

TOWN OF HORSESHOE BEACH, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2018

TOWN OF HORSESHOE BEACH, FLORIDA

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2018

TABLE OF CONTENTS

	PAGE NO.
INTRODUCTORY SECTION	
List of Officials	5
FINANCIAL SECTION	
Independent Auditor's Report	7 - 8
Management's Discussion and Analysis	9 - 13
Basic Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Governmental Funds	
Balance Sheet	17
Statement of Revenues, and Expenditures, and Changes in Fund Balance	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Fund	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22
Statement of Cash Flows – Reconciliation of Operating Income to Net Cash Provided by Operating Activities	23
Notes to Financial Statements	24 - 37

TOWN OF HORSESHOE BEACH, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2018

TABLE OF CONTENTS

	PAGE NO.
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund -	
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual	39 - 42
Notes to Required Supplementary Information	43
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 <i>Government Auditing Standards</i>	44 - 45
Management Letter Required by Chapter 10.550, Rules of the Auditor General	46 - 47
Independent Accountant's Report	48
Communication with Those Charged with Governance	49 - 50

INTRODUCTORY SECTION

TOWN OF HORSESHOE BEACH, FLORIDA

PRINCIPAL LIST OF OFFICIALS

September 30, 2018

MAYOR

Talmadge Bennett

COUNCIL MEMBERS

Mike Ewing

Tom Cushman

Bob Webb

Tyler Futch

TOWN CLERK

Nikki Selph

TOWN ATTORNEY

Conrad C. Bishop, Jr.

FINANCIAL SECTION



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

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the Town Council
Town of Horseshoe Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Horseshoe Beach, 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.

Auditor's Responsibility

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

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

Opinion

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

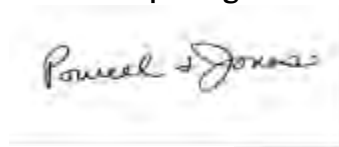
Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2019, on our consideration of the Town of Horseshoe Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Horseshoe Beach, Florida's internal control over financial reporting and compliance.



POWELL & JONES
Certified Public Accountants
June 17, 2019

TOWN OF HORSESHOE BEACH, FLORIDA Management's Discussion and Analysis

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

Report Layout

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

Basic Financial Statements

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

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

Town as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at September 30, 2018, follows:

Net Position at September 30, 2018 and 2017

	Governmental	Business-type	Total Government	
	Activities	Activities	2018	2017
Assets				
Cash and cash equivalents	\$ 516,201	\$ 234,561	\$ 750,762	\$ 783,166
Other assets	4,142	1,386	5,528	4,903
Capital assets	867,223	4,813,925	5,681,148	5,941,268
Total assets	1,387,566	5,049,872	6,437,438	6,729,337
Liabilities				
Current liabilities	1,051	47,452	48,503	44,269
Long-term liabilities	-	776,958	776,958	805,136
Total liabilities	1,051	824,410	825,461	849,405
Net position				
Net investment of capital assets	867,223	4,011,553	4,878,776	5,110,024
Restricted for streets	24,177	-	24,177	26,848
Unrestricted	495,682	213,909	709,591	743,059
Total net position	\$1,387,082	\$ 4,225,462	\$5,612,544	\$5,879,931

81% of the Town's net position reflect its investment in capital assets (land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's net position decreased by \$267,387 over the year.

The following schedule provides a summary of the changes in net position. The decrease in governmental and business-type net position is due primarily to the inability of these operations to fully fund depreciation.

A condensed version of the Statement of Activities follows:

Change in Net Position
For the Fiscal Years Ended September 30, 2018 and 2017

	Governmental Activities	Business-type Activities	Total Government	
			2018	2017
Revenues				
Program revenues				
Charges for services	\$ -	\$ 230,160	\$ 230,160	\$ 242,949
General revenues				
Taxes	154,920	-	154,920	152,820
Licenses, permits	3,536	-	3,536	3,659
State shared revenues	30,624	-	30,624	19,332
Interest and other	8,553	6,827	15,380	165,253
Total revenues	197,633	236,987	434,620	584,013
Expenses				
General government	120,276	-	120,276	124,342
Public safety	21,257	-	21,257	6,019
Physical environment	3,043	-	3,043	3,042
Transportation	90,769	-	90,769	76,522
Health	4,215	-	4,215	2,426
Culture/recreation	6,533	-	6,533	7,753
Interest on long-term debt	-	22,611	22,611	23,387
Water	-	433,304	433,304	389,125
Total expenses	246,092	455,915	702,007	632,616
Change in net position	(48,459)	(218,928)	(267,387)	(48,603)
Beginning net position	1,435,541	4,444,390	5,879,931	5,928,534
Ending net position	\$1,387,082	\$4,225,462	\$5,612,544	\$ 5,879,931

Governmental activities:

Taxes provide 78% of the revenues for Governmental Activities, while state shared revenues provide 15%. Most of the Governmental Activities resources are spent for General Government (49%), Transportation (37%), and Public Safety (9%).

Business-type activities:

Business-type activities decreased the Town's net assets by \$218,928. Key elements of this decrease are as follows:

- Water expenses during the year totaled \$455,915 including depreciation of \$204,279.

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

Capital Assets and Debt Administration

Capital Assets

At September 30, 2018, the Town had \$5.6 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, and water facilities.

Capital Assets at September 30, 2018 and 2017

	Governmental Activities	Business-type Activities	Total Government	
			2018	2017
Land	\$ 157,538	\$ 163,500	\$ 321,038	\$ 321,038
Buildings and improvements	252,073	5,974,742	6,226,815	6,226,815
Infrastructure	1,217,983	1,023,485	2,241,468	2,241,468
Equipment	217,820	41,274	259,094	254,177
Subtotal	1,845,414	7,203,001	9,048,415	9,043,498
Accumulated depreciation	(978,191)	(2,389,076)	(3,367,267)	(3,102,230)
Capital assets, net	<u>\$ 867,223</u>	<u>\$ 4,813,925</u>	<u>\$ 5,681,148</u>	<u>\$ 5,941,268</u>

Debt Outstanding

At year-end, the Town had \$802,372 in debt outstanding versus \$831,244 last year, a decrease of \$28,872.

	Governmental Activities	Business-type Activities	Total Government	
			2018	2017
Loans	<u>\$ -</u>	<u>\$ 802,372</u>	<u>\$ 802,372</u>	<u>\$ 831,244</u>

More detailed information on the Town long-term liabilities is presented in the notes to the financial statements.

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The estimated unemployment rate for Dixie County was 5.5%, which is the approximate rate for the Town.
- The estimated population for the Town in 2018 was 169 and is estimated to be approximately the same in 2019.
- The Town's ad valorem tax rate for 2018 was 2.5 mills, which was the same as the prior year.

Financial Contact

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. If you have questions about the report or need additional financial information, please contact the Town Clerk at P.O. Box 86, Horseshoe Beach, Florida 32648.

BASIC FINANCIAL STATEMENTS

TOWN OF HORSESHOE BEACH, FLORIDA
STATEMENT OF NET POSITION
September 30, 2018

	<u>Governmental Activities</u>	<u>Business - type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash	\$ 210,343	\$ 127,991	\$ 338,334
Investments	305,858	106,570	412,428
Due from other governments	4,142	-	4,142
Accounts receivable, net	-	1,386	1,386
Total current assets	<u>520,343</u>	<u>235,947</u>	<u>756,290</u>
Non-current assets:			
Capital assets, net	867,223	4,813,925	5,681,148
Total assets	<u>1,387,566</u>	<u>5,049,872</u>	<u>6,437,438</u>
LIABILITIES			
Current liabilities			
Accounts payable	330	7,376	7,706
Accrued compensated absences	721	1,911	2,632
Accrued interest	-	10,133	10,133
Notes payable, current portion	-	28,032	28,032
Total current liabilities	<u>1,051</u>	<u>47,452</u>	<u>48,503</u>
Noncurrent liabilities:			
Accrued compensated absences	-	2,618	2,618
Notes payable	-	774,340	774,340
Total noncurrent liabilities	<u>-</u>	<u>776,958</u>	<u>776,958</u>
Total liabilities	<u>1,051</u>	<u>824,410</u>	<u>825,461</u>
NET POSITION			
Net investment in capital assets	867,223	4,011,553	4,878,776
Restricted for streets	24,177	-	24,177
Unrestricted	495,682	213,909	709,591
Total net position	<u>\$ 1,387,082</u>	<u>\$ 4,225,462</u>	<u>\$ 5,612,544</u>

See notes to financial statements.

TOWN OF HORSESHOE BEACH, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 120,276	\$ -	\$ -	\$ -	\$ (120,276)	\$ -	\$ (120,276)
Public safety	21,257	-	-	-	(21,257)	-	(21,257)
Physical environment	3,043	-	-	-	(3,043)	-	(3,043)
Transportation	90,769	-	-	-	(90,769)	-	(90,769)
Health	4,215	-	-	-	(4,215)	-	(4,215)
Culture/recreation	6,533	-	-	-	(6,533)	-	(6,533)
Total governmental activities	246,092	-	-	-	(246,092)	-	(246,092)
Business-type activities							
Water utility	433,304	230,160	5,573	-	-	(197,571)	(197,571)
Interest on long-term debt	22,611	-	-	-	-	(22,611)	(22,611)
Total business-type activities	455,915	230,160	5,573	-	-	(220,182)	(220,182)
Total government	\$ 702,007	\$ 230,160	\$ 5,573	\$ -	(246,092)	(220,182)	(466,274)
			General revenues				
			Taxes	154,920	-	154,920	
			State shared revenues	30,624	-	30,624	
			Licenses and permits	3,536	-	3,536	
			Interest income	-	1,254	1,254	
			Miscellaneous	8,553	-	8,553	
			Total general revenues	197,633	1,254	198,887	
			Change in net position	(48,459)	(218,928)	(267,387)	
			Interfund transfers	-	-	-	
			Net position - beginning	1,435,541	4,444,390	5,879,931	
			Net position - ending	\$ 1,387,082	\$ 4,225,462	\$ 5,612,544	

TOWN OF HORSESHOE BEACH, FLORIDA

GOVERNMENTAL FUND

BALANCE SHEET

September 30, 2018

	<u>General Fund</u>
ASSETS	
Cash	\$ 210,343
Investments	305,858
Prepaid expenses	567
Due from other governmental units	4,142
Total assets	<u>520,910</u>
LIABILITIES	
Accounts payable	330
Total liabilities	<u>330</u>
FUND BALANCES	
Restricted for streets	38,659
Unassigned	481,921
Total fund balances	<u>520,580</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	867,223
Long-term liabilities, including compensated absences are not due and payable and therefore are not reported in the funds.	(721)
Net position of governmental activities	<u>\$ 1,387,082</u>

See notes to financial statements.

TOWN OF HORSESHOE BEACH, FLORIDA

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Fiscal Year Ended September 30, 2018

	<u>General Fund</u>
REVENUES	
Taxes	\$ 154,920
Licenses and permits	3,536
Intergovernmental	30,624
Miscellaneous	8,553
Total revenues	<u>197,633</u>
EXPENDITURES	
Current expenditures	
General government	119,350
Public safety	21,257
Transportation	37,802
Health	4,215
Culture/recreation	1,400
Total current expenditures	<u>184,024</u>
Total expenditures	<u>184,024</u>
Excess of revenues over expenditures	13,609
Fund balances at beginning of year	506,971
Fund balances at end of year	<u>\$ 520,580</u>

TOWN OF HORSESHOE BEACH, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended September 30, 2018

Net change in fund balance - total governmental funds		\$	13,609
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlay as expenditures			
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Less current year depreciation	\$	(62,425)	(62,425)
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.			
Net change in compensated absences			<u>357</u>
Change in net position of governmental activities		\$	<u>(48,459)</u>

TOWN OF HORSESHOE BEACH, FLORIDA

**PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2017**

	<u>Utilities Department Fund</u>
ASSETS	
Current assets	
Cash	\$ 127,991
Investments	106,570
Accounts receivable, net	<u>1,386</u>
Total current assets	<u>235,947</u>
Noncurrent assets	
Fixed assets	
Land	162,500
Building and improvements	1,052,907
New water plant	5,945,320
Easement	1,000
Equipment	41,274
Allowance for depreciation	<u>(2,389,076)</u>
Total fixed assets	<u>4,813,925</u>
Total assets	<u>\$ 5,049,872</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	\$ 7,376
Accrued interest charges	10,133
Accrued compensated absences	1,911
SRF loan, current portion	<u>28,032</u>
Total current liabilities	<u>47,452</u>
Long-term liabilities	
Accrued compensated absences	2,618
SRF loan, less current portion	<u>774,340</u>
Total long-term liabilities	<u>776,958</u>
Total liabilities	<u>824,410</u>
NET POSITION	
Net investment in capital assets	4,011,553
Unrestricted	<u>213,909</u>
Total net position	<u>4,225,462</u>
Total liabilities and net position	<u>\$ 5,049,872</u>

See notes to financial statements.

TOWN OF HORSESHOE BEACH, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2018

	<u>Utilities Department Fund</u>
OPERATING REVENUES	
Physical environment	
Water utility revenue/surcharges	
Water sales	\$ 230,160
Miscellaneous revenue	5,573
Total operating revenues	<u>235,733</u>
OPERATING EXPENSES	
Water utility services	
Personnel services	
Regular salaries and benefits	76,017
Total personnel services	<u>76,017</u>
Operating expenses	
Chemicals/samples	21,896
Contract labor	21,610
Depreciation	204,279
Dues	245
Insurance	666
Utilities	14,332
Repairs and maintenance	47,627
Other current charges and obligations	2,714
Postage/freight	1,748
Communications	4,197
Professional services	3,505
Supplies	18,215
Surcharge expense	16,253
Total operating expenses	<u>357,287</u>
Total water utility services	<u>433,304</u>
Operating loss	<u>(197,571)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	1,254
Interest expense	(22,611)
Total nonoperating revenues(expenses)	<u>(21,357)</u>
Net loss	<u>(218,928)</u>
Net position, beginning of year	4,444,390
Net position, end of year	<u>\$ 4,225,462</u>

TOWN OF HORSESHOE BEACH, FLORIDA

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended September 30, 2018

	<u>Utilities Department Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 237,551
Cash paid to suppliers	(148,938)
Cash paid to employees	(74,139)
Net cash provided by operating activities	<u>14,474</u>
Cash flows from capital and related financing activities:	
Principal payments	(33,789)
Interest payments	(22,976)
Net cash used for capital and related financing activities	<u>(56,765)</u>
Net increase in cash	(42,291)
Cash, at beginning of year	<u>170,282</u>
Cash, at end of year	<u>\$ 127,991</u>

TOWN OF HORSESHOE BEACH, FLORIDA

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS**

**RECONCILIATION OF OPERATING LOSS TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

For the Fiscal Year Ended September 30, 2018

	Utilities Department Fund
Operating loss	<u>\$ (197,571)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	202,612
Decrease in current assets:	
Accounts receivable	1,818
Decrease in current liabilities:	
Accounts payable	5,737
Compensated absences	1,878
	<u>212,045</u>
Net cash provided by operating activities	<u>\$ 14,474</u>

TOWN OF HORSESHOE BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity - The Town of Horseshoe Beach, Florida is a municipality created and derives its powers pursuant to Chapter 63-1429, *Acts of 1963 - Laws of Florida*. It is governed by a Mayor and a four member Town Council, all of whom are individually elected.

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

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

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

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

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

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

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

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

2. Fund Financial Statements

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

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

Governmental Funds – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay

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

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

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

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

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

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

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

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

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

C. Basis of Accounting – GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has three major funds as follows:

1. Governmental Major Funds:

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

2. Proprietary Major Fund:

Utilities Fund – The Utilities Department Fund accounts for the revenues, expenses, assets, and liabilities associated with the Town operated water service.

3. Non-current Governmental Assets/Liabilities:

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

D. Assets, Liabilities and Net Position or Equity

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

2. Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

3. Encumbrances – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.

4. Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981, are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Certain interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town, as well as of component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	20 - 40
Machinery and equipment	5 - 10
Street and related infrastructure	20 - 40

5. **Deferred Revenues** - Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues. The Town had no deferred revenues at year end.
6. **Accrued Compensated Absences** - The Town policies provide for the accumulation or vesting of vacation benefits by employees which are fully payable upon satisfactory separation.
7. **Cash Equivalents** - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2018, the Town's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.
8. **Prepaid Items** - Significant payments made to vendors for goods or services that will benefit periods beyond September 30, 2018, are recorded as prepaid items.
9. **Restricted Assets** - Certain net assets of the Town are classified as restricted assets on the statement of net assets because their use is limited either by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributions, or laws or regulations of other governments. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets and then from unrestricted net assets.
10. **Short-term Interfund Receivable/Payables** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables."
11. **Inventories** - The costs of governmental and enterprise fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.
12. **Fund Balances and Net Assets**
 - A. **Governmental Funds**

As of September 30, 2018, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

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 governing body. The Town Council is the highest level of decision making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.

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

Unassigned – all other spendable amounts.

As of September 30, 2018, fund balances are composed of the following:

	<u>Governmental Funds</u>
Restricted for streets	\$ 24,177
Unassigned	496,403
	<u>\$ 520,580</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

B. Proprietary Funds

Restrictions of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses.

As of September 30, 2018, net position is composed of the following:

	<u>Amount</u>
Net investment in capital assets	\$ 4,011,553
Unrestricted	213,909
	<u>\$ 4,225,462</u>

13. Proprietary Activity Accounting and Financial Reporting - The Town applies all applicable Government Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 10, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARB’s).

14. Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for

expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

- 15. Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

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

“Total fund balances” of the Town’s governmental funds \$520,580 differs from “net position” of governmental activities \$1,387,082 reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

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

Cost of capital assets	\$1,845,414
Accumulated depreciation	<u>(978,191)</u>
Total	<u>\$ 867,223</u>

Long-term debt transactions

Long-term liabilities applicable to the Town’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balance at September 30, 2018, was:

Compensated absences	<u>\$ (721)</u>
----------------------	-----------------

TOWN OF HORSESHOE BEACH, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Net Position
ASSETS				
Cash	\$ 210,343	\$ -	\$ -	\$ 210,343
Investments	305,858	-	-	305,858
Prepaid expenses	567			
Due from other governmental units	4,142	-	-	4,142
Capital asset - net	-	867,223	-	867,223
Total assets	\$ 520,910	\$ 867,223	\$ -	\$ 1,387,566
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 330	\$ -	\$ -	\$ 330
Compensated absences	-	-	721	721
Total liabilities	330	-	721	1,051
Restricted for streets	38,659	-	-	38,659
Unrestricted fund balance/net position	481,921	867,223	(721)	1,348,423
Fund balance/net position	520,580	867,223	(721)	1,387,082
Total liabilities and fund balances/net position	\$ 520,910	\$ 867,223	\$ -	\$ 1,388,133

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

The “net change in fund balances” for governmental funds \$13,609 differs from the “change in net position” for governmental activities \$(48,459) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Depreciation expense	<u>\$ (62,425)</u>
----------------------	--------------------

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are reported as expenditures in governmental funds.

Net change in compensated absences	<u>\$ 327</u>
------------------------------------	---------------

TOWN OF HORSESHOE BEACH, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities
REVENUES				
Taxes	\$ 154,920	\$ -	\$ -	\$ 154,920
Licenses and permits	3,536	-	-	3,536
Intergovernmental	30,624	-	-	30,624
Miscellaneous	8,553	-	-	8,553
Total revenues	<u>197,633</u>	<u>-</u>	<u>-</u>	<u>197,633</u>
EXPENDITURES				
Current expenditures				
General government	119,350	1,283	(357)	120,276
Physical environment	-	3,043	-	3,043
Public safety	21,257	-	-	21,257
Transportation	37,802	52,967	-	90,769
Health	4,215	-	-	4,215
Culture/recreation	1,400	5,133	-	6,533
Total expenditures	<u>184,024</u>	<u>62,425</u>	<u>(357)</u>	<u>246,092</u>
Excess of revenues over (under) expenditures	<u>13,609</u>	<u>(62,425)</u>	<u>357</u>	<u>(48,459)</u>
Net change in fund balance	13,609	(62,425)	357	(48,459)
Interfund transfers	-	-	-	-
Fund balance at beginning of year	506,971	929,648	(1,078)	1,435,541
Fund balance at end of year	<u>\$ 520,580</u>	<u>\$ 867,223</u>	<u>\$ (721)</u>	<u>\$ 1,387,082</u>

NOTE 3. DEPOSITS AND INVESTMENTS

Cash includes amounts in demand deposits and any funds on hand at year end. Investments, consisting of a savings account or certificates of deposit, are stated at cost which approximates market value. Both of these accounts are secured as required by state law.

NOTE 4. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2017-2018 fiscal year were levied in October 2017. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1.

NOTE 5. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets:				
Land	\$ 157,538	\$ -	\$ -	\$ 157,538
Improvements other than buildings	252,073	-	-	252,073
Infrastructure	1,217,983	-	-	1,217,983
Equipment and structures	217,820	3,900	-	221,720
Total capital assets	1,845,414	3,900	-	1,849,314
Less accumulated depreciation	(915,766)	(62,425)	-	(978,191)
Governmental activities capital assets, net	<u>\$ 929,648</u>	<u>\$ (58,525)</u>	<u>\$ -</u>	<u>\$ 871,123</u>
Business-type activities:				
Land	\$ 162,500	\$ -	\$ -	\$ 162,500
Easements	1,000	-	-	1,000
Buildings and fixtures	1,023,485	-	-	1,023,485
Utility plant	5,974,742	-	-	5,974,742
Equipment	36,357	6,584	(1,667)	41,274
Total capital assets	7,198,084	6,584	(1,667)	7,203,001
Less accumulated depreciation	(2,186,464)	(204,279)	1,667	(2,389,076)
Business-type activities capital assets, net	<u>\$ 5,011,620</u>	<u>\$ (197,695)</u>	<u>\$ -</u>	<u>\$ 4,813,925</u>

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

Governmental activities:	
General government	\$ 1,283
Transportation	52,967
Physical environment	3,043
Culture/recreation	5,133
Total depreciation expense - governmental activities	<u>\$ 62,426</u>
Business-type activities:	
Water utility	\$ 204,279
Total depreciation expense - business-type activities	<u>\$ 204,279</u>

NOTE 6. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2018, were as follows:

	<u>Accounts</u>	Due from Other Governmental Units	<u>Total Receivables</u>
Governmental activities:			
General	\$ -	\$ 4,142	\$ 4,142
Business-type activities:			
Enterprise	1,386	-	1,386
	<u>\$ 1,386</u>	<u>\$ 4,142</u>	<u>\$ 5,528</u>

Payables

Payables at September 30, 2018, were as follows:

	<u>Vendors</u>	<u>Accrued Liabilities</u>	<u>Total Payables</u>
Governmental activities:			
General	\$ 330	\$ -	\$ 330
Business-type activities:			
Enterprise	7,376	10,133	17,509
	<u>\$ 7,706</u>	<u>\$ 10,133</u>	<u>\$ 17,839</u>

NOTE 7. LONG-TERM DEBT

Business-type Activities

- A. State Revolving Loan (SRL)** – On July 9, 2008, the Town obtained a loan from the Florida Department of Environmental Protection and subsequently increased the loan amount to \$1,027,379 under the State Revolving Loan Program. The proceeds were used for the purpose of completing its water system project. The current loan requires twenty-two semi-annual payments of \$25,741, including interest at 2.77%. The loan is collateralized by net revenues of the water utility fund.

Assuming maintenance of the current interest rate, debt service requirements to maturity, including interest of \$309,802 are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2019	\$ 28,846	\$ 22,636	\$ 51,482
2020	29,614	21,868	51,482
2021	30,530	20,952	51,482
2022	31,346	20,137	51,483
2023-2026	134,435	71,494	205,929
2027-2031	190,407	67,005	257,412
2032-2036	218,681	38,731	257,412
2037-2040	139,327	23,555	162,882
	<u>\$ 803,186</u>	<u>\$ 286,378</u>	<u>\$ 1,089,564</u>

A summary of changes in proprietary long-term debt follows:

	Balance October 1, 2017			Balance September 30, 2018		Due Within One Year
	Additions	Deductions				
State revolving loan	\$ 831,244	\$ -	\$ (28,872)	\$ 802,372	\$ 28,846	
Compensated absences	\$ 2,651	\$ 1,878	\$ -	\$ 4,529	\$ 1,190	

NOTE 8. RETIREMENT SYSTEM

The Town maintains a Section 457 deferred compensation retirement plan through The Legend Group and Reliastar Life Insurance Company for its full time employees and Town Council. This defined contribution type plan is fully funded by the Town and contributions approximate 15 percent of salary for the year. Contributions paid during the year totaled \$14,972. The Town reflects costs for the plan as contributions are paid. Contributions for 2016 and 2017 were \$15,574 and \$14,972, respectively.

NOTE 9. CONTINGENT LIABILITIES

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

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carried insurance, provided through various commercial insurers.

NOTE 11. ACCRUED COMPENSATED ABSENCES

Accrued Compensated Absences - The Town accrues accumulated unpaid vacation leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation, as applicable year to year.

Compensated absences at September 30, 2018 were as follows:

	<u>Current</u>	<u>Long Term</u>	<u>Total</u>
Governmental activities	\$ 721	\$ -	\$ 721
Business-type activities	1,190	2,618	3,808
	<u>\$ 1,911</u>	<u>\$ 2,618</u>	<u>\$ 4,529</u>

NOTE 12. EMPLOYEE HEALTH CARE

The Town does not provide paid health insurance for its employees and thus has no liability for post-employment benefits.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HORSESHOE BEACH, FLORIDA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes			
Ad valorem	\$ 101,051	\$ 102,773	\$ 1,722
Small county surtax			
Local option gas tax	35,930	33,913	(2,017)
Total small county surtax	35,930	33,913	(2,017)
Utility services taxes			
Electricity	11,300	11,888	588
Total utility services taxes	11,300	11,888	588
Communications services taxes	6,800	6,346	(454)
Total taxes	155,081	154,920	(161)
Licenses and permits			
Zoning Fee	-	875	875
Local occupational licenses	100	161	61
Building permits	500	-	(500)
Parking permits	3,200	2,500	(700)
Total licenses and permits	3,800	3,536	(264)
Intergovernmental			
State shared revenues			
State revenue sharing	5,100	5,118	18
Mobile home licenses	100	12	(88)
Alcoholic beverage licenses	100	42	(58)
Infrastructure surtax	11,300	11,898	598
Half-cent sales tax	4,780	5,054	274
Law enforcement service charge	-	8,500	8,500
Total state shared revenues	21,380	30,624	9,244
Miscellaneous			
Interest earnings	100	5,093	4,993
Other miscellaneous revenue	2,000	3,460	1,460
Total miscellaneous	2,100	8,553	6,453
Total revenues	182,361	197,633	15,272

See notes to financial statements.

TOWN OF HORSESHOE BEACH, FLORIDA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2018

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES			
General government			
Legislative			
Personnel services - Town Council	\$ 25,200	\$ 30,000	\$ (4,800)
Operating expenses	4,145	549	3,596
Total legislative	<u>29,345</u>	<u>30,549</u>	<u>(1,204)</u>
Financial and administrative			
Personnel services			
Executive salaries - Town Clerk	10,600	12,725	(2,125)
Part-time salaries	1,500	-	1,500
Retirement and medicare	1,990	3,285	(1,295)
Total Personnel services	<u>14,090</u>	<u>16,010</u>	<u>(1,920)</u>
Operating expenses			
Accounting and auditing	7,000	6,913	87
Office expenses	4,000	1,383	2,617
Other expenses	4,500	1,413	3,087
Total operating expenses	<u>15,500</u>	<u>9,709</u>	<u>5,791</u>
Capital outlay	2,000	-	2,000
Total financial and administrative	<u>31,590</u>	<u>25,719</u>	<u>5,871</u>
Legal counsel			
Operating expenses			
Town attorney	14,000	7,790	6,210
Other general government			
Operating expenses			
Utilities	2,500	4,019	(1,519)
Insurance	12,000	30,963	(18,963)
Maintenance	3,000	9,690	(6,690)
Communications	4,000	4,344	(344)
Other expenses	5,000	6,276	(1,276)
Total other general government	<u>26,500</u>	<u>55,292</u>	<u>(28,792)</u>

See notes to financial statements.

TOWN OF HORSESHOE BEACH, FLORIDA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2018

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Total general government	<u>101,435</u>	<u>119,350</u>	<u>(17,915)</u>
Public safety			
Protective services			
Protective inspections	\$ -	\$ 930	\$ (930)
Police protection	17,218	14,168	3,050
Total protective inspections	<u>17,218</u>	<u>15,098</u>	<u>2,120</u>
Fire control			
Operating expenses			
Contractual services	2,400	3,887	(1,487)
Utilities	500	685	(185)
General insurance	2,000	250	1,750
Fire fees	3,600	180	3,420
Maintenance and repair	1,500	1,157	343
Total operating expenses	<u>10,000</u>	<u>6,159</u>	<u>3,841</u>
Total fire control	<u>10,000</u>	<u>6,159</u>	<u>3,841</u>
Total public safety	<u>27,218</u>	<u>21,257</u>	<u>5,961</u>
Transportation			
Road and street facilities			
Personnel services	<u>12,973</u>	<u>10,961</u>	<u>2,012</u>
Operating expenses			
Street signs and lights	13,020	15,399	(2,379)
General insurance	3,000	996	2,004
Other expenses	10,000	10,446	(446)
Total operating expenses	<u>26,020</u>	<u>26,841</u>	<u>(821)</u>
Total transportation	<u>38,993</u>	<u>37,802</u>	<u>1,191</u>
Health			
Mosquito control			
Operating expenses	5,500	4,215	1,285
Total health	<u>5,500</u>	<u>4,215</u>	<u>1,285</u>

TOWN OF HORSESHOE BEACH, FLORIDA

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2018**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Recreation			
Special recreation facilities			
Operating expenses	6,000	1,400	4,600
Total culture/recreation	<u>6,000</u>	<u>1,400</u>	<u>4,600</u>
Total expenditures	<u>179,146</u>	<u>184,024</u>	<u>(4,878)</u>
Excess of revenues over (under) expenditures	\$ 3,215	\$ 13,609	\$ 10,394
Transfer to water fund	-	-	-
Fund balance at beginning of year	454,119	506,971	-
Fund balance at end of year	<u>\$ 457,334</u>	<u>\$ 520,580</u>	<u>\$ 10,394</u>

**TOWN OF HORSESHOE BEACH, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018**

I. Stewardship, Compliance, and Accountability

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

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

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

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

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

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

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

The Honorable Mayor
and Members of the Town Council
Town of Horseshoe Beach, Florida

We have audited the basic financial statements of the Town of Horseshoe Beach, Florida as of and for the year ended September 30, 2018, and have issued our report thereon dated June 17, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the following deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting.

Finding 2011-1 (Excess of second preceding year)

Financial Statement Preparation

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

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

MANAGEMENT'S RESPONSE

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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



POWELL & JONES
Certified Public Accountants
June 17, 2019

MANAGEMENT LETTER

Honorable Mayor and Members of the Town Council
Horseshoe Beach, Florida

We have audited the financial statements of the Town of Horseshoe Beach, Florida, (the Town) as of and for the year ended September 30, 2018, and have issued our report thereon dated June 17, 2019. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

PRIOR YEAR FINDINGS

There were no reportable findings in the prior year.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the Town of Horseshoe Beach, Florida, for the year ended September 30, 2018.

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

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

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

CONCLUSION

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

A handwritten signature in cursive script that reads "Powell & Jones". The signature is written in dark ink on a light-colored background.

POWELL & JONES
Certified Public Accountants
June 17, 2019

INDEPENDENT ACCOUNTANT'S REPORT


To the Mayor and Members
of the Town Council
Town of Horseshoe Beach, Florida

We have examined the Town of Horseshoe Beach, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

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

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



POWELL & JONES
Certified Public Accountants
June 17, 2019

Communication with Those Charged with Governance

To the Mayor and Members of the Town Council
Town of Horseshoe Beach, Florida

We have audited the financial statements of the Town of Horseshoe Beach, Florida for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Horseshoe Beach, Florida are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 17, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application

of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

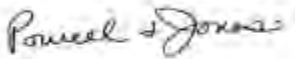
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Information in Documents Containing Audited Financial Statements

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

This information is intended solely for the use of the Town Council and management of the Town of Horseshoe Beach, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



POWELL & JONES
Certified Public Accountants
June 17, 2019