines, and on replacement of non-working, or inaccurate, water meters.

The Town agrees with this audit finding. The Town has been approved for grant funding to replace the water lines. The Town is asking for grant assistance to replace old, and inoperable, water meters.

2017-04 Water customers continued to receive water service when they had unpaid prior month bills.

You recommended Town officials enforce Town ordinances requiring cut off of water services due to unpaid water bills.

The Town agrees with this audit finding. In May 2019, the Town passed a new ordinance to increase the water bill rates and enforce collection of water bills, including turning off water service to customers who refuse to pay unpaid delinquent water bills.

2017-05 Financial Report (repeat finding of finding 2013-07)

You recommended the Town adhere to the statutory requirements requiring timely financial statements audits and timely submission of Annual Financial Reports.

The Town agrees with this audit finding. The Town will work to improve the bookkeeping and financial management processes which should allow the Town to obtain timely financial audits and to file it annual financial reports on a timely basis.

2017-06 Failure to reconcile bank balances

You recommended the Town Clerk ensure that bank reconciliations are properly performed, that the bank general ledger balance is reconciled to the bank statement, and that detailed lists of un-cleared deposits and un-cleared checks are maintained with the bank reconciliations.

The Town agrees with this audit finding. The new Town Clerk, with the contract bookkeeper's assistance, will take necessary steps to ensure bank reconciliations are timely and accurately prepared.

2017-07 Failure to maintain records of all paid invoices

You recommended the Town officials make improvements to records filing procedures so that the Town is in compliance with State statutes regarding records retention.

The Town agrees with this audit finding. The Town will take necessary steps to ensure that the Town is maintaining adequate records files.

2017-08 Failure to pay federal payroll taxes on employee wages

You recommended the new Town Clerk work with the IRS to obtain a repayment plan to start paying down the payroll tax debt. You recommended the Town ensure that current and future quarterly payroll taxes are timely paid when due.

The Town agrees with this audit finding. The Town has contacted the IRS and has requested a payment plan to start paying down the payroll tax debt. The Town will take steps to improve the financial management processes including making timely payment of payroll taxes.

Thank you,

Signature William O. Pate

Printed name: WILLIAM O. PATE

Title VICE CHAIRMAN