

**Town of Altha, Florida**

**Financial Statements**

**September 30, 2018**

**Town of Altha, Florida**  
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**September 30, 2018**

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# GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER  
FLORIDA INSTITUTE AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Town Council  
Town of Altha, Florida  
Altha, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Altha, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Altha, Florida's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *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 (1) unmodified audit opinion on the general fund; and (2) qualified audit opinion on the governmental activities, business-type activities, and proprietary funds.

#### **Basis for Qualified Opinion on Governmental Activities, Business-Type Activities and Proprietary Funds**

Because of inadequacies in the Town of Altha, Florida's accounting records, we were unable to form an opinion regarding the amounts at which capital assets are recorded in the Garbage Fund, Water and Wastewater Fund, Governmental Activities and Business-Type Activities. Management has not adopted a methodology for supporting the value of capital assets or recording accumulated depreciation or depreciation expense on capital assets in its Garbage Fund, Water and Wastewater Fund, and Governmental Activities or Business-Type Activities. Accounting principles generally accepted in the United States of America require accumulated depreciation and depreciation expense be recorded. The amount by which this departure would affect the assets, net position and expenses of the Garbage Fund, Water and Wastewater Fund, Governmental Activities and Business-Type Activities has not been determined.

As discussed in Note 14 to the financial statements, the Town has not measured and recognized the cost of the future benefits to be provided from its postretirement health insurance plan. Accounting principles generally accepted in the United States of America require that those future liabilities be reported on the Statement of Net Position and in a Schedule of Funding Progress, and the annual costs associated with the plan be recorded on the Statement of Activities. The amount by which this departure would affect the long-term liabilities, net position and expenses of the governmental and business-type activities is not readily determinable.

#### **Qualified Opinion**

In our opinion, except for the effects, if any, of the matters described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental activities, the business-type activities and each major fund of the Town of Altha, Florida, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4.1 through 4.4 and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2020 on our consideration of the Town of Altha, Florida's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Altha, Florida's internal control over financial reporting and compliance.

*Grimsley & Associates*

Marianna, Florida  
December 31, 2020

Grimsley & Associates, P.A.  
Certified Public Accountants

**Town of Altha, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

An overview of the Town of Altha's ("the Town") financial activities in the fiscal year ended September 30, 2018 is presented below. Please read in conjunction with the Town's financial statements that begin on page 5.

**FINANCIAL HIGHLIGHTS**

The wastewater improvements for the New Altha K-12 School were completed in early 2017/18 and the Town was able to hook up some additional downtown businesses to the system. The Town also received additional grants in 2018 to assist in park improvements. Many of these improvements were not started or completed in 2018 due to Hurricane Michael.

The Town's basic financial statements are comprised of the following components:

***Government-wide financial statements:***

Government-wide financial statements provide both long-term and short-term information about the Town's overall financial condition. Changes in the Town's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the Town's net position changed during the fiscal year is presented in the Statement of Activities.

***Fund financial statements:***

Fund financial statements focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide financial statements. Fund financial statements include the statements for governmental and proprietary funds.

***Notes to the financial statements:***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 2 of the financial statements for more detailed information on the elements of the financial statements.

**Town of Altha, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

***Statement of Net Position:***

Net position may serve over time as a useful indicator of a government's financial position. At September 30, 2017, the Town's assets exceeded liabilities by \$4,615,383.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Assets</b>						
Current and other assets	\$ 61,811	\$ 66,675	\$ 192,132	\$ 502,883	\$ 253,943	\$ 569,558
Capital assets, net	926,656	926,656	4,015,960	4,015,960	4,942,616	4,942,616
Total assets	988,467	993,331	4,208,092	4,518,843	5,196,559	5,512,174
Deferred outflows of resources	72,574	61,844	18,533	15,851	91,107	77,695
<b>Liabilities</b>						
Current liabilities	42,588	62,213	19,632	310,801	62,220	373,014
Other liabilities	165,877	142,998	435,025	443,486	600,902	586,484
Total liabilities	208,465	205,211	454,657	754,287	663,122	959,498
Deferred inflows of resources	17,459	11,733	4,517	3,085	21,976	14,818
<b>Net position</b>						
Invested in capital assets, net of debt	889,338	877,027	3,608,468	3,597,664	4,497,806	4,474,691
Non-spendable	5,539	-	-	-	5,539	-
Restricted for debt service	-	-	179,692	476,155	179,692	476,155
Unrestricted	(59,760)	(38,796)	(20,709)	(296,497)	(80,469)	(335,293)
Total net position	\$ 835,117	\$ 838,231	\$ 3,767,451	\$ 3,777,322	\$ 4,602,568	\$ 4,615,553



**Town of Altha, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

**Statement of Activities:**

The following table reflects the condensed Statement of Activities for the current year:

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Program revenues	\$ 22,789	\$ 15,266	\$ 173,910	\$ 278,829	\$ 196,699	\$ 294,095
General revenues	197,345	344,170	1,254	17,118	198,599	361,288
Transfers	2,069	-	(2,069)	-	-	-
Total revenues	<u>222,203</u>	<u>359,436</u>	<u>173,095</u>	<u>295,947</u>	<u>395,298</u>	<u>655,383</u>
Function/program expenses	<u>225,317</u>	<u>378,748</u>	<u>182,966</u>	<u>165,919</u>	<u>408,283</u>	<u>544,667</u>
Increase (decrease) in net assets	(3,114)	(19,312)	(9,871)	130,028	(12,985)	110,716
Net assets - beginning of year	<u>838,231</u>	<u>857,543</u>	<u>3,777,322</u>	<u>3,647,294</u>	<u>4,615,553</u>	<u>4,504,837</u>
Net assets end of year	<u>\$ 835,117</u>	<u>\$ 838,231</u>	<u>\$ 3,767,451</u>	<u>\$ 3,777,322</u>	<u>\$ 4,602,568</u>	<u>\$ 4,615,553</u>

For more detailed information, see the accompanying Statement of Activities.

The Town's total revenues decreased by 65% or \$260,085 and total expenses decreased by 33% or \$136,384. The overall result was a \$12,985 decrease in net position for fiscal year 2018. The change in revenues and expenses were primarily due to the wastewater project for the new Altha K-12 School.

**Analysis of Government-wide financial statements:**

Approximately ninety percent (97%) of the Town's net position reflects its investment in capital assets (e.g. land, buildings, improvements, infrastructure, vehicles and equipment) less any outstanding related debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Town's balance of unrestricted net position was (\$80,469). Governmental activities decreased the Town's net position by \$3,114 while business-type activities decreased the Town's assets by \$9,871. Net position was valued at September 30, 2018 and 2017 at \$4,602,568 and \$4,615,553, respectively.

**Town of Altha, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2018**

***General Fund Budgetary Highlights:***

There were no differences between the original budget and the final budget of the Town. The Town operated within the budget.

***Long-Term Debt:***

September 2009, the Town issued \$436,000 in Water System Revenue Bonds Series 2008, with an interest rate of 4.125%, to finance a portion of the cost of constructing improvements to the water system. July 2016, the Town acquired a \$20,070 loan to finance repairs to the water well. In 2017, the Town acquired a \$41,931 loan for road repairs. Additional information on the Town's long-term debt can be found in the notes to the financial statements. Long-term debt was valued at September 30, 2018 and 2017 at \$444,809 and \$467,924, respectively.

***Capital Assets***

The Town's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$4,942,616 million (net of accumulated depreciation). Additional information on the Town's capital assets can be found in the notes to the financial statements. Capital assets were valued at September 30, 2018 and 2017 at \$4,942,616 and \$4,942,616, respectively.

***Requests for Information***

The financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town Clerk, P.O. Box 6 Altha, FL 32421.

## Town of Altha, Florida Statement of Net Position

September 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>Assets</b>			
Cash and cash equivalents	\$ 28,762	\$ 3,762	\$ 32,524
Restricted cash	-	179,692	179,692
Receivables, net	7,978	19,315	27,293
Due from (to) other funds	10,637	(10,637)	-
Due from other governments	8,895	-	8,895
Prepaid expenses	5,539	-	5,539
Capital assets, net			
Nondepreciable capital assets	77,000	124,284	201,284
Depreciable capital assets, net	849,656	3,891,676	4,741,332
Total assets	988,467	4,208,092	5,196,559
<b>Deferred outflows of resources</b>			
Pensions	72,574	18,533	91,107
Total deferred outflows of resources	72,574	18,533	91,107
<b>Liabilities</b>			
Accounts payable and accrued expenses	18,085	8,198	26,283
Long-term liabilities			
Due within one year			
Bonds and notes payable	24,503	11,434	35,937
Due in more than one year			
Pension liability	153,062	38,967	192,029
Bonds and notes payable	12,815	396,058	408,873
Total liabilities	208,465	454,657	663,122
<b>Deferred inflows of resources</b>			
Pensions	17,459	4,517	21,976
Total deferred inflows of resources	17,459	4,517	21,976
<b>Net Position</b>			
Invested in capital assets, net of related debt	889,338	3,608,468	4,497,806
Non-spendable	5,539	-	5,539
Restricted for Debt service	-	179,692	179,692
Unrestricted	(59,760)	(20,709)	(80,469)
Total net position	\$ 835,117	\$ 3,767,451	\$ 4,602,568

*The accompanying notes are an integral part of these financial statements*

## Town of Altha, Florida Statement of Activities

For the year ended September 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	PRIMARY GOVERNMENT		
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<b>Primary Government</b>							
<b>Governmental Activities:</b>							
General government	\$ 212,963	\$ 11,248	\$ -	\$ 1,371	\$ (200,344)	\$ -	\$ (200,344)
Public safety	6,193	10,170	-	-	3,977	-	3,977
Highways and streets	4,241	-	-	-	(4,241)	-	(4,241)
Total governmental activities	225,317	21,418	-	1,371	(202,528)	-	(202,528)
<b>Business Type Activities:</b>							
Garbage	69,778	67,468	-	-	-	(2,310)	(2,310)
Water and wastewater	113,188	106,442	-	-	-	(6,746)	(6,746)
Total business-type activities	182,966	173,910	-	-	-	(9,056)	(9,056)
Total primary government	\$ 408,283	\$ 195,328	\$ -	\$ 1,371	(202,528)	(9,056)	(211,584)
<b>General revenues</b>							
Taxes:							
Franchise taxes, public service taxes and shared revenues					190,713	-	190,713
Interest and investment earnings					31	1,254	1,285
Miscellaneous					6,601	-	6,601
Total general revenues and transfers					199,414	(815)	198,599
Change in net position					(3,114)	(9,871)	(12,985)
<b>Net position - beginning</b>					838,231	3,777,322	4,615,553
<b>Net position - ending</b>					\$ 835,117	\$ 3,767,451	\$ 4,602,568

The accompanying notes are an integral part of these financial statements

**Town of Altha, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**

September 30, 2018

		GENERAL
<b>Assets</b>		
Cash and cash equivalents	\$	28,762
Accounts receivable		7,978
Due from other funds		10,637
Due from other governments		8,895
Prepays		5,539
<hr/>		
Total assets	\$	61,811
<hr/>		
<b>Liabilities</b>		
Accounts payable	\$	15,198
Accrued expenses		2,887
<hr/>		
Total liabilities		18,085
<hr/>		
<b>Fund balances</b>		
Non-spendable		5,539
Unassigned		38,187
<hr/>		
Total fund balances		43,726
<hr/>		
Total liabilities and fund balances	\$	61,811

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

Total fund balances – governmental funds	\$	43,726
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.		926,656
Long-term liabilities, including pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.		(177,565)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds.		55,115
<hr/>		
Net position of governmental activities	\$	847,932

*The accompanying notes are an integral part of these financial statements*

**Town of Altha, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Fund**

*For the year ended September 30, 2018*

	<b>GENERAL</b>
<b>Revenues</b>	
Other taxes	\$ 140,761
Intergovernmental	59,555
Licenses and permits	960
Fines and forfeitures	685
Grants	1,371
Interest	31
Other fees and miscellaneous	16,771
Total revenues	220,134
<b>Expenditures</b>	
Current	
General government	188,890
Public safety	15,825
Highways and streets	7,431
Culture and recreation	4,225
Debt Service	
Principal	12,311
Interest	3,886
Total expenditures	232,568
Excess of expenditures over revenues	(12,434)
<b>Other financing sources (uses)</b>	
Transfers in	2,069
Net other financing sources (uses)	2,069
<b>Net change in fund balances</b>	<b>(10,365)</b>
<b>Fund balance - beginning</b>	<b>54,091</b>
<b>Fund balances - ending</b>	<b>\$ 43,726</b>

*The accompanying notes are an integral part of these financial statements*

**Town of Altha, Florida**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities**

*For the year ended September 30, 2018*

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Amounts reported for governmental activities in the statement of activities are

Net change in fund balances - total governmental funds	\$	(10,365)
Repayment of long-term debt is reported as an expenditure in the governmental funds but as a reduction of long-term liabilities in the statement of net position.		12,311
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not		
Pension expenses		(5,060)
<hr/>		
Change in net position of governmental activities	\$	(3,114)

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*The accompanying notes are an integral part of these financial statements*

**Town of Altha, Florida**  
**Statement of Net Position**  
**Proprietary Funds**

*For the year ended September 30, 2018*

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
<b>Revenues</b>				
Taxes	\$ 145,700	\$ 145,700	\$ 140,761	\$ (4,939)
Licenses and permits	850	850	960	110
Intergovernmental	64,465	64,465	59,555	(4,910)
Grants	-	-	1,371	1,371
Fines and forfeits	2,000	2,000	685	(1,315)
Contributions and miscellaneous revenue	11,010	11,010	16,771	5,761
Interest income	200	200	31	(169)
<b>Total revenues</b>	<b>224,225</b>	<b>224,225</b>	<b>220,134</b>	<b>(4,091)</b>
<b>Expenditures</b>				
General government	73,800	73,800	188,890	(115,090)
Public safety	91,975	91,975	15,825	76,150
Highways and streets	45,050	45,050	7,431	37,619
Culture and recreation	11,400	11,400	4,225	7,175
Capital Outlay	2,000	2,000	-	2,000
Debt Service - principal	-	-	12,311	(12,311)
Debt Service - interest	-	-	3,886	(3,886)
<b>Total expenditures</b>	<b>224,225</b>	<b>224,225</b>	<b>232,568</b>	<b>(8,343)</b>
Excess of revenues over (under) expenditures	-	-	(12,434)	(12,434)
<b>Other financing sources (uses)</b>				
Transfers in	-	-	2,069	2,069
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>2,069</b>	<b>2,069</b>
Net change in fund balances	-	-	(10,365)	(10,365)
Fund balance - beginning	54,091	54,091	54,091	-
Fund balances - ending	\$ 54,091	\$ 54,091	\$ 43,726	\$ (10,365)

*The accompanying notes are an integral part of these financial statements*



**Town of Altha, Florida**  
**Statement of Net Position**  
**Proprietary Funds**

September 30, 2018

	GARBAGE	WATER AND WASTEWATER	TOTAL
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,365	\$ 2,397	\$ 3,762
Accounts receivable, net	12,437	6,878	19,315
Due from other funds	4,882	-	4,882
<b>Total current assets</b>	<b>18,684</b>	<b>9,275</b>	<b>27,959</b>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	-	179,692	179,692
Capital assets			
Nondepreciable	-	124,284	124,284
Depreciable, net	81,290	3,810,386	3,891,676
<b>Total noncurrent assets</b>	<b>81,290</b>	<b>4,114,362</b>	<b>4,195,652</b>
<b>Total assets</b>	<b>99,974</b>	<b>4,123,637</b>	<b>4,223,611</b>
<b>Deferred outflows of resources</b>			
Pensions	9,173	9,360	18,533
<b>Total deferred outflows of resources</b>	<b>9,173</b>	<b>9,360</b>	<b>18,533</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued expenses	2,862	5,336	8,198
Due to other funds	901	14,618	15,519
Notes payable - current	-	5,147	5,147
Bonds payable - current	-	6,287	6,287
<b>Total current liabilities</b>	<b>3,763</b>	<b>31,388</b>	<b>35,151</b>
Noncurrent liabilities			
Notes payable	-	5,450	5,450
Bonds payable	-	390,608	390,608
Pension liability	19,315	19,652	38,967
<b>Total noncurrent liabilities</b>	<b>19,315</b>	<b>415,710</b>	<b>435,025</b>
<b>Total liabilities</b>	<b>23,078</b>	<b>447,098</b>	<b>470,176</b>
<b>Deferred inflows of resources</b>			
Pensions	2,222	2,295	4,517
<b>Total deferred inflows of resources</b>	<b>2,222</b>	<b>2,295</b>	<b>4,517</b>
<b>Net position</b>			
Invested in capital assets, net of related debt	81,290	3,527,178	3,608,468
Restricted for other purposes	-	179,692	179,692
Unrestricted	2,557	(23,266)	(20,709)
<b>Total net position</b>	<b>\$ 83,847</b>	<b>\$ 3,683,604</b>	<b>\$ 3,767,451</b>

*The accompanying notes are an integral part of these financial statements*

**Town of Altha, Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**

*For the year ended September 30, 2018*

	GARBAGE	WATER AND WASTEWATER	TOTAL
<b>Operating revenues</b>			
Water revenues pledged as security for revenue bonds	\$ -	\$ 106,442	\$ 106,442
Charges for services	67,468	-	67,468
<b>Total operating revenues</b>	<b>67,468</b>	<b>106,442</b>	<b>173,910</b>
<b>Operating expenses</b>			
Personal services	29,829	30,972	60,801
Services and supplies	19,796	43,372	63,168
Repairs and maintenance	3,230	4,028	7,258
Other operating expenses	16,923	17,536	34,459
<b>Total operating expenses</b>	<b>69,778</b>	<b>95,908</b>	<b>165,686</b>
<b>Net operating income</b>	<b>(2,310)</b>	<b>10,534</b>	<b>8,224</b>
<b>Nonoperating revenues (expenses)</b>			
Interest income	9	1,245	1,254
Interest expense	-	(17,280)	(17,280)
<b>Total nonoperating revenues (expenses)</b>	<b>9</b>	<b>(16,035)</b>	<b>(16,026)</b>
<b>Income before contributions and transfers</b>	<b>(2,301)</b>	<b>(5,501)</b>	<b>(7,802)</b>
<b>Transfers out, net</b>	<b>(671)</b>	<b>(1,398)</b>	<b>(2,069)</b>
<b>Change in net position</b>	<b>(2,972)</b>	<b>(6,899)</b>	<b>(9,871)</b>
<b>Total net position - beginning</b>	<b>86,819</b>	<b>3,690,503</b>	<b>3,777,322</b>
<b>Total net position - ending</b>	<b>\$ 83,847</b>	<b>\$ 3,683,604</b>	<b>\$ 3,767,451</b>

*The accompanying notes are an integral part of these financial statements*

**Town of Altha, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**

*For the year ended September 30, 2018*

	GARBAGE	WATER AND WASTEWATER	TOTAL
<b>Operating activities</b>			
Receipts from customers and users	\$ 57,797	\$ 108,731	\$ 166,528
Payments to suppliers	(38,519)	(357,708)	(396,227)
Payments to employees	(29,196)	(30,339)	(59,535)
Net cash provided by (used in) operating activities	(9,918)	(279,316)	(289,234)
<b>Noncapital financing activities</b>			
Operating subsidies and transfers from other funds	5,707	7,743	13,450
<b>Capital and related financing activities</b>			
Principal payments on capital debt	-	(10,804)	(10,804)
Interest payments on capital debt	-	(17,280)	(17,280)
Net cash provided by capital and related financing activities	-	(28,084)	(28,084)
<b>Investing Activities</b>			
Interest and dividends	9	1,245	1,254
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,202)</b>	<b>(298,412)</b>	<b>(302,614)</b>
<b>Cash - beginning of the year</b>	<b>5,567</b>	<b>480,501</b>	<b>486,068</b>
<b>Cash - end of the year</b>	<b>\$ 1,365</b>	<b>\$ 182,089</b>	<b>\$ 183,454</b>
<b>Reconciliation of net operating income to net cash provided by operating activities</b>			
Net operating income	\$ (2,310)	\$ 10,534	\$ 8,224
Adjustments to reconcile operating income to net cash provided by operating activities:			
Pension expense	1,053	1,053	2,106
Deferred outflows - Contributions after the measurement date	(420)	(420)	(840)
(Increase) decrease in accounts receivable	(9,671)	2,289	(7,382)
Increase (decrease) in accounts payable	1,430	(292,772)	(291,342)
Net cash provided by (used in) operating activities	\$ (9,918)	\$ (279,316)	\$ (289,234)

*The accompanying notes are an integral part of these financial statements*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Altha conform to generally accepted accounting principles applicable to governments. The following is a summary of the more specific policies:

**A. Reporting Entity**

Town of Altha, Florida (the "Town") is a municipal corporation formed under Chapter 27385, Laws of Florida, Act of 1951, and is governed by an appointed mayor and a five member council. The accompanying financial statements present the government only since there are no component units for which the government is considered to be financially accountable.

The definition of the reporting entity is based primarily on the notion of financial accountability. The financial statements of the Town include the funds and account groups required to account for those financial activities which are related to the Town and are controlled by or dependent upon the Town's legislative body. Control or dependence upon the Town was determined on the basis of budget adoption, taxing authority and outstanding debt secured by revenues or general obligation of the Town, and the Town's legal responsibility to fund any deficits that may occur.

**B. Government-Wide and Fund Financial Statements**

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements comprised of the statement of net position and the statement of changes in net position report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contributes to the change in the net position for the fiscal year.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The fund financial statements follow and report additional and detailed information about operations for major funds individually and non-major funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The following is reported as a major governmental fund:

**General Fund** – This is the Town’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The following are reported as major proprietary funds:

**Water and Wastewater Fund** – Accounts for the activities of the Town’s water distribution and wastewater operations.

**Garbage Fund** – Accounts for the activities of the Town’s garbage collection operations.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Town's enterprise funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting and the economic resources measurement focus. 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 Proprietary Funds are charges to customers for sales and services. Operating expenses for the Proprietary Funds 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

**D. Cash, Cash Equivalents, and Investments**

Cash and Cash Equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are stated at cost or amortized cost.

**E. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**F. Compensated Absences**

Annual leave is earned at five days annually for employees with one to five years of service, ten days annually for employees with five to ten years of service, and fifteen days for employees with fifteen or more years of service. Annual leave must be used in the year it is earned. When employment is terminated, all accumulated annual leave is lost. Sick leave is earned at the rate of eight hours for each month of service. An employee may accumulate sick leave without limitation, however, at separation from employment for whatever reason, no sick leave will be paid.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Deferred Revenues**

Deferred revenues reported in the government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available, and in accordance with the modified accrual basis of accounting, are reported as deferred revenues.

**H. Restricted Assets**

Restricted Assets consist of cash which is required by resolution to be set aside for specific purposes and is therefore unavailable for general operating purposes.

**I. Proprietary Fund Policies**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, the Town of Altha has elected not to apply the provisions of pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 to the Town's proprietary funds.

**J. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, right of ways, storm water system, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

Property, plant, and equipment with initial, individual costs that exceed \$750 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets effective October 1, 2003. The retroactive reporting of infrastructure is not required by the Town. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 – 50 years
Electrical, sewer, water and wastewater system	30 – 50 years
Equipment	5 – 10 years
Infrastructure	50 years

**K. Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 periods. Actual results could differ from those estimates.

**L. Accounts Receivable**

Customer accounts receivables are recorded at their net realizable value.

**M. Fund Balance Reporting and Governmental Fund-Type Definitions**

The Town adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Type Definitions (GASB Statement No. 54) effective October 1, 2010. This GASB Statement clarifies governmental fund balance classifications and fund-type definitions. Fund balances are classified either as non-spendable or spendable. See Note 16.

**N. Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

**O. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) Pension Plan and the Retirees' Health Insurance Subsidy (HIS) Program and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by FRS and HIS. The financial statements for FRS and HIS are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with U.S. GAAP. Contributions are recognized as revenues when due, pursuant to the statutory and contractual requirements.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Deferred Outflows of Resources**

A deferred outflow of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

**Q. Deferred Inflows of Resources**

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the Town's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. All budget changes that affect the total of a fund's budget must be approved by the Town Council.

The budgetary information presented for the general fund is prepared on the modified accrual basis. Encumbrances are not recorded. Unexpended items at year-end must be reappropriated in the subsequent year.

**NOTE 3 - PROPERTY TAXES**

Under Florida Law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the Department of Revenue for review to determine if the rolls meet all of the appropriate requirements.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February.

**NOTE 3 - PROPERTY TAXES (CONTINUED)**

The taxes paid in March are without discount

Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of property or by the five year statute of limitations.

Since the Calhoun County Tax Collector's Office acts quickly in selling tax certificates and in remitting such collections to the Town, no delinquent nor uncollected property taxes exist at year end. The Town Tax Calendar is as follows:

Valuation Date:	January 1
Levy Date:	November 1
Due Date:	March 31, Succeeding Year
Lien Date:	April 1, Succeeding Year

**NOTE 4 - DEPOSITS AND INVESTMENTS**

At year end, the carrying amount of the Town's deposits was \$212,216 and the bank balance was \$214,176. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposit Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act assessed additional amounts, they are assessed on a pro-rata basis.

In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Florida Statutes authorize the Town to invest in certificates of deposit, repurchase agreements and the State Treasurer's Investment Pool. In addition, the statutes allow the Town to invest in bonds, notes or other obligations of the United States Government, certain bonds of any state or local government unit, and bonds issued by certain government agencies.

**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

**Credit Risk**

The Town is not exposed to credit risk.

**Interest Rate Risk**

Investments held by the Town all have maturity dates of five years or less.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits (in excess of FDIC insurance) may not be returned. As of September 30, 2018, the Town was not exposed to custodial credit risk.

**Concentration of Credit Risk**

The Town is not exposed to concentration of credit risk.

**NOTE 5 - ACCOUNTS RECEIVABLE**

September 30, 2018	<b>GENERAL</b>	<b>WATER/ GARBAGE</b>
Trade accounts	\$ 7,978	\$ 19,315
Less allowance for doubtful accounts	-	-
<b>Receivables, net</b>	<b>\$ 7,978</b>	<b>\$ 19,315</b>

Receivables arise primarily from utility services (water and garbage) provided by the Town of Altha, Florida. The Town grants credit to customers, substantially all of whom are local residents.

**NOTE 6 - INTERFUND BALANCES**

Inter-fund balances are generally used to meet cash demands necessary to pay operating expenses. Amounts are generally repaid during the next fiscal year. Balance due to/from other funds at September 30, 2018 is as follows:

<b>Receivable fund</b>	<b>Payable fund</b>	<b>Total</b>
General	Garbage	\$ 901
General	Water	9,736
Garbage	Water	4,882
		<b>\$ 15,519</b>

**NOTE 7 - RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors or omissions; injuries to employees and/or the public; or damage to property of others; and natural disasters for which the Town carries commercial insurance. Insurance against losses is 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
- Accidental death and dismemberment

**NOTE 8 - GRANTS**

The Town participates in several state and federal grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for, or including, the year ended September 30, 2018, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the Town's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined, although the Town expects such amounts, if any, to be immaterial.

**NOTE 9 - DUE FROM OTHER GOVERNMENTS**

Due from other governments consists of funds earned as of September 30, 2018, but not yet received by the Town. The majority of these amounts were received in October and November 2018.

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

**Governmental activities:**

Capital assets, not being depreciated:

Land	\$ 77,000	\$ -	\$ -	\$ 77,000
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Capital assets, being depreciated:

Improvements other than buildings	298,086	-	-	298,086
Equipment	458,328	-	-	458,328

Total capital assets, being depreciated	756,414	-	-	756,414
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Governmental activities capital assets, net	\$ 833,414	\$ -	\$ -	\$ 833,414
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**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 10 - CAPITAL ASSETS (CONTINUED)**

**Business-type activities:**

Capital assets, not being depreciated:

Land	\$ 124,284	\$ -	\$ -	\$ 124,284
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Total capital assets, not being depreciated	124,284	-	-	124,284
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Capital assets, being depreciated:

Water System	3,815,768	-	-	3,815,768
Equipment	83,132	-	-	83,132

Total capital assets, being depreciated	3,898,900	-	-	3,898,900
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Less: accumulated depreciation for:

Water System	7,224	-	-	7,224
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Total accumulated depreciation	7,224	-	-	7,224
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Total capital assets, being depreciated, net	3,891,676	-	-	3,891,676
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Water/Garbage capital assets, net	\$ 4,015,960	\$ -	\$ -	\$ 4,015,960
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Depreciation expense was not charged out by function as the Town does not have adequate fixed asset records to properly calculate depreciation. See finding 2013-010.

**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 11 - LONG-TERM DEBT**

Long-term debt of the Town at September 30, 2018, is as follows:

**Governmental activities**

**Notes Payable**

PeoplesSouth Bank - interest only for first year, thereafter, payable in monthly installments of \$1,827, including interest at 4.25%, unsecured.	\$	31,850
Kubota Credit / PNC Equipment Financing - payable in monthly installments of \$215, including interest at 5.25%, secured by lawn equipment.		5,467
<hr/>		
Total governmental activities	\$	37,317

Debt Service requirements on governmental activities long-term debt at September 30, 2018 are as follows:

Year ending	Notes Payable			Totals
	Principal	Interest		
2019	\$ 23,092	1,411		24,503
2020	13,585	282		13,867
2021	640	6		646
<hr/>				
<b>Totals</b>	\$ 37,317	\$ 1,699	\$	39,016

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE	DUE WITHIN ONE YEAR
<b>Governmental activities:</b>					
Note payable	\$ 49,628	\$ -	\$ 12,311	\$ 37,317	\$ 24,503
<hr/>					
Total Governmental activities	\$ 49,628	\$ -	\$ 12,311	\$ 37,317	\$ 24,503

**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 11 - LONG-TERM DEBT (CONTINUED)**

**Business-type activities**

**Notes Payable**

PeoplesSouth Bank - payable in monthly installments of \$467.52, including interest at 5.50%, unsecured, due July 2020. \$ 10,597

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Total notes payable 10,597

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**Revenue Bonds Payable**

Water revenue bonds – 2008 Series

Authorized and issued \$436,000, interest at 4.125%, principal and interest payable annually on September 1, with principal payments beginning in 2012, collateralized by net revenues of the system.

Bonds were sold to U.S. Department of Agriculture, Rural Development. 396,895

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Total revenue bonds payable 396,895

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Total business-type activities \$ 407,492

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	<b>BEGINNING</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>ENDING</b>	<b>DUE</b>
	<b>BALANCE</b>			<b>BALANCE</b>	<b>WITHIN</b>
					<b>ONE YEAR</b>
<b>Business-type activities:</b>					
Note payable	\$ 15,114	\$ -	\$ 4,517	\$ 10,597	\$ 5,147
Bond payable	403,182	-	6,287	396,895	6,287
<b>Total Business-type activities</b>	<b>\$ 418,296</b>	<b>\$ -</b>	<b>\$ 10,804</b>	<b>\$ 407,492</b>	<b>\$ 11,434</b>

**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 11 - LONG-TERM DEBT (CONTINUED)**

Debt service requirements on business type activities long-term debt at September 30, 2018 are as follows:

Year ending September 30,	Principal	Interest	Principal	Interest
2019	5,147	454	6,546	16,372
2020	5,450	163	6,816	16,102
2021	-	-	7,097	15,821
2022	-	-	7,390	15,528
2023	-	-	7,695	15,223
2024-2028	-	-	43,504	71,085
2029-2033	-	-	53,248	61,340
2033-2037	-	-	65,174	49,414
2038-2042	-	-	79,772	34,816
2043-2047	-	-	97,640	16,949
2048-2049	-	-	22,013	908
<b>Totals</b>	\$ 10,597	\$ 617	\$ 396,895	\$ 313,558

**NOTE 12 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY**

**Defined Benefit Plans**

The Town participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.



**NOTE 12 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)**

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

**Benefits Provided**

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

**Contributions**

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The employer's contribution rates as of September 30, 2018, were as follows:

	FRS	HIS
Florida Retirement System:		
Regular	6.60%	1.66%
Senior Management Service Class	22.40%	1.66%
Special Risk	22.84%	1.66%
DROP	12.37%	1.66%

The employer's contributions for the year ended September 30, 2018, were \$15,202 to the FRS and \$2,082 to the HIS.

**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 12 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)**

**Pension Liabilities and Pension Expense**

In its financial statements for the year ended September 30, 2017, the Town reported a liability for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2017. The Town's proportions of the net pension liabilities were based on the Town's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	<b>FRS</b>	<b>HIS</b>
Net Pension Liability at June 30, 2018	\$ 158,855	\$ 33,174
Proportion at:		
Current measurement date	0.0004945	0.0003103
Prior measurement date	0.0005274	0.0003134
Pension expense (benefit)	\$ 27,388	\$ 3,689

**Deferred Outflows/Inflows of Resources Related to Pensions**

At September 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Description</b>	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	Differences between expected and actual experience	\$ 13,457	\$ (488)	\$ 623
Changes of assumptions	51,906	-	4,525	(4,302)
Net difference between projected and actual earnings on pension plan investments	-	(12,273)	25	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,725	(2,783)	6,644	(2,059)
Town contributions subsequent to the measurement date	3,743	-	460	-
Total	\$ 78,831	\$ (15,544)	\$ 12,277	\$ (6,430)

**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 12 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)**

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2018. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<i>Fiscal Year Ending June 30,</i>	<b>FRS</b>	<b>HIS</b>
2019	\$ 2,358	\$ 714
2020	13,745	714
2021	14,399	1,941
2022	16,433	2,518
2023	11,820	1,742
Thereafter	4,150	4,195
<b>Total</b>	<b>\$ 62,905</b>	<b>\$ 11,824</b>

**Actuarial Assumptions**

The total pension liability for each of the defined benefit plans, measured as of June 30, 2018, was determined by an actuarial valuation dated July 1, 2018, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	<b>FRS</b>	<b>HIS</b>
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.00%	N/A
Discount rate	7.00%	3.87%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2018 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 12 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)**

The following changes in key actuarial assumptions occurred in 2018:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.10% to 7.00%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 3.58% to 3.87%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation. The reduced investment return assumption of 7.60 percent, which was adopted by the Florida Retirement System Actuarial Assumption Conference, conflicts with the consulting actuary's judgment of a reasonable assumption as defined by Actuarial Standards of Practice No. 27.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Annual Arithmetic Return</b>	<b>Compound Annual (Geometric) Return</b>
Cash	1.0%	2.9%	2.9%
Fixed Income	18.0%	4.4%	4.3%
Global Equity	54.0%	7.6%	6.3%
Real Estate (Property)	11.0%	6.6%	6.0%
Private Equity	10.0%	10.7%	7.8%
Strategic Investments	6.0%	6.0%	5.7%
<b>Total</b>	<b>100.00%</b>		

**Discount Rate**

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.00%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 12 - STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)**

***Sensitivity Analysis***

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS Net Pension Liability		
	<b>Current</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(6.0%)</b>	<b>(7.0%)</b>	<b>(8.0%)</b>
Governmental Employer's proportionate share of the net pension liability	\$ 231,934	\$ 127,084	\$ 40,000
Business-Type Employer's proportionate share of the net pension liability	\$ 57,983	\$ 31,771	\$ 9,583

	HIS Net Pension Liability		
	<b>Current</b>		
	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b>(2.58%)</b>	<b>(3.58%)</b>	<b>(4.58%)</b>
Governmental Employer's proportionate share of the net pension liability	\$ 302	\$ 26,539	\$ 23,466
Business-Type Employer's proportionate share of the net pension liability	\$ 76	\$ 6,635	\$ 5,866

**Pension Plans' Fiduciary Net Position**

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

**Defined Contribution Plan**

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. There were no employees enrolled in FRS Investment Plan for the year ended September 30, 2018.

**NOTE 13 - LITIGATION AND CONTINGENT LIABILITIES**

The Town is involved in litigation arising from the ordinary course of business. In the opinion of management, after consultation with legal counsel, these matters will be resolved without a material adverse effect on the Town's financial statements.

**NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS**

In accordance with Section 112.0801 of the Florida Statutes, the Town provides postretirement health insurance to employees who retire from the County and wish to remain on the County's health plan. The retired employees reimburse the Town for the actual premium cost, including the portion that previously would have been paid by the County during employment. Expenses for postretirement health care benefits are recognized as paid and there is no advance funding on the part of the Town.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans, become effective for periods beginning after December 15, 2009 for Phase III governments, which the Town is considered. This new guideline is required for all governmental employers who provide other postemployment benefits for which the employer pays all or a part of the cost of the benefits, such as the postretirement health care plan discussed above. GASB Statement No. 45 improves financial reporting and disclosure by matching the cost of postemployment benefits with the periods when the related services are received by the employer, by providing information about accrued liabilities for promised benefits related to past services and the extent those liabilities have been funded and by providing valuable information about demands on future employer cash flows.

The Town did not implement GASB Statement No. 45 or obtain the actuarial report necessary to determine the amounts to report in the accompanying financial statements. The potential liability has not been reflected in the accompanying Statement of Net Position and the annual costs associated with the plan have also not been reflected in the accompanying Statement of Activities.

**NOTE 15 - RECLASSIFICATION**

Certain 2017 amounts have been reclassified to conform with 2018 classifications. Such reclassifications had no effect on reported net income.

**NOTE 16 - FUND EQUITY**

**Governmental Funds**

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The Town had \$5,539 in non-spendable net assets which represents the prepaid insurance balance at September 30, 2018.

**Town of Altha, Florida**  
**Notes to Financial Statements**  
**September 30, 2018**

**NOTE 16 - FUND EQUITY (Continued)**

Spendable fund balances are classified based on a hierarchy of the Town’s ability to control the spending of these fund balances and are reported in the following categories: restricted, committed, assigned and unassigned. For the year ending September 30, 2018, the Town reports net assets as restricted, assigned and unassigned. Restricted net assets have externally imposed constraints placed on the use of resources by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Assigned net assets have constraints placed on the use of resources by the Town’s intent to use the resources for a specific purpose. Unassigned fund balances have not been restricted, committed or assigned to specific purposes within the general fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

**Enterprise Funds**

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated as follows:

Water and wastewater fund	Debt service	\$	30,699
Water and wastewater fund	Sewer expansion project		148,993
<b>Total restricted fund equity</b>		<b>\$</b>	<b>179,692</b>

**NOTE 17 - SUBSEQUENT EVENTS**

The Town of Greenwood was greatly impacted by Hurricane Michael in October 2018. The Town has been working tirelessly to repair and/or replace infrastructure and other assets damaged during the storm. The Town has insurance that has assessed the damages and is working through the repair process. The Town will have some cost that will not be recovered through insurance and will seek funding from the Federal Emergency Management Agency (FEMA). This amount is neither measurable or available at year end and therefore no adjustments have been made to the accompanying financial statements.

In March 2020, the World Health Organization declared the coronavirus (COVID-19) a pandemic. As a result, local and financial markets experienced significant declines and local economies were greatly affected. The Federal Government passed the Coronavirus Aid, Relief, and Economic Security Act to address the fallout from COVID-19. These funds will pass through the State of Florida. No funds had been distributed the Town as of date of this report and no adjustments have been made to the accompanying financial statements.

**Town of Altha, Florida**  
**Schedule of Proportional Share of Net Pension Liability**  
**Florida Retirement System (Last 6 fiscal years)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Town's proportion of the net pension liability (asset)	0.000527%	0.000495%	0.000485%	0.000438%	0.000434%	0.000512%
Town's proportionate share of the net pension liability (asset)	\$ 158,855	\$ 146,275	\$ 122,415	\$ 56,571	\$ 26,467	\$ 88,162
Town's covered - employee payroll	\$ 126,034	\$ 114,105	\$ 110,779	\$ 109,628	\$ 100,430	\$ 104,022
Town's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	126.04%	128.19%	110.50%	51.60%	26.35%	84.75%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%	N/A

*Note: Data was unavailable prior to 2013*

**Note to Schedules:**

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which is June 30<sup>th</sup> of the current fiscal year.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

*See Independent Auditors' Report*



**Town of Altha, Florida**  
**Schedule of Contributions**  
**Florida Retirement System (Last 6 fiscal years)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contributions	\$ 15,030	\$ 12,874	\$ 11,823	\$ 10,678	\$ 9,502	\$ 6,832
Contributions in relation to the contractually required contribution	(15,030)	(12,874)	(11,823)	(10,675)	(9,502)	(6,832)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 126,034	\$ 114,105	\$ 110,779	\$ 109,628	\$ 100,430	\$ 104,022
Contributions as a percentage of covered-employee payroll	11.93%	11.28%	10.67%	9.74%	9.46%	6.57%

*Note: Data was unavailable prior to 2013*

Note to Schedules:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which is June 30<sup>th</sup> of the current fiscal year.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

*See Independent Auditors' Report*

**Town of Altha, Florida**  
**Schedule of Proportional Share of Net Pension Liability**  
**Health Insurance Subsidy (Last 6 fiscal years)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Town's proportion of the net pension liability (asset)	0.000313%	0.000310%	0.000324%	0.000340%	0.000345%	0.000339%
Town's proportionate share of the net pension liability (asset)	\$ 33,174	\$ 33,174	\$ 37,804	\$ 34,642	\$ 32,266	\$ 29,483
Town's covered - employee payroll	\$ 126,034	\$ 114,105	\$ 110,779	\$ 109,628	\$ 100,430	\$ 104,022
Town's proportionate share of the net pension liability (asset) as a percentage of its own covered - employee payroll	26.32%	29.07%	34.13%	31.60%	32.13%	28.34%
HIS Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%	N/A

*Note: Data was unavailable prior to 2013*

Note to Schedules:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which is June 30<sup>th</sup> of the current fiscal year.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

*See Independent Auditors' Report*

**Town of Altha, Florida**  
**Schedule of Contributions**  
**Health Insurance Subsidy (Last 6 fiscal years)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contributions	\$ 2,085	\$ 1,642	\$ 1,663	\$ 1,298	\$ 1,182	\$ 1,109
Contributions in relation to the contractually required contribution	(2,085)	(1,642)	(1,663)	(1,298)	(1,182)	(1,109)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 114,105	\$ 114,105	\$ 110,779	\$ 109,628	\$ 100,430	\$ 104,022
Contributions as a percentage of covered-employee payroll	1.83%	1.44%	1.50%	1.18%	1.18%	1.07%

*Note: Data was unavailable prior to 2013*

Note to Schedules:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which is June 30<sup>th</sup> of the current fiscal year.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

*See Independent Auditors' Report*

# GRIMSLEY & ASSOCIATES

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OWEN W. GRIMSLEY, C.P.A.

## **INDEPENDENT AUDITORS' 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***

Honorable Mayor and Town Council  
Town of Altha, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Altha, Florida, (the "Town") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Altha, Florida's, basic financial statements and have issued our report thereon dated December 31, 2020.

### **Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described below as items 2016-001, 2016-002, 2016-003, 2014-001, 2013-002, 2013-005 and 2013-010 that we consider to be material weaknesses.

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS:**

**None**

**PRIOR YEAR FINDINGS AND RECOMMENDATIONS:**

**FINANCIAL CLOSE AND REPORTING PROCEDURES, 2016-001 – NOT RESOLVED**

CRITERIA: Financial statements should be prepared timely and accurately to avoid errors and delays in completion of monthly and annual reports.

CONDITION: Financial closing and reporting procedures were not performed timely or accurately, resulting in errors and delayed completion of annual reports.

CAUSE: The Town does not have any formalized monthly or year-end financial statement closing procedures. The Town's accounting staff does not have experience in accrual based accounting.

EFFECT: The possibility exists that errors, unintentional or intentional, could occur and not be detected in a timely manner.

RECOMMENDATION: To ensure effective completion of the monthly and annual year-end accounting procedures and to ensure that the overall reporting timetable is met, we recommend that formal accounting instructions and related accounting practices be developed and included in the accounting policies and procedures manual. These procedures will help to ensure that all monthly journal entries are entered, bank accounts are reconciled, due to / due from other fund balances are balanced, and payroll, fund balances, accounts receivable and accounts payable sub ledgers are reconciled to the general ledger by a specified date. Once closeout procedures are performed, then the monthly financial statements should be printed and reviewed by both management personnel and Council members. Any unexpected or unusual balances should be investigated and documented. We further recommend the Town seek outside professional assistance to implement these procedures and review the results.

RESPONSE: See "Management Response."

**ACCRUAL ACCOUNTING, 2016-002 – RESOLVED**

CRITERIA: Generally accepted accounting principles in the United States of America require that revenues be recorded when earned and expenses be recorded when a liability is incurred, regardless of the timing of related cash flows.

CONDITION: Accrual accounting transactions were not properly recorded during the current year, resulting in audit adjustments to accounts receivable, prepaid assets and accounts payable.

**ACCRUAL ACCOUNTING, 2016-002 (Continued)**

CAUSE: The Town's accounting staff does not have sufficient knowledge of accrual based accounting to properly record these types of transactions.

EFFECT: Not recording transactions in the proper period could result in a material misstatement of the financial statements.

RECOMMENDATION: We recommend that all accrual transactions be recorded and suggest the accounting staff seek additional training and outside professional assistance to enable them to accurately record all financial activities on an accrual basis.

RESPONSE: The Town corrected this condition by contracting with a third-party Certified Public Accountant.

**OFFSETTING TRANSACTIONS, 2016-003 – RESOLVED**

CRITERIA: Generally accepted accounting principles require that revenue and expenses be recorded separately in the financial statements.

CONDITION: Certain capital asset purchases were recorded in the same account as the related grant revenue during the current year.

CAUSE: The Town's accounting staff was not familiar with the need to record these transactions separately.

EFFECT: By only reporting the net difference, there was an understatement of both revenue and expense.

RECOMMENDATION: We recommend that income received and related expenditures be properly recorded in separate accounts.

RESPONSE: The Town corrected this condition by contracting with a third-party Certified Public Accountant.

**OTHER POST EMPLOYMENT BENEFITS, 2014-001 – NOT RESOLVED**

CRITERIA: Accounting principles generally accepted in the United States of America require the Town to measure and recognize the cost of future benefits to be provided from its postretirement health insurance plan.

CONDITION: It was noted that the Town did not implement GASB Statement 45 to measure and recognize the cost of future benefits provided from its postretirement health insurance plan.

CAUSE: The Town did not obtain the actuarial report necessary to determine the amounts to report in the financial statements.

**OTHER POST EMPLOYMENT BENEFITS, 2014-001 – NOT RESOLVED (Continued)**

EFFECT: The failure to measure and recognize the cost of future benefits to be provided from its postretirement health insurance plan results in a departure from accounting principles generally accepted in the United States of America.

RECOMMENDATION: We recommend that an actuarial study and all other items necessary to implement GASB Statement 45 be performed and resulting costs be properly recorded.

RESPONSE: See “Management Response.”

**SEGREGATION OF DUTIES, FINDING 2013-002 - NOT RESOLVED**

CRITERIA: The internal control environment should include proper segregation of duties and responsibilities over accounting functions.

CONDITION: As noted in the prior year, separation of certain accounting and administrative duties among employees, which is recommended as an effective internal control procedures, was not adequate. Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that one employee should not have access to both physical assets and the related accounting records or to all phases of a transaction.

CAUSE: The Town has limited personnel in the accounting department.

EFFECT: The possibility exists that unintentional or intentional errors or irregularities could occur and not be promptly detected.

RECOMMENDATION: We recommended that the Town continue to seek ways to strengthen internal control through segregation of duties. A responsible official should review all checks and related source documents before signing checks. All disbursements should be supported by detailed invoices and should be approved by an appropriate member of management prior to payment. In addition, the Town should maintain a Council approved vendor list. All employees should complete timesheets, supporting the time worked and leave taken by employees. The timesheets should be signed by the employee and approved by an appropriate supervisor. Journal entries should include adequate supporting documentation and should be approved by an employee other than the one who prepared the entry. A designated member of the Town Council should approve and sign off on any waivers of utility account suspension for failure to pay by the cutoff date. Cash collections from customers should be supported by completed cash receipt forms and the customer should be provided with a copy of the cash receipt.

RESPONSE: See “Management Response.”

Honorable Mayor and Town Council  
Town of Altha, Florida

**PREPARATION OF GAAP BASED FINANCIAL STATEMENTS, 2013-005 - NOT RESOLVED**

CRITERIA: An entity's system of internal control over financial reporting should include controls over the prevention, detection and correction of misstatements in the audited financial statements.

CONDITION: The Town relies on the external auditor to assist with preparing the financial statements in conformity with generally accepted accounting principles.

CAUSE: The Town has a capable individual providing bookkeeping services; however, the Town does not have an individual on staff with accounting education and experience to properly record more complex accounting transactions and prepare financial statements in accordance with generally accepted accounting principles.

EFFECT: The fact the Town does not have someone on staff to prepare the financial statements in accordance with generally accepted accounting principles and to record complex accounting transactions results in a material weakness under professional standards.

RECOMMENDATION: We understand the cost-benefit of hiring someone with this expertise is not practical, therefore, we recommend the Town continue to request outside assistance in recording more complex transactions and financial statement preparation.

RESPONSE: See "Management Response."

**PROPERTY RECORDS AND INVENTORY OF PROPERTY 2013-010 – NOT RESOLVED**

CRITERIA: Property records and inventory of property must be in compliance with the State of Florida Administrative Code.

CONDITION: The Town did not maintain detailed records for property plant and equipment. The Town has not complied with Rule 69I-73.003, Florida Administrative Code, Rules of the Department of Financial Services, which require governmental units to maintain adequate records of property in their custody. The Town has not complied with Rule 69I-73.004, Florida Administrative Code, Rules of the Department of Financial Services, which require governmental units to mark each property item with an identification number assigned to that item to establish its identity and ownership by the governmental unit holding title to the item. The Town has not complied with Rule 69I-73.006, Florida Administrative Code, Rules of the Department of Financial Services, which require each governmental unit to ensure a complete physical inventory of all property is taken annually and whenever there is a change of custodian or change of custodian's delegate.

CAUSE: The Florida Administrative Code is not always followed by Town personnel regarding property, plant and equipment.



Honorable Mayor and Town Council  
Town of Altha, Florida

## **PROPERTY RECORDS AND INVENTORY OF PROPERTY 2013-010 – NOT RESOLVED (Continued)**

**EFFECT:** Not maintaining adequate property records and inventory of property could result in unauthorized acquisition, use or disposition of the Town's assets that could have a material effect on the financial statements.

**RECOMMENDATION:** We recommend that the Town maintain adequate records of property in their custody that meets the requirements with Rule 691-73.003, Florida Administrative Code, Rules of the Department of Financial Services. The Town must also record depreciation to meet the local government's financial reporting requirements related to depreciation accounting. We also recommend the Town mark each property item with an identification number assigned to that item to establish its identity and ownership by the governmental unit holding title to the item. The marking must visually display the property identification number of the item and may include an electronic scanning code ("barcode") to facilitate electronic inventory procedures. Only specifically exempt property items are exempt from this marking procedure. We also recommend the Town complete a physical inventory of all property annually and record it on a form that meets the minimum requirements with Rule 691-73.006, Florida Administrative Code, Rules of the Department of Financial Services.

**RESPONSE:** See "Management Response."

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described above as finding 2013-010.

### **Town's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Honorable Mayor and Town Council  
Town of Altha, Florida

**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 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.

Marianna, Florida  
December 31, 2020

*Grimsley & Associates*

Grimsley & Associates, P.A.  
Certified Public Accountants

# GRIMSLEY & ASSOCIATES

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OWEN W. GRIMSLEY, C.P.A.

## **INDEPENDENT AUDITORS' MANAGEMENT LETTER**

Honorable Mayor and Town Council  
Town of Altha, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Town of Altha, Florida (the "Town"), as of and for the year ended September 30, 2018, and have issued our report thereon dated December 31, 2020.

Because of inadequacies in the Town's accounting records, we were unable to form an opinion regarding the amounts at which capital assets are recorded in the Garbage Fund and the Water and Wastewater Fund and the amounts at which capital assets are recorded for both the Governmental Activities and Business-Type Activities.

### **Auditor's Responsibility**

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

### **Other Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on the examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated October 24, 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 we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted under the heading Prior Year Findings and Recommendations.

Honorable Mayor and Town Council  
Town of Altha, Florida

**CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

None

**PRIOR YEAR FINDINGS AND RECOMMENDATIONS**

**BUDGETARY INFORMATION, 2016-004 – RESOLVED**

COMMENT: It was noted that the Town’s expenditures exceeded the budget in the general fund.

RECOMMENDATION: We recommend that the Town review expenditures at year end and amend the budget as needed.

STATUS: This condition was resolved.

**FRAUD PREVENTION SERVICES, 2013-011 – NOT RESOLVED**

COMMENT: The Town has not developed policies for communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintains internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and to avoid damaging the reputations of persons suspected of fraud but subsequently found innocent. Further, in the absence of such policies, the risk increases that a known or suspected fraud may be identified but not reported to the appropriate authority.

RECOMMENDATION: We recommend that the Town develop policies for communicating known or suspected fraud to the appropriate parties.

STATUS: This continues to exist.

**BUDGETARY CONTROLS, 2013-014 –RESOLVED**

COMMENT: Florida Statutes, Section 166.241(2), states that the amount available from taxation and other sources, including amount carried over from prior years, must equal the total appropriations for expenditures and reserves. After year end, when final fund equities were determined, the Town did not amend the budget to include the appropriate amounts. Failure to consider accurate beginning fund equities in the budget diminishes the Town’s ability to determine appropriate increases/decreases in revenues and/or expenditures that may be needed for the fiscal year for

Honorable Mayor and Town Council  
Town of Altha, Florida

**BUDGETARY CONTROLS, 2013-014 – RESOLVED (Continued)**

which the budget is adopted. We recommend the Town implement a policy whereby final fund equities are included in the budget as soon as determined. Florida Statutes, Section 166.241(2) provides that the final budget must be posted on the municipality's official website within 30 days after adoption. If the municipality does not have an official website, the municipality must, within a reasonable period of time as established by the county or counties in which the municipality is located transmit the tentative budget and final budget to the manager or administrator of such county or counties who shall post the budgets on the county's website. We noted the final budget was not posted on an official website.

RECOMMENDATION: We recommend the Town implement a policy to adhere to Florida Statutes, Section 166.241(2).

STATUS: This condition was resolved.

**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 the management letter, unless disclosed in the notes to the financial statements. The Town was established in 1951 by Chapter 51-27576, Laws of Florida.

**Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Honorable Mayor and Town Council  
Town of Altha, Florida

**FINANCIAL CONDITION, 2013-016 – NOT RESOLVED**

COMMENT: There continues to be evidence of unfavorable financial indicators including a decrease in the ratio of unrestricted cash to total expenditures, deficiencies of revenues over expenditures in the governmental fund, and continuing operating losses in the water and wastewater fund, as well as a deficit in unrestricted net assets in the water and wastewater fund. These conditions have resulted from a number of factors including (1) lack of timely, accurate and useable financial information including monthly financial reports, which does not allow management to properly track cash availability as well as budgeted expenditures versus actual expenditures and budgeted revenue versus actual revenue, (2) lack of management action, oversight, planning and continuity as management fails to adopt accounting policies and procedures, management fails to ensure that accounting procedures are performed in a timely manner, and management fails to ensure that transactions and reports are being reviewed, and (3) lack of the ability to control the amount of income received from state and federal assistance as well as intergovernmental revenue.

RECOMMENDATION: We recommend that the Town take appropriate corrective action to resolve any findings or recommendations and also that the Town monitor its expenses.

STATUS: This continues to exist.

**Annual Financial Report**

Section 10.554(1)(i)6.b. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town for the year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2018. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. See the related recommendations as listed in this report.

Honorable Mayor and Town Council  
Town of Altha, Florida

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 statement that is less than material, but warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

Our 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, and the Town of Altha, Florida and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Marianna, Florida  
December 31, 2020

*Grimsley & Associates*

Grimsley & Associates, P.A.  
Certified Public Accountants

# GRIMSLEY & ASSOCIATES

Professional Association

*Certified Public Accountants*

MEMBER  
FLORIDA INSTITUTE AND  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

## **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES, *LOCAL GOVERNMENT INVESTMENT POLICIES***

Honorable Mayor and Town Council  
Town of Altha, Florida

We have examined the Town of Altha, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management is responsible for the Town of Altha, Florida's compliance with those requirements. Our responsibility is to express an opinion on the Town of Altha, Florida'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 of Altha, Florida'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 of Altha, Florida's compliance with specified requirements.

In our opinion, the Town of Altha, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

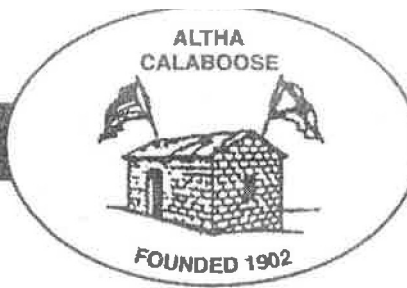
This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*Grimsley & Associates*

Marianna, Florida  
December 31, 2020

Grimsley & Associates, P.A.  
Certified Public Accountants





Auditor General, State of Florida  
111 West Madison Street  
Tallahassee, Florida 32399

Response for Fiscal Year Audit Report 2017-18

### **Financial Close and Reporting procedures, 2016-001**

The Town of Altha has contracted an outside CPA (3<sup>r</sup>d party) 2019-2020 for monthly and year-end financial statement closeout procedures.

### **Other Post-Employment Benefits, 2015-0 1**

The Town of Altha acknowledges this, but at this it is not cost efficient *for* the Town to do.

### **Segregation of Duties, 2014-0D2**

The Town understands it has a lack of internal control regarding custody of assets and record keeping. Due to the size of the Town this may continue to be a finding. Management will continue to provide day to day involvement to ensure that no wrongdoing is taking place among staff. Management will also oversee any major tasks and or inquires.

### **Preparation of GAAP Based Financial State ents, 2014-005**

The Town of Altha contracted an outside CPA, Leslie Tucker.

### **Property Records and Inventory of Property 2014-010**

The Town will then be able to record depreciation to meet the local government's financial reporting requirements related to depreciation accounting. The Town is in the process of marking all property with identification numbers. The Town will complete an annual inventory and record it on a form that meets the minimum requirement with Rule 691-73.006, Florida Administrative Code, Rules of the Department of Financial Services.

### **Finding 2014-0011: Fraud Prevention Services**

The Town has developed and adopted fraud policies and procedures that all staff are expected to follow.

### **Finding 2014-016: Financial Condition**

The Town of Altha is monitoring the financial situation of the Town. The Town is also considering raising rates and doing research of competitive rates in surrounding areas. The Town also received grant monies.

A handwritten signature in cursive script that reads "Trevor Doran".

Trevor Doran, Mayor