

Town of Ebro

FINANCIAL STATEMENTS

For the Year Ended September 30, 2018



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

Town of Ebro
Table of Contents
September 30, 2018

REPORT

Independent Auditors' Report	1
------------------------------	---

FINANCIAL STATEMENTS

Management's Discussion and Analysis	3
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Volunteer Fire Department Fund	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road Improvement Fund	16
Notes to Financial Statements	17
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 <i>Government Auditing Standards</i>	29
Independent Accountants' Report on Compliance with Local Government Investment Policies	31
Management Letter	32



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the Town Council
Town of Ebro, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Ebro, 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'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Town as of September 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund, Volunteer Fire Department, and Road Improvement funds 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 information on pages 3–7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 28, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 28, 2019

Management's Discussion and Analysis

The Town of Ebro's (the "Town") management's discussion and analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget) and (e) identify individual fund issues or concerns.

Since the MD&A is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements, beginning on page 8.

Financial Highlights

- The assets of the Town exceeded its liabilities at September 30, 2018 by \$431,433 (net position). Of this amount, \$36,665 (unrestricted net position) may be used to meet the Town's ongoing obligations.
- Governmental Fund balances increased from September 30, 2017 by \$33,213 to \$167,089.
- The General Fund balance increased from September 30, 2017 by \$98 to \$36,551.

Town Highlights

The Town experienced an increase from September 30, 2017 in County funds received, which varies from year to year. The Town had \$1,060 in capital outlay expenditures and no major repairs and maintenance expenditures in the current fiscal year.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the Town's basic financial statements, which are composed of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The focus is on fund types, rather than major funds. The statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the Town presented on the accrual basis of accounting.

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

Management's Discussion and Analysis

The statement of activities presents information showing how the Town's net position changed during the 2018 fiscal year. The focus is on both gross and net costs of various activities that are supported by the Town's general tax and other revenues. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net position is an indication of whether the Town's financial health is improving or deteriorating.

Both of the financial statements distinguish the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, streets and roads.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town fall into one category: governmental. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, readers may better understand the long-term impact of the Town's near-term financing decisions.

The Town maintains three governmental funds and information on these funds are presented in the Balance Sheet – Governmental Funds and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

The Town adopts an annual appropriated budget for its General Fund, Volunteer Fire Department Fund, and Road Improvement Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 10-13.

Management's Discussion and Analysis

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. They can be found on pages 17-28 of this report.

Government-Wide Financial Analysis

This section is used to present condensed financial information from the government-wide statements for the current year.

Statement of Net Position

The following schedule reflects the condensed Statement of Net Position:

<i>As of September 30,</i>	2018	(Unaudited) 2017	Change
Assets			
Cash and cash equivalents	\$ 37,330	\$ 12,070	\$ 25,260
Investments	114,130	113,874	256
Due from other governments	19,809	9,501	10,308
Prepaid expense	2,385	-	2,385
Land and other nondepreciable assets	9,250	9,250	-
Capital assets, net of depreciation	254,067	293,979	(39,912)
Total assets	436,971	438,674	(1,703)
Liabilities			
Accounts payable	1,885	697	1,188
Accrued expenses	2,295	852	1,443
Compensated absences	1,358	1,318	40
Total liabilities	5,538	2,867	2,671
Net Position			
Invested in capital assets, net of related debt	263,317	303,229	(39,912)
Restricted	131,451	97,423	34,028
Unrestricted	36,665	37,405	(740)
Total net position	\$ 431,433	\$ 438,057	\$ (6,624)

Management's Discussion and Analysis

Statement of Activities

The following schedule provides the revenues and expenses for the current year:

<i>For the year ended September 30,</i>	(Unaudited)		
	2018	2017	Change
Program Revenues	42,868	292	42,576
General Revenues			
Taxes	78,087	75,624	2,463
Investment earnings	288	446	(158)
Miscellaneous	3,323	4,892	(1,569)
Total general revenues	81,698	80,962	736
Expenses			
General government	\$ 90,965	\$ 122,514	\$ (31,549)
Public safety	11,240	13,520	(2,280)
Culture and recreation	28,985	3,620	25,365
Total expenses	131,190	139,654	(8,464)
Change in net position	(6,624)	(58,400)	51,776
Total Net Position - Beginning	438,057	496,457	(58,400)
Total Net Position - Ending	\$ 431,433	\$ 438,057	\$ (6,624)

Financial Analysis of the Town's Funds

This section provides an analysis of the balances and transactions of individual funds. As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

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

As of September 30, 2018, the Town's governmental funds reported combined ending fund balances of \$167,089. Of this amount, \$130,358 is restricted by enabling legislation or agreements with the funding source and \$36,551 is assigned to budgetary appropriations. This is a total increase of \$33,213 over the prior year.

Management's Discussion and Analysis

Fund Budgetary Highlights

The Town's general fund final budgeted revenues increased from its original budget by \$2,881 primarily due to the conservative nature of the original budget while the budgeted expenditures increased \$1,182 to more accurately reflect the Town's current spending. The Town's volunteer fire department fund final budgeted revenues increased from its original budget by \$31,000 for the inclusion of increased funding from the County while the budgeted expenditures increased \$2,500 to reflect the additional spending in the current year.

Capital Assets

The Town of Ebro's investment in capital assets for its governmental type activities as of September 30, 2018 totals \$263,317 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment. Additional information on the Town's capital assets can be found in Note 7 beginning on page 27 of these financial statements.

Request for Information

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. Additional financial information is available from the Town's Clerk, Linda Marlow, P.O. Box 10, Ebro, Florida 32437.

Town of Ebro
Statement of Net Position
September 30, 2018

	Primary Government Governmental Activities
Assets	
Cash and cash equivalents	\$ 37,330
Investments	114,130
Due from other governments	19,809
Prepaid insurance	2,385
Capital assets, not being depreciated	9,250
Capital assets, net of depreciation	254,067
Total assets	436,971
Liabilities	
Accounts payable	1,885
Accrued liabilities	2,295
Compensated absences	1,358
Total liabilities	5,538
Net Position	
Net investment in capital assets	263,317
Restricted for:	
Streets and roads	28,269
Public safety	103,182
Unrestricted	36,665
Total net position	\$ 431,433

The accompanying "Notes to Financial Statements" form an integral part of this statement.

**Town of Ebro
Statement of Activities
Governmental Funds
September 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Primary Governmental Activities
Primary Government				
Governmental Activities:				
General government	\$ 90,965	\$ 1,072	\$ -	\$ (89,893)
Public safety	11,240	-	41,796	30,556
Culture and recreation	28,985	-	-	(28,985)
Total governmental activities	\$ 131,190	\$ 1,072	\$ 41,796	(88,322)

General Revenues

Taxes:	
Franchise taxes	35,047
Sales taxes	26,759
State revenue sharing	9,589
Pari-mutual taxes	4,450
Miscellaneous taxes	2,242
Interest income	288
Miscellaneous	3,323
Total general revenues	81,698
Change in net position	(6,624)
Net Position - beginning	438,057
Net Position - ending	\$ 431,433

The accompanying "Notes to Financial Statements" form an integral part of this statement.

**Town of Ebro
Balance Sheet
Governmental Funds
September 30, 2018**

	General Fund	Volunteer Fire Department Fund	Road Improvement Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 9,938	\$ 27,392	\$ -	\$ 37,330
Investments	23,064	65,142	25,924	114,130
Due from other governments	9,161	10,648	-	19,809
Due from other funds	-	-	2,345	2,345
Total assets	\$ 42,163	\$ 103,182	\$ 28,269	\$ 173,614
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 972	\$ 913	\$ -	\$ 1,885
Accrued liabilities	2,295	-	-	2,295
Due to other funds	2,345	-	-	2,345
Total liabilities	5,612	913	-	6,525
Fund balances				
Restricted	-	102,269	28,269	130,538
Assigned	36,551	-	-	36,551
Total fund balances	36,551	102,269	28,269	167,089
Total liabilities and fund balances	\$ 42,163	\$ 103,182	\$ 28,269	\$ 173,614

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Town of Ebro

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
For the Year Ended September 30, 2018**

Differences in amounts reported for governmental activities in the Statement of Net Position:

Total fund balance - governmental funds	\$	167,089
Prepaid items are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.		2,385
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		263,317
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.		(1,358)
Net Position of Governmental Activities in the Statement of Net Position	\$	431,433

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Town of Ebro
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
September 30, 2018

	General Fund	Volunteer Fire Department Fund	Road Improvement Fund	Total Governmental Funds
Revenues				
Taxes	\$ 68,498	\$ -	\$ -	\$ 68,498
Fees and fines	994	-	-	994
Licenses and permits	78	-	-	78
Intergovernmental	7,244	-	2,345	9,589
Charges for services	-	41,796	-	41,796
Interest income	134	25	129	288
Miscellaneous	3,323	-	-	3,323
Total revenues	80,271	41,821	2,474	124,566
Expenditures				
General government	82,183	-	-	82,183
Public safety	-	9,170	-	9,170
Total expenditures	82,183	9,170	-	91,353
Excess (deficiency) of revenues over expenditures	(1,912)	32,651	2,474	33,213
Other Financing Sources (Uses)				
Transfers in/(out)	2,010	127	(2,137)	-
Net change in fund balances	98	32,778	337	33,213
Fund Balances - beginning	36,453	69,491	27,932	133,876
Fund Balances - ending	\$ 36,551	\$ 102,269	\$ 28,269	\$ 167,089

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Town of Ebro

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Funds Balances - Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018**

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds:	\$	33,213
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports the outlay as expense over the assets' estimated useful lives as depreciation expense for the period.		1,060
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position		(40,972)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:		
Compensated absences		(40)
Prepaid insurance		115
Change in net position of governmental activities	\$	(6,624)

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Town of Ebro

**Statement of Revenues, Expenditures and Changes in Funds Balances –
Budget and Actual – General Fund
For the Year Ended September 30, 2018**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Taxes	\$ 70,516	\$ 68,790	\$ 68,498	\$ (292)
Fines and fees	50	900	994	94
Licenses and permits	300	150	78	(72)
Intergovernmental	9,593	9,500	7,244	(2,256)
Interest income	-	-	134	134
Miscellaneous	-	4,000	3,323	(677)
Total revenues	80,459	83,340	80,271	(3,069)
Expenditures				
General government	90,459	91,641	82,183	9,458
Total expenditures	90,459	91,641	82,183	9,458
Excess (Deficiency) of revenues over expenditures	(10,000)	(8,301)	(1,912)	6,389
Other Financing Sources				
Transfer in	-	-	2,010	2,010
Net change in fund balances	(10,000)	(8,301)	98	8,399
Fund Balances - beginning	36,453	36,453	36,453	-
Fund Balances - ending	\$ 26,453	\$ 28,152	\$ 36,551	\$ 8,399

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Town of Ebro

**Statement of Revenues, Expenditures and Changes in Funds Balances –
Budget and Actual – Volunteer Fire Department Fund
For the Year Ended September 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Charges for services	\$ -	\$ 31,000	\$ 41,796	\$ 10,796
Interest income	-	-	25	25
<hr/>				
Total revenues	-	31,000	41,821	10,821
Expenditures				
Public safety	5,000	7,500	9,170	(1,670)
<hr/>				
Excess (Deficiency) of revenues over expenditures	(5,000)	23,500	32,651	9,151
<hr/>				
Other Financing Sources				
Transfer in	-	-	127	127
<hr/>				
Net change in fund balances	(5,000)	23,500	32,778	9,278
<hr/>				
Fund Balances - beginning	69,491	69,491	69,491	-
<hr/>				
Fund Balances - ending	\$ 64,491	\$ 92,991	\$ 102,269	\$ 9,278

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Town of Ebro

**Statement of Revenues, Expenditures and Changes in Funds Balances –
Budget and Actual – Road Improvement Fund
For the Year Ended September 30, 2018**

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues				
Intergovernmental	\$ -	\$ -	\$ 2,345	\$ 2,345
Interest income	-	-	129	129
<hr/>				
Total revenues	-	-	2,474	2,474
Other Financing Uses				
Transfer out	-	-	(2,137)	(2,137)
<hr/>				
Net change in fund balances	-	-	337	337
<hr/>				
Fund Balances - beginning	27,932	27,932	27,932	-
<hr/>				
Fund Balances - ending	\$ 27,932	\$ 27,932	\$ 28,269	\$ 337

The accompanying "Notes to Financial Statements" form an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The Town was created in 1967 by an act of the Florida legislature (House Bill 2530) recorded in the Secretary of State’s Office. It is an incorporated municipality of the State of Florida, and operates using an elected council form of government. The authority of this council and the policies it may implement are regulated by the Town’s Charter, Ordinances, Resolutions and Statutes of the State of Florida.

The definition of the reporting entity, pursuant to Codification of Governmental Accounting and Financial Reporting Standards, Section 2100 and 2600 is based primarily on the notion of financial accountability. The Town is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Town. The Town may be financially accountable if an organization is fiscally dependent on the Town regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. Based upon the application of these criteria, no potential component units were identified.

Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements are comprised of the statement of net position and the statement of changes in net position which reports information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

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 contribute to the change in the net position for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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 nonmajor funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

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. 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 for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between various other functions of the government, if applicable. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are reported as major governmental funds:

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.

Volunteer Fire Department Fund – This fund accounts for the operation of the Volunteer Fire Department.

Road Improvement Fund – This fund accounts for the portion of revenue the Town has set aside for road improvements.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Florida Statutes authorize the Town to invest in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration (the “SBA”), obligations of the U.S. Treasury and Agencies, and interest bearing time deposits and savings accounts held in Federal and State chartered banks and savings and loans associations doing business in Florida, provided that such deposits are secured by collateral as may be prescribed.

Investments consist solely of certificates of deposit with maturities greater than three months.

The Town does not have a separate investment policy, but historically has invested only in certificates of deposit and money market accounts at local banks.

Interfund Transfers/Balances

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Prepaid Expenses

Payments for goods and services applicable to future periods are recorded as prepaid expenses in the government-wide financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost, or value if donated, of \$1,000 for equipment, buildings and land with an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town did not maintain cost records for some of its buildings and those buildings have been valued at estimated historical cost for year of construction. Donated capital assets are recorded at estimated fair value at the date of donation. The Town did not report infrastructure acquired prior to October 1, 2003.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Buildings	40 years
Equipment	5 - 10 years

Compensated Absences

The Town allows employees to accumulate vacation and sick leave up to certain limits for use in subsequent periods. Upon termination of employment, an employee receives payment of accumulated vacation hours up to certain limits at current wage rates. All leave is accrued when incurred in the government-wide financial statements. A liability for these amounts in the government-wide financial statements consists of unpaid, accumulated annual leave balances. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Net Position and Fund Balance

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund balances are reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – Amounts that can be used only for specific purposes determined by a formal action of the Town Council, the highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council. The Town has no fund balances classified as committed.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used or specific purposes. Under the Town's policy, only the Mayor and Town Council may assign amounts for specific purposes.

Unassigned – All other spendable amounts. The Town has no fund balances classified as unassigned.

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

When both restricted and unrestricted net position are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to use committed funds first, then assigned, and finally unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Revenue

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

Management Estimates and Assumptions

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

Impact of Recently Issued Accounting Pronouncements

The accounting policies of the Town are based upon accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In Fiscal Year 2018, the Town adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75)
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81)
- GASB Statement No. 85, *Omnibus 2017* (GASB 85)
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86)

GASB 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurement by Agent Employers and Agent Employers and Agent Multiple-Employer Plans*. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. Note disclosure and required supplementary information are addressed. The adoption of GASB 75 has no impact on the Town's governmental fund financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources as the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. There was no material impact on the Town’s financial statement as a result of the implementation of GASB 81.

GASB 85 addresses practice issues that were identified during the implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The adoption of GASB 85 had no impact on the Town’s current accounting practices nor its financial reporting.

GASB 86 establishes standards of accounting and financial reporting requirements, for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of future repayment of outstanding debt. There was no material impact on the Town’s financial statements as a result of the implementation of GASB 86.

Pronouncements Issued But Not yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the Town upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	2019
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61</i>	2020

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Each year formal budgets are legally adopted and amended as required by the Town Council for all governmental funds. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the Town Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level.

Budgets for the governmental funds are adopted on a basis consistent with GAAP. Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid on goods on order or unperformed contracts in process at year-end. Because appropriations lapse at year-end, it is the Town's policy to close encumbrances at year-end and to re-encumber those amounts, as needed, at the beginning of the next budget cycle.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Custodial Credit Risk - Deposits

The Town maintains its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between Qualified Public Depositories.

Under Florida Statute 280 and the Federal Deposit Insurance Corporation, all the Town's deposits are fully insured or collateralized with collateral held by the State Treasurer.

Investments

The Town is authorized under Chapter 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time to time in:

1. The Local Government Surplus Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in Qualified Public Depositories, as defined in Section 280.02, Florida Statutes.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

- 4. Direct obligations of the U.S. Treasury.
- 5. Federal agencies and instrumentalities

As of September 30, 2018, the Town had invested its funds only in bank interest-bearing time deposits considered cash equivalents and savings accounts.

Custodial Credit Risk - Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Town will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The Town’s current investments are limited to certificates of deposit, which does not represent significant custodial risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the quantity of the government’s investment in a single issuer. Investments in single issuers that equal or exceed 5% have reportable credit risk. The certificates of deposit are with one financial institution. All certificates of deposit balances in excess of FDIC coverage, when applicable, are covered by the multiple financial institutions’ collateral pool in accordance with Florida Statutes Chapter 280.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town has limited its interest rate risk by investing in low risk instruments with an original maturity of 60 months or less. At September 30, 2018, the Town held the following investments:

	Total Fair Value	0-1 Years
Certificates of deposit	\$ 114,130	\$ 114,130

Town of Ebro
Notes to Financial Statements

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Due from other governments at September 30, 2018 consists of the following:

	General Fund	Volunteer Fire Department Fund	Total Governmental
Operating grant	\$ -	\$ 10,648	\$ 10,648
Taxes	9,161	-	9,161
	\$ 9,161	\$ 10,648	\$ 19,809

All amounts are reported at their gross value and when appropriate are reduced by the estimated portion that is expected to be uncollectible. These amounts are deemed to be 100% collectible.

NOTE 5 – DUE TO/FROM OTHER FUNDS

Interfund Receivables:

Road Improvement Fund

General Fund	\$ 2,345
--------------	----------

Interfund Payables:

General Fund

Road Improvement Fund	\$ 2,345
-----------------------	----------

Amount due from the general fund to the road improvement fund is for special revenues transferred to the general fund from the road improvement fund in the current year subsequently not spent on road improvements or maintenance.

NOTE 6 – INTERFUND TRANSFERS

Transfers to/from other funds at September 30, 2018, consist of the following:

Road improvement fund to the General fund	\$ 2,137
General fund to the Volunteer Fire Department fund	127
	\$ 2,264

Town of Ebro
Notes to Financial Statements

NOTE 7 – CAPITAL ASSETS

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

	Beginning Balance 10/1/2017	Increases	Decreases	Ending Balance 9/30/2018
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,250	\$ -	\$ -	\$ 9,250
Capital assets, being depreciated:				
Equipment	\$ 539,485	\$ 1,060	\$ -	\$ 540,545
Buildings	492,449	-	-	492,449
Total capital assets, being depreciated	1,031,934	1,060	-	1,032,994
Less accumulated depreciation for:				
Equipment	493,844	14,113	-	507,957
Buildings	244,110	26,860	-	270,970
Total accumulated depreciation	737,954	40,973	-	778,927
Total capital assets, being depreciated, net	\$ 293,980	\$ (39,913)	\$ -	\$ 254,067

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 11,279
Culture and recreation	27,618
Public safety	2,076
Total depreciation expense - governmental activities	\$ 40,973

NOTE 8 – GOVERNMENTAL FUND BALANCES

Governmental activities, claims, obligations and compensated absences are generally liquidated by the general fund.

At September 30, 2018, fund balance is comprised of the following:

Town of Ebro
Notes to Financial Statements

NOTE 8 – GOVERNMENTAL FUND BALANCES (Continued)

Restricted Fund Balances

Volunteer Fire Department Fund – Public safety	\$ 102,269
Road Improvement Fund – Streets and roads	28,269
<hr/>	
Total restricted fund balance	\$ 130,538
<hr/>	

Assigned Fund Balance

General Fund – 2018 Budget Appropriations	\$ 36,551
<hr/>	

NOTE 9 – LEASES

The Town leases a copier under a non-cancelable operating lease. Lease expense for the year ended September 30, 2018 totaled \$2,267.

Remaining future minimum lease payments required under these leases are as follows for fiscal years ending September 30:

2019	\$ 115
<hr/>	

NOTE 10 – RISK MANAGEMENT AND LITIGATION

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

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 28, 2019, the date of these financial statements, and no events were deemed to warrant disclosure.



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

**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 Members
of the Town Council
Town of Ebro, 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 and each major fund of the Town of Ebro, 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's basic financial statements, and have issued our report thereon dated June 28, 2019.

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 in the accompanying management letter as items 2009-02, 2009-03, 2009-04, and 2009-06 that we consider to be material weaknesses.

Compliance and Other Matters

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

Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying management letter. 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.

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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 28, 2019



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

Honorable Mayor and Members of
The Town Council
Town of Ebro, Florida

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

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

In our opinion, the Town 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 28, 2019

MANAGEMENT LETTER

Honorable Mayor and
Members of the Town Council
Town of Ebro, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Ebro, Florida (the “Town”) as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 28, 2019.

Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant’s Report on Compliance with Local Government Investment Policies. Disclosures in those reports, which are dated June 28, 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 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 below under the Prior Year Findings and Recommendations.

Tabulation of Uncorrected Audit Findings	
Current Year Finding #	2014-2015 FY Finding #
2009-002	2009-002
2009-003	2009-003
2009-004	2009-004
2009-006	2009-005
	2009-006

2009-02 Financial Statement Preparation (Repeat Finding)

Condition – The assistance of the external auditors was necessary to prepare the financial statements from the Town’s trial balance including note disclosures in accordance with generally accepted accounting principles. Though the assistance of the external auditors was utilized in preparing the financial statements, the Town demonstrated sufficient skill, knowledge and experience to oversee their preparation.

Criteria – Auditing Standards Board AU-C Section 265 requires auditors to disclose for reports substantially drafted by external auditors whether or not the entity's institutional experience, background and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the entity from preparing the financial statements internally including full note disclosures as required by those standards.

Cause – There is no Town personnel with the experience, background and knowledge of Governmental Accounting and Financial Accounting Standards to prepare the financial statements internally including full note disclosures as required by those standards.

Effect – The finding could adversely affect the Town’s ability to internally prepare financial statements in accordance with generally accepted accounting principles.

Recommendation – We recommend Town personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements.

Views of Responsible Officials and Planned Corrective Action - At this time the Town has only one clerk that assumes all duties for the Town. We feel as the Town grows, and the revenue increases, we will be able to hire additional staff, but at this time we must rely on an outside agency to prepare the financial statements.

2009-03 Segregation of Duties (Repeat Finding)

Condition – The Town presently employs only one full-time clerical employee. This individual’s responsibilities include billing, collecting, receipting, depositing and recording all revenues. Additionally, this individual is also responsible for preparing and documenting all disbursements.

Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting. One of the most critical components of an effective internal control system is the appropriate separation of duties.

Cause – The Town lacks sufficient personnel to design and implement adequate separation of duties.

Effect – The finding could result in the misappropriation of assets and material misstatements to the financial statements.

Recommendation – Due to a lack of personnel required to establish proper separation of duties, a recommendation to correct this weakness is prohibitive. However, we strongly recommend the Town Council, Mayor or representative monitor ongoing operations to include systematic reviews of monthly financial activity and reporting.

Views of Responsible Officials and Planned Corrective Action - Monthly invoices are reviewed by the Clerk and the Mayor before payment is made. Each payment, regardless of amount, and all checks issued require two signatures. Financial activity summaries and bank reconciliations are prepared on a monthly basis for review by the Town council.

2009-04 Fixed Asset Management Policy (Repeat Finding)

Condition – The Town does not have a formal written fixed asset management policy.

Criteria – The purpose of such a policy is to ensure the proper accounting and safeguarding of the Town assets and compliance with Section 274.02, Florida Statutes and Florida Administrative Code Rules 69I-73 (Tangible Personal Property Owned by Local Governments). A fixed asset management policy should incorporate at a minimum the following: (a) Procedures for identifying and recording in the general ledger the acquisition and disposal of fixed assets. (b) Procedures for identifying Town property such as property tags, vehicle identification numbers, serial number, etc. (c) Procedures for inventory of fixed assets to include the timing, method of inventory, items of specific inquiry, and who will be responsible for carrying out inventory. (d) Procedures for maintaining fixed asset records and the information to be contained in those records.

Cause – The Town has not implemented a formal written fixed asset management policy.

Effect – The finding could result in improper recording of capital assets and related capital outlay expenditures as well as a lack of ability to properly control and inventory the Town's capital assets.

Recommendation – We recommend the Town adopt and implement a fixed asset management policy to ensure proper accounting and safeguarding of Town assets.

Views of Responsible Officials and Planned Corrective Action – The Town implemented a Fixed Asset Policy April 10, 2019.

2009-06 Investment Policy (Repeat Finding)

Condition – The Town does not have a written investment policy.

Criteria – Section 218.415, Florida Statutes, provides that “investment activity by a unit of local government must be consistent with a written investment plan adopted by the Governing body” or “in the alternate, such activity must be conducted in accordance with Subsection (17).” “Any such unit of local government shall have an investment policy for any public funds in excess of the amounts needed to meet current expenses as provided in subsections (1)-(16), or shall meet the highest priority on the safety of principal and liquidity of funds.”

Cause – The Town has not implemented a written investment policy.

Effect – The Town has limited assurance that its investment activity is in adherence to Florida Statutes. In addition, management has no written guidance for making investment decisions.

Recommendation – We recommend the Town adopt a formal written investment policy in accordance with Section 218.415 of the Florida Statutes. The Town was in compliance with Subsection (17) of Section 218.415 of the Florida Statutes.

View of Responsible Officials and Planned Corrective Action – The Town implemented an Investment Policy April 10, 2019.

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we 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 the same. The assessment was done as of the fiscal year end and the results warranted no additional disclosures.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Town for the fiscal year ended September 30, 2015, 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 recommendations in each finding 2009-02; 2009-03 2009-04; and 2009-06 noted above. The Town should also effect a formal supervisory review process of the Town's direct deposit to include approval of the direct deposit before withdrawal and agreement of the approved direct deposit to the amount that subsequently clears the Town's bank.

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 statements that is less than material but which 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, the Mayor, Town Council and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 28, 2019