

CITY OF EVERGLADES
CITY, FLORIDA

September 30, 2018

BASIC FINANCIAL STATEMENTS,
TOGETHER WITH REPORTS OF INDEPENDENT AUDITORS

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Report of the Independent Auditor

Honorable Mayor and City Council
City of Everglades City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Everglades City, Florida, (the "City") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

Auditor's Responsibility, continued

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of September 30, 2018, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 10 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended September 30, 2018. Our opinions are not modified with respect to this matter.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other required supplementary information, as provided 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also included a report on our consideration of the City'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 included under the heading INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*. 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 City's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Ashley, Brown & Co." The signature is written in a cursive, flowing style.

Punta Gorda, Florida
May 30, 2019

**City of Everglades City, Florida
Management's Discussion and Analysis
September 30, 2018**

The discussion and analysis of the City of Everglades City's financial statements is intended to provide a narrative introduction to the basic financial statements and an analytical overview of the City's financial activities for the fiscal year ended September 30, 2018.

FINANCIAL HIGHLIGHTS

The net position of the City at the close of its most recent fiscal year was \$7,913,252. This amount decreased from the previous year by \$1,142,615.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City's financial statements. This report also includes other supplementary information in addition to the financial statements themselves.

The Statement of Net Position (page 9) and The Statement of Activities (page 10) provide information about the activities of the City as a whole and present a longer term view of the City's finances.

The governmental fund financial statements begin on page 11. The governmental funds measure and report activities using the current financial resources measurement focus and the modified accrual basis of accounting. Therefore, you will find the reconciliation on pages 12 and 14 that convert this data to an economic resources measurement focus and the accrual basis of accounting for use in the financial (GASB) statements. The Governmental Accounting Standards Board Statement No. 34 provides the authoritative guidance on the governmental financial reporting model.

THE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities

Government-wide financial statements are intended to allow the reader to assess a government's operational accountability. Operational accountability is defined as the extent to which the government has met its operating objectives efficiently and effectively, using all resources available for that purpose, and whether it can continue to meet its objectives for the foreseeable future. For purposes of these statements, government type activities are measured and reported using the economic resource measurement focus and the accrual basis of accounting.

The statement of net position presents information on all of the City's assets. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during fiscal year 2017-2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**City of Everglades City, Florida
Management's Discussion and Analysis
September 30, 2018**

The Statement of Net Position and the Statement of Activities (Continued)

Both of these financial statements distinguish the primary types of functions of the City defined as:

Governmental activities - Most of the City's basic services are reported here, including public works, community development, parks, and general administration. Major revenues supporting these activities are property taxes, utility and gas taxes, charges for services, franchise fees, with lesser revenues from building permits, fees, grants, and rentals and leases.

Business Type activities- The City operates a Sewer and Water Treatment Plant. Revenues are derived from user fees (charges for services).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain financial control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 18.

Required Supplementary Information

Generally accepted accounting principles (GAAP) call for certain unaudited information to accompany the audited basic financial statements and accompanying footnotes. This information is called required supplementary information (RSI) and includes this analysis, the MD&A, and budgetary comparisons.

THE CITY AS A WHOLE

The City's combined net position as of September 30, 2018 was \$7,913,252 The City's combined revenues, including contributions, grants, charges for services and taxes were \$1,869,201. Total expenses, citywide were \$3,011,816.

**City of Everglades City, Florida
Management's Discussion and Analysis
September 30, 2018**

THE CITY AS A WHOLE (continued)

**TABLE 1
NET POSITION**

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 716,243	\$ 775,058
Capital assets (net of accumulated depreciation):	<u>9,737,591</u>	<u>10,272,211</u>
Total assets	<u>10,453,834</u>	<u>11,047,269</u>
Long-term liabilities:	(1,748,149)	(1,756,845) *
Other liabilities	<u>(792,433)</u>	<u>(234,557) *</u>
Total liabilities	<u>(2,540,582)</u>	<u>(1,991,402)</u>
Net Position	<u>\$ 7,913,252</u>	<u>\$ 9,055,867</u>
Investment in capital assets, net of related debt	7,606,698	8,570,927
Reserved for:		
Debt service	243,361	164,655
Unrestricted	<u>63,193</u>	<u>320,285</u>
Net Position	<u>\$ 7,913,252</u>	<u>\$ 9,055,867</u> *

**as restated*

The largest portion of the City's assets (73%) reflect its investment in capital assets (land, buildings, plant and equipment) less outstanding debt used to acquire those assets. The City uses those assets to provide services to citizens, consequently these assets are not available for future spending. It is also important to recognize that other resources will be required to repay the outstanding debt on capital assets. Restricted net position is subject to external restrictions on how it may be used. The remaining balance, unrestricted net position, may be used to meet the City's ongoing obligations to citizens and creditors.

**City of Everglades City, Florida
Management's Discussion and Analysis
September 30, 2018**

THE CITY AS A WHOLE (continued)

**TABLE 2
CHANGES IN NET POSITION**

	<u>2018</u>	<u>2017</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 745,291	\$ 726,142
Grants and contributions	346,384	29,958
General Revenues:		
Property taxes	365,210	352,593
Franchise fees	56,639	140,434
Utility taxes and gas taxes	211,248	131,267
Rental income	30,731	40,975
Other income	113,698	47,934
Total revenues	<u>1,869,201</u>	<u>1,469,303</u>
Expenses:		
Water and Sewer	1,791,536	1,398,199
General Government	344,419	667,420
Public Safety	516,110	112,506
Human Services	22,257	37,980
Transportation	134,442	59,111
Culture and Recreation	134,714	40,707
Interest	68,335	86,359
Total expenses	<u>3,011,813</u>	<u>2,402,282</u>
Decrease in net position	(1,142,612)	(932,979)
Net position - beginning, as restated	<u>9,055,864</u>	<u>9,988,846</u>
Net Position - ending, as restated	<u><u>7,913,252</u></u>	<u><u>\$ 9,055,867</u></u>

Primary Governmental Activities

Table 3 presents the cost of each of the City's programs as well as each program's net cost (total cost less revenue, excluding taxes, generated by the activities). The net cost represents the portion of each program that is supported by various taxes. The cost of all governmental activities this year was \$1,151,942. As shown in the Statement of Activities, the net cost was primarily paid through tax and other general revenues totaling \$777,526.

**City of Everglades City, Florida
Management's Discussion and Analysis
September 30, 2018**

Primary Governmental Activities (continued)

**TABLE 3
PRIMARY GOVERNMENTAL ACTIVITIES**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General Government	\$ 344,419	\$ 576,899
Public Safety	516,110	(516,110)
Human Services	22,257	(22,257)
Transportation	134,442	(133,971)
Culture and Recreation	134,714	(133,536)
	<u>\$ 1,151,942</u>	<u>\$ (228,975)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets as of September 30, 2018 reflect an investment of \$9,737,591 net of accumulated depreciation.

**TABLE 4
CAPITAL ASSETS AT YEAR END**

	<u>2018</u>	<u>2017</u>
Land	\$ 636,761	\$ 641,848
Buildings	415,938	540,923
Improvements other than buildings	317,843	317,843
Machinery and equipment	780,239	867,236
Vehicles	58,500	3,000
Infrastructure	14,698,311	15,202,394
Accumulated depreciation	<u>(7,170,001)</u>	<u>(7,301,033)</u>
	<u>\$ 9,737,591</u>	<u>\$10,272,211</u>

Debt

As of September 30, 2018 the City had \$1.06 million bonds payable and \$577,356 in notes payable.

For additional information regarding capital assets and debt refer to footnotes 4 and 7.

City of Everglades City, Florida
Statement of Net Position
September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 283,312	\$ 313,310	\$ 596,622
Accounts receivable	16,908	76,637	93,545
Prepaid expenses	13,471	12,605	26,076
Capital assets			
Land	231,383	405,378	636,761
Construction in progress	-	-	-
Buildings	383,013	32,925	415,938
Improvements other than buildings	317,843	-	317,843
Machinery and equipment	40,862	739,377	780,239
Vehicles	55,500	3,000	58,500
Infrastructure	1,091,928	13,606,383	14,698,311
Less: Accumulated depreciation	(1,199,705)	(5,970,296)	(7,170,001)
Total assets	<u>1,234,515</u>	<u>9,219,319</u>	<u>10,453,834</u>
LIABILITIES			
Short-term Liabilities			
Accounts payable	176,172	490,381	666,553
Customer security deposits	-	46,656	46,656
Interest payable	-	2,926	2,926
Notes payable due within one year	-	23,298	23,298
Bonds payable due within one year	-	53,000	53,000
Long-term Liabilities:			
Notes payable due in more than one year	-	554,058	554,058
Bonds payable due in more than one year	-	1,007,230	1,007,230
Total OPEB Liability	125,197	61,664	186,861
Total liabilities	<u>301,369</u>	<u>2,239,213</u>	<u>2,540,582</u>
NET POSITION			
Investment in capital assets, net of related debt	920,824	6,685,874	7,606,698
Restricted for:			
Debt service	-	243,361	243,361
Unrestricted	12,322	50,871	63,193
Total net position	<u>\$ 933,146</u>	<u>\$ 6,980,106</u>	<u>\$ 7,913,252</u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Statement of Activities
September 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities						
General government	\$ 344,419	\$ 1,022	\$ 142,770	\$ (200,627)	\$ -	\$ (200,627)
Public safety	516,110	-	-	(516,110)	-	(516,110)
Human Services	22,257	-	-	(22,257)	-	(22,257)
Transportation	134,442	471	-	(133,971)	-	(133,971)
Culture & recreation	134,714	1,178	-	(133,536)	-	(133,536)
Total governmental activities	1,151,942	2,671	142,770	(1,006,501)	-	(1,006,501)
Business-type activities						
Water & sewer	1,859,874	742,620	203,614	-	(913,640)	(913,640)
Total primary government	\$3,011,816	\$ 745,291	\$ 346,384	\$ (1,006,501)	\$ (913,640)	\$(1,920,141)

General Revenues:

Property taxes	\$ 365,210	\$ -	\$ 365,210
Franchise fees, licenses and permits	56,639	-	56,639
Unrestricted state shared revenues	175,949	-	175,949
Gas taxes	31,801	-	31,801
Other taxes	3,498	-	3,498
Rental income	30,731	-	30,731
Miscellaneous income	113,698	-	113,698
Total general revenues	777,526	-	777,526
Transfers	(64,268)	64,268	-
Change in net position	(293,243)	(849,372)	(1,142,615)
Net position - beginning, as restated	1,226,389	7,829,478	9,055,867
Net position - ending	\$ 933,146	\$ 6,980,106	\$ 7,913,252

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Balance Sheet - Governmental Funds
September 30, 2018

	<u>General</u>
ASSETS	
Cash	\$ 283,312
Prepaid expenses	13,471
Accounts receivable	16,908
Total assets	<u><u>\$ 313,691</u></u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable	\$ 176,172
Total Liabilities	<u>176,172</u>
FUND BALANCE	
Unassigned	<u>137,519</u>
Total fund balances	<u>137,519</u>
Total liabilities and fund balances	<u><u>\$ 313,691</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Reconciliation of the Balance Sheet To the Statement of Net Position- Governmental Funds
September 30, 2018

Fund Balance	\$ 137,519
OPEB	(125,197)
Capital assets used in governmental activities are not financial resources and are therefore not reported on the balance sheet	<u>920,824</u>
Net Position	<u><u>\$ 933,146</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the fiscal year ended September 30, 2018

	<u>General</u>
REVENUES	
Taxes	\$ 576,458
Franchise fees, licenses, and permits	56,639
Rentals and leases	30,731
Other revenues	<u>203,639</u>
Total revenues	<u>867,467</u>
EXPENDITURES	
Current	
Personal Services	262,186
Operating Expenses	792,580
Capital Outlay	-
Total expenditures	<u>1,054,766</u>
Excess of revenues over (under) expenditures	<u>(187,299)</u>
OTHER FINANCING SOURCES (USES)	
Transfers out	<u>(64,268)</u>
Total other financing sources (uses)	<u>(64,268)</u>
Net Change in Fund Balance	<u>(251,567)</u>
FUND BALANCE, October 1, 2017, as restated	<u>389,086</u>
FUND BALANCE, September 30, 2018	<u><u>\$ 137,519</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the
Statement of Activities - Governmental Activities
For the fiscal year ended September 30, 2018

Net change in fund balance	\$ (251,567)
The change in other post-employment benefits is an increase of expense in the Statement of Activities, but does not require a use of current financial resources and is not reported in the fund financial statements.	(41,888)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The net effect of various miscellaneous transactions involving the disposal, sale, and trade-in of assets and depreciation expense is to increase net position.	<u>212</u>
Change in net position	<u><u>\$ (293,243)</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Statement of Net Position
Proprietary Fund - Utility
September 30, 2018

	<u>Business-Type Activities</u>
ASSETS	
CURRENT ASSETS	
Cash	\$ 313,310
Accounts receivable	76,637
Prepaid expenses	12,605
Total current assets	<u>402,552</u>
NONCURRENT/CAPITAL ASSETS	
Land	405,378
Buildings	32,925
Machinery and equipment	739,377
Vehicles	3,000
Infrastructure/utility system	13,606,383
Less accumulated depreciation	(5,970,296)
Total noncurrent assets	<u>8,816,767</u>
TOTAL ASSETS	<u>9,219,319</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	490,381
Customer security deposits	46,656
Interest and loan fees payable	2,926
Current portion of notes payable	23,298
Current portion of bonds payable	53,000
Total current liabilities	<u>616,261</u>
NONCURRENT LIABILITIES	
Long term portion of notes payable	554,058
Long term portion of bonds payable	1,007,230
Total OPEB Liability	61,664
Total noncurrent liabilities	<u>1,622,952</u>
TOTAL LIABILITIES	<u>2,239,213</u>
NET POSITION	
Investment in capital assets, net of related debt	6,685,874
Restricted for:	
Debt service	243,361
Unrestricted	50,871
TOTAL NET POSITION	<u><u>\$ 6,980,106</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund - Utility
For the fiscal year ended September 30, 2018

OPERATING REVENUES

Charges for services	\$ 742,620
Total operating revenue	<u>742,620</u>

OPERATING EXPENSES

Personal services	146,087
Insurance	16,233
Contractual services	418,612
Materials and supplies	127,016
Utilities	61,578
Repairs and maintenance	279,714
Total operating expenditures	<u>1,049,240</u>
Operating income (loss)	<u>(306,620)</u>

NON-OPERATING REVENUES (EXPENSES)

Depreciation and loss on disposal	(742,299)
Intergovernmental revenue	203,614
Interest expense and loan fees	(68,335)
Total non-operating revenues (expenses)	<u>(607,020)</u>
Net income (loss) before transfers	<u>(913,640)</u>
Transfers in	<u>64,268</u>
Change in net position	(849,372)
Net position - beginning, as restated	<u>7,829,478</u>
Net position - ending	<u><u>\$ 6,980,106</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Statement of Cash Flows Proprietary Fund - Water & Waste Water Utility
For the fiscal year ended September 30, 2018

Cash flows from operating activities:	
Cash received from customers and agencies	\$ 799,072
Cash payments to suppliers for goods and services	(463,148)
Cash payments to employees for services	(125,456)
Customer deposits received/(refunded)	<u>14,784</u>
Net cash used in operating activities	<u>225,252</u>
Cash flows from noncapital financing activities:	
Transfers in	<u>64,268</u>
Cash flows from capital and related financing activities:	
Cash received from intergovernmental agencies	203,614
Acquisition of capital assets	(207,468)
Principal paid on debt	(68,781)
Interest and loan fees paid	<u>(68,230)</u>
Net cash used by capital and related financing activities	<u>(140,865)</u>
Net decrease in cash and cash equivalents	148,655
Cash and cash equivalents, October 1, 2017	<u>164,655</u>
Cash and cash equivalents, September 30, 2018	<u><u>\$ 313,310</u></u>
Reconciliation of operating net loss to net cash used in operating activities:	
Operating net income	\$ (306,620)
Decrease in prepaid expenses	3,466
Increase in accounts payable	436,539
Decrease in accounts receivable	56,452
Increase in customer deposits	14,784
Increase in OPEB liability	<u>20,631</u>
Net cash used in operating activities	<u><u>\$ 225,252</u></u>

The accompanying notes are an integral and essential part of these financial statements.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies

Reporting Entity

The City of Everglades City, Florida (the "City"), was incorporated as the Town of Everglades in 1923 pursuant to Chapter 9751 Laws of Florida. The Charter of the Town of Everglades was abolished in 1953 and replaced by Chapter 29068 Laws of Florida, Acts of 1953 creating the City of Everglades City. The City is governed by an elected Mayor and an elected five-member City Council, and provides the following services: recreation, public safety, street and roads, planning and zoning, water and sewer services and general and administrative services.

Governmental Accounting Standards Board (GASB) Statement No. 14, *Financial Reporting Entity*, requires the financial statements of the City (the primary government) to include its component units, if any. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. Based on the criteria established in GASB 14, there are no component units required to be included in the City's financial statements.

(a) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. Governmental activities, which are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees, charges for services, and grant funds. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and proprietary funds.

(b) 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.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

(b) Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 City.

Major Funds

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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 the proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary utility fund are charges to customers for services. Operating expenses 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. Series 1981 \$642,000 and Series 2002 \$1,148,230 Revenue Bonds debt service is included in the proprietary fund and used to account for the accumulation of resources for, and the payment of, the principal and interest on bonds.

Budgets and Budgetary Accounting

The following procedures are used by the City in establishing the budgetary data reflected in the non-GAAP City-wide budget vs. actual schedule. The City prepares it's budget at the entity wide level which combines both the general and business-type funds.

1. During the summer, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance required by City Charter and a resolution required by the State of Florida.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting, continued

- 4. Budget amounts, as shown in the budget vs. actual schedule are as originally adopted, and/or as amended, if applicable, by the City Council.
- 5. Governmental Funds that do not have a legally adopted budget are not included in schedule. Therefore, the Debt Service Funds are not presented.
- 6. The level of control for appropriations is exercised at the functional level.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City because it is, at present, not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

(c) Assets, Liabilities, Fund Balance and Net Position

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable column in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such 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 the assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects after constructed. Property, plant and equipment is depreciated using the straight- line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	10 - 40
Infrastructure	10 - 50
Machinery, equipment and vehicles	5 - 20

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

(c) Assets, Liabilities, Fund Balance and Net Position, continued

Compensated Absences

Under the City's current policy, vacation and sick pay do not vest. City employees must use their benefit prior to their anniversary date or the benefit is lost. Based on this, there is no liability for compensated absences recorded at September 30, 2018 in the financial statements.

Fund Balances

The governmental fund financial statements fund balance is reported in five classifications.

Nonspendable	Advances for long term loans and receivables represented as fund balance amounts that are not in spendable form.
Restricted	Restricted fund balances have constraints placed on the uses of resources by state statute, City land development code, debt covenants and contributors.
Committed	Committed fund balances are classified as such as a result of City Council taking formal action and adopting an ordinance which can only be modified or rescinded by subsequent formal action. An ordinance is the City's highest level of decision-making authority. The City does not have any committed fund balance.
Assigned	Assigned fund balances are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City approves the disaster and operating reserves during the adoption of the City's budget.
Unassigned	Fund balance that has not been reported in any other classification.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Net Position

Net position of the government-wide financial statements are categorized as follows:

Invested in capital assets, net of related debt	Capital assets net of accumulated depreciation and reduced by the outstanding balance of the loan payable that is attributable to the acquisition, construction or improvement of capital assets.
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City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

(c) Assets, Liabilities, Fund Balance and Net Position, continued

Net Position, continued

Restricted	Restricted net position has constraints placed on the uses of resources by state stature, City land development code, debt covenants and contributors.
Unrestricted	Net position that has not been reported in any other category.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the City to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Long-term Obligations

Long-term debt is recognized as a liability in the applicable governmental activity of the statement of net position when due, or when resources have been accumulated in the in the following year.

Note 2 - Property Taxes

Property taxes are levied on November 1 of each year, and are due and payable upon receipt of the notice of levy. The Collier County, Florida, Tax Collector's Office bills and collects property taxes on behalf of the City. The tax rate to finance general governmental services and general obligation debt service for the fiscal year ended September 30, 2018 was \$3.8462 per \$1,000 of assessed property value. Property tax revenue is recognized currently in the fiscal year for which the taxes are levied. Unpaid taxes become delinquent and a lien is placed on the property. The past due tax certificates are sold at public auction and the proceeds thus collected are remitted to the City.

The property tax calendar is approximately as follows:

July 1	Assessment roll validated
September 30	Millage ordinance approved and taxes levied following certification of assessment roll
October 1	Beginning of fiscal year for which tax is to be levied
November 1	Tax bills rendered and due
November 1 - March 1	Property taxes due with various discounts
April 1	Taxes delinquent
May 31	Tax certificates sold by Collier County

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 3 - Cash and Investments

At September 30, 2018, the carrying amount of the City's deposits was \$596,622 and the bank balance was \$613,517. These deposits were entirely covered by Federal Depository Insurance or by collateral pursuant to the Florida Security For Public Deposits Act (Florida Statutes Chapter 280).

Florida Statutes authorize investments in certificates of deposit, savings accounts, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration, obligations of the U.S. Government and governmental agencies unconditionally guaranteed by the U.S. Government. The City's investment policy permits the investment in investment savings accounts and certificates of deposit with state-certified, qualified public depositories. The City held no investments at year-end or any other time during the fiscal year.

Note 4 - Changes in Fixed Assets

A summary of changes in general fixed assets follows:

Governmental Activities	Beginning				Ending
	Balance	Additions	Deletions	Adjustments	Balance
	10/1/2017				9/30/2018
Land	\$ 231,383	\$ -	\$ -	\$ -	\$ 231,383
Buildings	383,013	-	-	-	383,013
Improvements other than buildings	317,843	-	-	-	317,843
Infrastructure	1,091,928	-	-	-	1,091,928
Equipment & Furniture	41,431	-	(575)	6	40,862
Vehicles	-	55,500	-	-	55,500
	<u>2,065,598</u>	<u>55,500</u>	<u>(575)</u>	<u>6</u>	<u>2,120,529</u>
Less: Accumulated depreciation	(1,144,986)	(55,294)	575	-	(1,199,705)
	<u>\$ 920,612</u>	<u>\$ 206</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 920,824</u>

Depreciation expense was charged to programs of the City as follows:

General government	\$ 5,293
Culture and recreation	16,517
Physical environment	-
Public safety	3,373
Transportation	<u>30,111</u>
Total depreciation expense	<u>\$ 55,294</u>

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 4 - Changes in Fixed Assets, continued

Business-Type Utility	Activities -				Ending Balance
	Beginning Balance 10/1/2017	Additions	Deletions	Adjustments	
Land	\$ 410,465	\$ -	\$ (5,087)	\$ -	\$ 405,378
Buildings	157,910	-	(124,985)	-	32,925
Equipment & Furniture	825,805	207,468	(293,896)	-	739,377
Infrastructure	14,110,466	-	(504,083)	-	13,606,383
Vehicles	3,000	-	-	-	3,000
	<u>15,507,646</u>	<u>207,468</u>	<u>(928,051)</u>	<u>-</u>	<u>14,787,063</u>
Less: Accumulated depreciation	(6,156,047)	(397,643)	583,394	-	(5,970,296)
	<u>\$ 9,351,599</u>	<u>\$ (190,175)</u>	<u>\$ (344,657)</u>	<u>\$ -</u>	<u>\$ 8,816,767</u>

Note 6 - Rental Agreements

The City is the lesser of approximately 80 marina boat dock slips, land for communication towers and excess office space under various operating lease agreements. The lease agreement with the communications company covers multiple years, whereas the others all expire annually with renewal options for the next year. Total revenue generated from property rentals for the year ended September 30, 2018 was \$30,731.

Note 7 - Changes in Business-Type Activities - Utility Revenue Bonds and Notes Payable

Changes in bond indebtedness and notes payable of the City for the year ended September 30, 2018 are summarized below:

Business type long-term debt payable at October 1, 2017	\$ 1,706,367
Revenue Bonds debt retired	(51,000)
Notes Payable debt retired	<u>(17,781)</u>
Business type long-term debt payable at September 30, 2018	<u>\$ 1,637,586</u>

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 7 - Changes in Business-Type Activities - Utility Revenue Bonds and Notes Payable (Continued)

Revenue Bonds	<u>Unpaid Principal</u>
<p>\$1,148,230 Water and Sewer Revenue Bonds, Series 2002, interest payable at 4.625%, due annually on January 1, principal amounts varying through 2042, collateralized by a lien on gross revenues derived from the municipal water and sewer system and a portion of the City's share of State revenue sharing trust funds.</p>	\$ 907,230
<p>\$642,100 Revenue Bonds, Series 1981,(issued on parity with the Series 1971 Bonds) interest payable at 5%, due annually on January 1, principal amounts varying through 2022, collateralized by a lien on gross revenues derived from the municipal water and sewer system and a portion of the City's share of State revenue sharing trust funds.</p>	153,000
Total Business Type- Revenue Bonds	<u><u>\$ 1,060,230</u></u>

At September 30, 2018, the outstanding Revenue Bonds have the following debt service requirements:

Year Ending September 30,	Principal	Interest	Total
2019	53,000	49,542	102,542
2020	56,000	46,974	102,974
2021	59,000	44,372	103,372
2022	61,000	41,401	102,401
2023	26,000	38,444	64,444
2024-2028	152,000	172,849	324,849
2029-2033	190,000	134,372	324,372
2034-2038	237,000	86,304	323,304
2039-2042	226,230	26,605	252,835
	<u>\$ 1,060,230</u>	<u>\$ 640,863</u>	<u>\$ 1,701,093</u>

The related bond resolutions established certain accounts and determined the order in which revenue is to be deposited into those accounts. The purpose of the accounts, in order of priority of revenue transfers, is as follows:

Sinking Fund Account - Deposit monthly amounts necessary to fund the principal and interest coming due each year in January.

Reserve Account - Deposit monthly and maintain sufficient amounts in the Reserve Fund such that at all times the balance will be no less than an amount equal to the maximum stated reserve requirement.

Remaining Monies - Any monies remaining, after the transfers to the previously mentioned accounts, may be used by the City in any manner provided by law.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 7 - Changes in Business-Type Activities - Utility Revenue Bonds and Notes Payable (Continued)

Notes Payable	<u>Principal amount owed</u>
<p>\$614,293, decreased to \$589,116 in September 2015, loan from the Florida Department of Environmental Protection in conjunction with a grant in the amount of \$2,617,079 of which \$2,027,963 is structured as debt forgiveness, excluding capitalized interest and loan service fees. These funds are to be utilized for the final design of the well field and water plant improvements, permitting and conversion of two exploratory drinking water wells into production wells, including instrumentation and controls, the construction of well pumps and pipeline to connect the new wells with the existing water treatment plant. An amendment to the original loan agreement was effective in fiscal years 2012, 2014 and 2015.</p>	\$ 517,209
<p>\$120,233, loan from the Florida Department of Environmental Protection reduced from \$601,166 in March 2016 in conjunction with a grant in the amount of \$142,326, reduced to \$44,957 in September 2015. These funds are to be utilized for the construction of the wastewater collection, transmission and treatment facility. An amendment to the original loan agreement was effective in fiscal year 2016. Payments do not begin until February of 2017.</p>	<u>60,147</u>
Total Business Type- Notes Payable	<u><u>\$ 577,356</u></u>

At September 30, 2018, the outstanding note payable has the following debt service requirements:

Year Ending September 30,	Principal	Interest	Total
2019	18,215	12,994	31,209
2020	18,661	12,584	31,245
2021	19,119	12,164	31,283
2022	19,587	11,733	31,320
2023	20,066	11,292	31,358
2024-2028	113,052	49,445	162,497
2029-2033	121,893	36,662	158,555
2034-2038	128,984	22,308	151,292
2039-2043	117,779	7,194	124,973
	\$ 577,356	\$ 176,376	\$ 753,732

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 8 - Other Post Employment Benefits

The City’s Other Post Employment Benefit Plan (Plan) is a single-employer defined benefit plan that covers eligible retired employees of the City. The Plan, which is administered by the City, and required by *Florida Statute 112.0801, Group insurance; participation by retired employees*, allows employees who retire and meet retirement eligibility requirements, spouses, and dependents to continue medical insurance coverage as a participant in the City’s plan. The City allows retirees who retire and meet retirement eligibility requirements, spouses, and dependents to continue pharmacy, dental and/or vision insurance as well. For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust, as no assets are accumulated. The contributions, if any, made to the program are assumed to be the benefits paid to retirees and administrative expenses.

Implementation of New GASB Statement – During fiscal year 2018, the City implemented *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 specifies that governments must recognize their net OPEB liability and related deferred outflows of resources, deferred inflows of resources, and OPEB expense in financial statement’s prepared using the economic resources measurement focus and accrual basis of accounting. For the City, this information, including OPEB expense of \$62,519 is included in the government-wide financial statements. There were no OPEB expenditures recognized in the fund financial statements under the modified accrual method for the year ended September 30, 2018. The effect of the transition on the total OPEB liability presented in the government-wide financial statements for the year ended September 30, 2018 is as follows:

<i>GASB 75 Transition</i>	
Net OPEB Obligation September 30, 2017	\$ -
Increase in Liability due to GASB 75 Transition	124,342
Total OPEB Liability October 1, 2017	\$ 124,342

Employees Covered by Benefit Terms. At October 1, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members, or Beneficiaries Currently Receiving Benefits	-
Inactive Plan Members Covered Spouses	-
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Plan Active Members	6
	6

Benefits Provided:

All retirees may elect coverage in the health, pharmacy, dental and/or vision plans offered by the City. They must contribute 100% of the active premium rates. Spouse and dependent coverage is available as well at the active premium rates.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 8 - Other Post Employment Benefits (continued)

The City’s net OPEB liability was calculated using the Alternative Measurement Method (AMM) permitted by GASB Statement 75 for employers in plans with fewer than one hundred total plan members.

The Alternative Measurement Method involves estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that the determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members at that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Total OPEB Liability

The measurement date is September 30, 2018.
 The measurement period for the OPEB expense was October 1, 2017 to September 30, 2018.
 The reporting period is October 1, 2017 through September 30, 2018

Note - The Sponsor’s Total OPEB Liability for the City’s ledger adjustment was measured as of September 30, 2018 using a discount rate of 4.18%

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of October 1, 2017 using the following actuarial assumptions:

Age Adjustment Factor	1.355215
Average Retirement Age	65
Employer Future Premium Contribution	Remain a level % of the total cost over time
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Discount Rate	4.18%
Projected Salary Increases	1.24%
Amortization Period	20
Percentage Participation	100%
Total OPEB Liability and Annually Determined Contribution	Calculated using the AMM in accordance with GASB methodology

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 8 - Other Post Employment Benefits (continued)

Total OPEB Liability (continued)

Actuarial Assumptions (continued)

Mortality Table - RP2000 Mortality Table for Males and Females projected 18 years; this assumption does not include a margin for future improvements in longevity

Turnover Assumption - Derived from data maintained by the United States Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System

Payroll Growth Assumption Source - The average annual percentage change in the Consumer Price Index - Urban Wage Earners and Clerical Workers CPI-W from 2010 to 2017

Healthcare Cost Trend Source - Consistent with the Getzen Model promulgated by the Society of Actuaries for use in long-term trend projection

ACA Excise Tax - Will ultimately affect all plans, due to the variability of the ACA excise tax by plan, the user needs to estimate the impact and adjust the trend, the excise tax could raise the average annual trend rate by 0.5% or more in each year

Discount Rate - Given the City's decision not to fund the program, all future benefit payments were discounted using a high quality municipal bond rate of 4.18%. The high quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA

Eligibility - Minimum age before retirement (termination) - 65; Minimum required years of service - 8; benefit pays secondary to Medicare; benefit for both early (pre-65) and regular retirees (65 and over)

Changes in Total OPEB Liability

Reporting Period Ending September 30, 2017	\$ 124,342
Changes for the year:	
Service Cost	6,227
Interest	4,740
Economic/Demographic Gains or Losses	70,360
Changes of Assumptions or Inputs	(18,808)
Net Changes	<u>62,519</u>
Reporting Period Ending September 30, 2018	<u><u>\$ 186,861</u></u>

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 8 - Other Post Employment Benefits (continued)

Changes in Total OPEB Liability (continued)

Sensitivity of the Total OPEB Liability to changes in the Discount Rate:

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor’s Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
	3.18%	4.18%	5.18%
Total OPEB Liability	\$ 222,951	\$ 186,861	\$ 158,105

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor’s Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
	156,238	186,861	225,323
Total OPEB Liability	\$ 156,238	\$ 186,861	\$ 225,323

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the Sponsor will recognize OPEB expense of \$62,519. On September 30, 2018, the Sponsor did not report Deferred Outflows of Resources or Deferred Inflows of Resources related to OPEB, in accordance with the AMM GASB methodology.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 8 - Commitments and Contingencies

The City is currently receiving, and has received in the past, grants which are subject to special compliance audits by the grantor agency and which are subject to special compliance audits by the grantor agency and which may result in disallowed expenditures/expense amounts. These amounts, if any, constitute a contingent liability of the City. Accordingly, such liabilities are not reflected within the general-purpose financial statements. The City does not believe the effects of grant-related contingent liabilities, if any, will be material to the financial statements.

The Florida Department of Environmental Protection (DEP) filed a civil lawsuit naming the City as the defendant on November 24, 2015 for negligence related to the Wastewater and Drinking Water Condition of the City, State of Florida Department of Environmental Protection v. Everglades City Case Number 11-2015-CA-002134-0001-XX. On January 21, 2016, a clerk's default was entered against the City. The amended complaint, filed February 17, 2017 asserts the following counts and related penalties, fines and costs: Count One- Petition for Enforcement of Consent Order, fines of up to \$1,000 per day since June 3, 2013; Count Two- Operating without a Permit, fines of up to \$10,000 per day since July 5, 2015; Count Three- Drinking Water Violations, fines of up to \$10,000 per day since December 5, 2014; and Count Four- Wastewater Violations, fines of up to \$10,000 per day since April 1, 2016; attorney's fees, department costs, and investigative costs. On April 28, 2017, the DEP moved for a default judgment against the City. The City answered on June 28, 2017; however, the Court entered a clerk's default. The City, along with the DEP filed a joint motion to set aside the default and, on August 17, 2017, the Court granted an Order setting aside judicial default. The City settled with the DEP and entered into a Consent Final Judgment on July 25, 2018. Since reaching an agreement with the DEP, the City has violated the Consent Final Judgment, as indicated by the DEP; however, no formal action has been taken by the DEP. The potential liability to the City, which include fines, attorney's fees, department costs, and investigative costs can not be reasonably estimated, but is probable. The City does not anticipate a resolution to the case in the near future. Settlement of this matter at some point is highly likely.

Note 9 - Risk Management

The City participates in the Florida Municipal Insurance Trust Fund, a program sponsored and administered by the Florida League of Cities. It provides the following types of insurance: General Liability, Automobile, Property and Workers' Compensation. The Florida Municipal Insurance Trust (FMIT) represents a large number of cities and government agencies in the formation of a "self-insurance" pool for both general liability and workers' compensation protection.

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 10 - Change in Accounting Principle and Prior Period Adjustment

As a result of the accounts payable being understated in the governmental activities in fiscal year 2017 by \$23,195, a prior period adjustment was required to decrease the general fund balance from \$412,281 to \$389,074 and decrease the governmental activities net position by \$23,195 from \$1,332,893 to \$1,309,698, prior to the GASB 75 implementation, which required a \$83,309 decrease in net position, resulting in a restated net position of \$1,226,389.

As a result of accounts payable being understated in the proprietary fund in fiscal year 2017, beginning net position for the proprietary fund and business-type activities was decreased by \$7,905, resulting in a restated net position of \$7,870,511 prior to the GASB 75 implementation, which required a \$41,033 decrease in net position, resulting in a restated net position of \$7,829,478.

During the year ended September 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This pronouncement requires the restatement of the September 30, 2017 net position and total OPEB liability of the governmental activities and business type activities as follows:

	Governmental Activities	Business-type Activities	Government- Wide
Net position, as previously reported September 30, 2017	\$ 1,332,893	\$ 7,878,416	\$ 9,211,309
Effect of GASB 75 Implementation	(83,309)	(41,033)	(124,342)
Effect of Accounts Payable Understatement	(23,195)	(7,905)	(31,100)
Net position, as restated September 30, 2017	<u>\$ 1,226,389</u>	<u>\$ 7,829,478</u>	<u>\$ 9,055,867</u>
	Governmental Activities	Business-type Activities	Government- Wide
OPEB obligation,			
as previously reported September 30, 2017	\$ -	\$ -	\$ -
Effect of GASB 75 Implementation	83,309	41,033	124,342
Total OPEB liability, as restated September 30, 2017	<u>\$ 83,309</u>	<u>\$ 41,033</u>	<u>\$ 124,342</u>
	General Fund		
General Fund, Fund Balance, as previously reported September 30, 2017	\$ 412,281		
Effect of Accounts Payable Understatement	(23,195)		
General Fund, Fund Balance, as previously reported September 30, 2017	<u>\$ 389,086</u>		

City of Everglades City, Florida
Notes to Financial Statements
September 30, 2018

Note 11 - Subsequent Events, Hurricane Irma

On September 10, 2017, Hurricane Irma made landfall in the City of Everglades City. As a result of this event, the City suffered damages to various buildings and infrastructure. As of March 31, 2018 total insurance claims for the City were \$2.442 million for Hurricane related damages to real and personal property. The city is responsible for a deductible of \$213,075. The City paid \$73,075 in deductible costs in fiscal year 2018 and the remaining \$140,000 in fiscal year 2019. In addition to the harm to City owned property, many citizens had extensive damages to their home and business properties. The cost of the clean up effort is partially reimbursable by the Federal Emergency Management Administration (FEMA). The amount of total cost of the clean up and repair effort was \$1,273,569 as of September 30, 2018. The process of applying for and receiving reimbursement will continue into 2020. At the close of the fiscal year, no expenses had been reimbursed. Additionally, the revenue related to the reimbursement has not been recognized in 2018 because it was not measurable or available. As of May 30, 2019 the City received \$221,557 from FEMA and expects to receive the remaining obligated funds of by September 1, 2020. The City will be responsible for 6.25% in matching funds in the amount of \$79,598.

Required Supplementary Information

City of Everglades City, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - City
Wide (Non GAAP)
Fiscal year ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 589,274	\$ 523,274	\$ 400,509	\$ (122,765)
Franchise Fees	53,414	30,970	30,970	-
Licenses and permits	46,618	35,118	25,669	(9,449)
Intergovernmental revenues	1,011,850	420,751	522,333	101,582
Charges for services	857,590	662,778	745,291	82,513
Miscellaneous	178,526	55,929	88,929	33,000
Total revenues	2,737,272	1,728,820	1,813,701	84,881
EXPENDITURES				
Current				
General government	389,109	229,109	235,999	(6,890)
Legal council	13,100	81,100	99,701	(18,601)
Public safety	91,275	506,275	512,737	(6,462)
Utility project and restore expenses	2,700	-	-	-
Water	445,224	595,224	469,685	125,539
Sewer	701,917	671,917	609,431	62,486
Human Services	43,375	28,375	22,257	6,118
Transportation	171,831	100,831	104,334	(3,503)
Parks and recreation	82,490	122,490	118,197	4,293
Contingency	1,806,780	1,806,780	-	1,806,780
Total expenditures	3,747,801	4,142,101	2,172,341	1,969,760
Excess of revenues over (under) expenditures	(1,010,529)	(2,413,281)	(358,640)	2,054,641
FUND BALANCES, October 1, 2017	1,010,529	2,413,281	148,983	(2,264,298)
FUND BALANCES, September 30, 2018	\$ -	\$ -	\$ (209,657)	\$ (209,657)

Note - The City prepares the annual budget at the City-Wide level and, therefore, is not able to be presented separately for the General and Utility/Business-Type Funds, nor is it able to be reconciled to Generally Accepted Accounting Principles (GAAP).

City of Everglades City, Florida
Combining Statement of Revenues, Expenses and
Changes in Net Position - Proprietary Fund - Utility
For the fiscal year ended September 30, 2018

OPERATING REVENUES	<u>Water</u>	<u>Sewer</u>	<u>Total Proprietary Fund</u>
Charges for services	\$ 452,998	\$ 289,622	\$ 742,620
Total operating revenue	<u>452,998</u>	<u>289,622</u>	<u>742,620</u>
 OPERATING EXPENSES			
Personal services	83,360	62,727	146,087
Contractual services	92,688	325,924	418,612
Materials and supplies	42,073	84,943	127,016
Utilities	27,067	34,511	61,578
Insurance	9,820	6,413	16,233
Repairs and maintenance	159,763	119,951	279,714
Total operating expenditures	<u>414,771</u>	<u>634,469</u>	<u>1,049,240</u>
Operating income (loss)	<u>38,227</u>	<u>(344,847)</u>	<u>(306,620)</u>
 NON-OPERATING REVENUES (EXPENSES)			
Depreciation and loss on disposal	(452,802)	(289,497)	(742,299)
Intergovernmental grants	203,614	-	203,614
Interest expense	(68,335)	-	(68,335)
Total non-operating revenues (expenses)	<u>(317,523)</u>	<u>(289,497)</u>	<u>(607,020)</u>
Net income (loss) before transfers	<u>(279,296)</u>	<u>(634,344)</u>	<u>(913,640)</u>
Transfers in	<u>39,203</u>	<u>25,065</u>	<u>64,268</u>
Change in net position	(240,093)	(609,279)	(849,372)
Net position - beginning - as restated	5,079,638	2,749,840	7,829,478
Net position - ending	<u>\$ 4,839,545</u>	<u>\$ 2,140,561</u>	<u>\$ 6,980,106</u>

City of Everglades City, Florida

**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Measurement Date	9/30/2018
Total OPEB Liability	
Service Cost	\$ 6,227
Interest	4,740
Changee of Assumptions	(18,808)
Economic/Demographic Changes	70,360
Net change in Total OPEB Liability	<u>62,519</u>
Total OPEB Liability - Beginning	<u>124,342</u>
Total OPEB Liability - Ending	<u>186,861</u>
Covered employee payroll	\$ 408,273
Total OPEB Liability as a percentage of Covered employee payroll	45.77%

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Honorable Mayor and City Council
City of Everglades City, 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, business-type activities, each major fund and the aggregate remaining fund information of the City of Everglades City, Florida, (the "City") as of and for the fiscal year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 12, 2019, for the purpose of compliance with Section 218.39(2), Florida Statutes, and Chapter 10.550, Rules of the Auditor General - Local Government Entity Audits.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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.

Internal Control Over Financial Reporting, continued

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 City'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.

A handwritten signature in blue ink that reads "Ashley, Brown & Co." The signature is written in a cursive style.

Punta Gorda, Florida
May 30, 2019

Report on Independent Accountant on Compliance with Local Government Investment Policies

Honorable Mayor and City Council
City of Everglades City, Florida

Report on Compliance

We have examined the City of Everglades City, Florida's (the "City's") compliance with the local government investment policy requirements of 218.415, Florida Statutes, during the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Scope

Our examination was conducted in accordance with AICPA Professional Standards, AT-C Section 315, promulgated by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

Opinion

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



Punta Gorda, Florida
May 30, 2019

Independent Auditor's Management Letter

Honorable Mayor and City Council
City of Everglades City, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Everglades City, Florida (the "City"), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 30, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's 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(s) on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 30, 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.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City discloses this information in the notes to the financial statements. The City had no component units as of September 30, 2018.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City 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 for the City. It is management’s responsibility to monitor the City'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.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special City that is a component unit of a county, municipality, or special City, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special City in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special City component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note 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, City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



May 30, 2019

City of Everglades

P.O. Box 110, Everglades City, Collier County, Florida 34139

City Hall 102 Copeland Avenue N.

Phone (239) 695-3781

Fax (239) 695-3020

June 5, 2019

Ashley, Brown & Company
366 East Olympia Ave
Punta Gorda, FL 33950

Dear Mr. Brown,

This letter will confirm receipt of your management letter reviews by us. In accordance with the Management Letter, the City of Everglades City did not note any current year comments for which a response was required.

Sincerely,



Howell Grimm, Jr.
Mayor