

**TOWN OF CARYVILLE, FLORIDA**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2019**

**EDWARD CHAPMAN**

**Certified Public Accountant**

**Springville, Alabama**

**October 29, 2020**

TOWN OF CARYVILLE, FLORIDA  
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## INDEPENDENT AUDITOR'S REPORT

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

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

I have audited the accompanying financial statements of the governmental activities, and the business-type activities, of the Town of Caryville, Florida (the "Town"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Caryville's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

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

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

**Qualified Opinions**

In my opinion, except for the effects of the matters described in the “Basis for Qualified Opinions on Government-Wide and Proprietary Funds” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities, of the Town of Caryville, Florida (the “Town”), as of and for the year ended September 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

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

In accordance with *Government Auditing Standards*, I have also issued a report dated June 10, 2019 on my consideration of the Town of Caryville’s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Caryville’s internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Caryville’s internal control over financial reporting and compliance.



Edward Chapman, CPA  
Springville, Alabama  
October 29, 2020

Town of Caryville, Florida  
**Management's Discussion and Analysis**  
**(Unaudited)**

This discussion and analysis of the Town of Caryville's financial statements is designed to introduce the basic financial statements and provide an analytical overview of the Town's financial activities for the fiscal year ended September 30, 2019. The basic financial statements are comprised of the government-wide financial statements, governmental fund financial statements, proprietary fund financial statements, and footnotes.

**Town Highlights**

**Fiscal year 2019:** At the close of fiscal year 2019, the Town had \$52,469 of cash in bank accounts. The Town's assets exceeded its liabilities by \$1,769,333. General Fund revenues were \$161,537. General Fund cash expenses were \$137,611 and non-cash depreciation was \$1,656. Water revenues were \$102,625 plus \$33,870 grant revenue from Florida Community Development Block Grant (CDBG) and \$114,350 from Northwest Florida Water Management District Grant (NWFMD). Water cash expenses were \$50,229 and non-cash depreciation was \$61,526. The CDBG and NWFMD grants award were from improvements to the Town's water system.

**Government-wide Financial Statements**

Government-wide financial statements (statement of net position and statement of activities) are intended to assess the Town's operational accountability, or the extent the Town's government has met its operating objectives efficiently and effectively, using all resources available for the purpose, and whether it can continue to meet its objectives for the foreseeable future. Government-wide financial statements concentrate on the Town as a whole and do not emphasize fund types.

The Statement of Net Position presents information on all Town assets and liabilities, with the difference between the two reported as net position. The Town's capital assets (property, plant, and equipment) are included in this statement and reported net of their accumulated depreciation.

The Statement of Activities presents revenue and expense information showing how the Town's net position changed during the fiscal year. Both statements are measured and reported using the economic resources measurements focus (revenue and expense) and accrual basis of accounting (revenues recognized when earned and expenses recognized when a liability is incurred).

**Governmental Fund Financial Statements**

The general fund is the sole governmental fund of the Town. All of the Town's basic services are reported in the general fund, and the focus is on how money flows into and out of this fund and the balance left at year end that is available for spending. This fund is reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The general fund's statements provide a detailed short-term view of the Town's general government operations and basic services it provides. This information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

### Proprietary Fund Financial Statements

When the Town charges customers for services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The Town's proprietary fund (the Water Fund) is the same as the business-type activities reported in the government-wide statements but provide more detail and additional information such as cash flows.

### Notes to the Financial Statements

The notes to the financial statements explain in detail some of the data contained in the preceding statements. These notes are essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Government-Wide Financial Analysis

The government-wide financial statements were designed so that the user could determine if the Town is in better or worse financial condition from year to year.

The following is a condensed summary of net position of the Town.

#### SUMMARY OF NET POSITION September 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business Type</u> <u>Activities</u>	<u>Total</u> <u>Activities</u>
Assets:			
Current & Other	\$ 41,624	\$ 30,980	\$ 72,604
Capital Assets	979,615	795,537	1,775,152
Non-Current	24,000		24,000
Total Assets	<u>1,045,239</u>	<u>826,517</u>	<u>1,871,756</u>
Liabilities:			
Current	47,997	9,750	57,747
Non-Current	44,676		44,676
Total Liabilities	<u>92,673</u>	<u>9,750</u>	<u>102,423</u>
Net Position:			
Invested in Capital			
Assets, Net of			
Related Debt	985,488	795,537	1,781,025
Restricted		9,750	9,750
Unrestricted	(32,922)	11,480	(21,442)
Total Net Position	<u>952,566</u>	<u>816,767</u>	<u>1,769,333</u>
Total Liabilities and Net Position	<u>\$ 1,045,239</u>	<u>\$ 826,517</u>	<u>\$ 1,871,756</u>

**Fiscal year 2019:** At year end, the Town had cash of \$52,469, consisting of unrestricted cash of \$42,719 (\$30,472 in General Fund and \$12,247 in Water Fund), and restricted cash of \$9,750 in the Water Fund. Unrestricted cash is available for spending at the Town's discretion, such as paying down debt, equipment purchases, or repairs. Restricted cash includes customer deposits. The following schedule lists the Town's revenues, expenses, and changes in net position for fiscal year ending September 30, 2019.

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Revenues:</u>			
Program Revenues:			
Charges for Services	\$	\$ 102,625	\$ 102,625
CDBG Grant		33,870	33,870
NWFMD Grant		114,350	114,350
State Sales Tax	645		645
State Revenue Sharing	23,038		23,038
State Discretionary	28,816		28,816
Half Cent Sales Tax	10,635		10,635
Local Option Gas Tax	1,045		1,045
Communication service tax	2,537		2,537
Local Electric sales tax	21,103		21,103
FDOT Highway Lighting	3,211		3,211
FDOT Right of Way	9,377		9,377
Rental	31,243		31,243
Easement	8,000		8,000
State Alcohol Beverage Tax	63		63
Franchise Fees	7,133		7,133
Donations	340		340
Insurance Proceeds	12,670		12,670
Gain/Loss on Sale of Asset	853		853
Miscellaneous	828		828
Total Revenues	<u>161,537</u>	<u>250,845</u>	<u>412,382</u>
<u>Expenses:</u>			
General Government	137,160		137,160
Culture and Recreation	451		451
Interest on long term debt			
Water		<u>111,755</u>	<u>111,755</u>
Total Expenses	<u>137,611</u>	<u>111,755</u>	<u>249,366</u>
<u>Net Position:</u>			
Increase (Decrease) in Net Position	23,926	139,090	163,016
Net Position October 1	928,640	677,677	1,606,317
Net Position September 30	<u>\$ 952,566</u>	<u>\$ 816,767</u>	<u>\$ 1,769,333</u>

**Capital Assets**

Land is a non-depreciable capital asset. Depreciable capital assets include buildings, equipment and vehicles, and water system. The following is a schedule of the Town’s capital assets as of September 30, 2019:

Capital Assets At September 30, 2019			
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
<u>Capital Assets:</u>			
Land	\$ 957,640	\$ 12,000	\$ 969,640
Total Capital Assets not being depreciated	957,640	12,000	969,640
Buildings	99,097	6,000	105,097
Equipment	24,558	150,049	174,607
Water System		1,754,009	1,754,009
Total Capital Assets being depreciated	123,655	1,910,058	2,033,713
Total Cost of Capital Assets	1,081,295	1,922,058	3,003,353
<u>Less Accumulated Depreciation:</u>			
Buildings	(99,097)	(5,400)	(104,497)
Equipment	(2,583)	(123,558)	(126,141)
Water System		(1,031,432)	(1,031,432)
Total Accumulated Depreciation	(101,680)	(1,160,390)	(1,262,070)
<u>Net Capital Assets:</u>	<u>\$ 979,615</u>	<u>\$ 761,668</u>	<u>\$ 1,741,283</u>

**Debt Administration**

**Fiscal year 2019:**

At the end of the FY 2019 the Town had two loans payable. Sheffield loan for lawn mower with monthly payment of \$147.00 and balance of \$3,970. Mahindra loan for tractor with monthly payment of \$419.93 and balance of \$15,387.

**Contacting the Town’s Financial Management**

This report has been created to provide our citizens, taxpayers, customers and creditors a general overview for all those with an interest in the Town’s finances. If you have questions about this report, or need additional financial information, contact the Town Clerk, Kent Taylor, at 4436 Old Spanish Trail, Caryville, FL. 32427 or phone (850) 548-5571.



Town of Caryville, Florida  
Statement of Net Position  
September 30, 2019

Assets:	Governmental		Business-Type		Total
	<u>Activities</u>		<u>Activities</u>		<u>Activities</u>
Current assets:					
Cash Unrestricted	\$	30,472	\$	12,247	\$ 42,719
Receivables, net		11,152		8,983	20,135
Restricted assets:					
Cash				9,750	9,750
Total Current Assets		<u>41,624</u>		<u>30,980</u>	<u>72,604</u>
Noncurrent assets:					
Receivables, net		<u>24,000</u>			<u>24,000</u>
Capital assets, net of depreciation:					
Land		957,640		12,000	969,640
Buildings				600	600
Vehicles and equipment		21,975		26,491	48,466
Water System				229,275	229,275
Water Well				493,301	493,301
Construction in Progress				33,870	33,870
Total capital assets, net		<u>979,615</u>		<u>795,537</u>	<u>1,775,152</u>
Total noncurrent assets		<u>1,003,615</u>		<u>795,537</u>	<u>1,799,152</u>
Total Assets	\$	<u>1,045,239</u>	\$	<u>826,517</u>	<u>\$ 1,871,756</u>

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

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Town of Caryville, Florida  
Statement of Net Position (continued)  
September 30, 2019

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	Total <u>Activities</u>
Liabilities:			
Current liabilities:			
Accounts Payable	\$ 2,861		\$ 2,861
Payroll Tax liabilities	38,333		38,333
Notes Payable	6,803		6,803
Accrued interest			-
Customer Deposits		9,750	9,750
Total Current Liabilities	<u>47,997</u>	<u>9,750</u>	<u>57,747</u>
Noncurrent liabilities:			
Notes Payable	<u>12,676</u>		<u>12,676</u>
Total noncurrent liabilities	<u>12,676</u>		<u>12,676</u>
Total Liabilities	60,673	9,750	70,423
Unearned Revenue - easement sale	<u>32,000</u>	-	<u>32,000</u>
Total liabilities and unearned revenue	<u>92,673</u>	<u>9,750</u>	<u>102,423</u>
Net Position			
Investment in capital assets, net of related debt	985,488	795,537	1,781,025
Restricted for customer deposits		9,750	9,750
Unrestricted	<u>(32,922)</u>	<u>11,480</u>	<u>(21,442)</u>
Total Net Position	<u>952,566</u>	<u>816,767</u>	<u>1,769,333</u>
Total liabilities, unearned revenue, & net Position	<u>\$ 1,045,239</u>	<u>\$ 826,517</u>	<u>\$ 1,871,756</u>

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

Town of Caryville, Florida  
Statement of Activities  
For fiscal year ended September 30, 2019

<u>Functions/Programs</u>	<u>Revenues:</u>				<u>Net (Expense)/ Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	
<u>General government activities:</u>					
General government	\$137,160				(\$137,160)
Culture and Recreation	451				(451)
Total governmental activities	137,611				(137,611)
<u>Business-type activities:</u>					
Water & Garbage Expenses	111,755	102,625		148,220	139,090
Total business-type activities	111,755	102,625		148,220	139,090
Total	\$249,366	\$102,625		\$148,220	\$1,479

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

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Town of Caryville, Florida  
Statement of Activities (continued)  
For fiscal year ended September 30, 2019

Changes in Net Assets:	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net (expense) revenue	<u>(\$137,611)</u>	<u>\$139,090</u>	<u>\$1,479</u>
<u>General revenues:</u>			
Donations	\$340		\$340
FDOT Highway Lighting Maint	3,211		3,211
FDOT Right of Way Maintenance	9,377		9,377
Franchise Fees	7,133		7,133
Miscellaneous Income	828		828
Rental Income	31,243		31,243
Easement Sale	8,000		8,000
State Alcohol Beverage Tax	63		63
State Communication Service Tax	2,537		2,537
State Discretionary Sur-Tax	28,816		28,816
State Half Cent Sales Tax	10,635		10,635
State Local Option Gas Tax	1,045		1,045
State Sales Tax	645		645
State Revenue Sharing	23,038		23,038
Utility Tax	21,103		21,103
Insurance Proceeds	12,670		12,670
Gain/Loss on Sale of Asset	853		853
Total general revenues	<u>161,537</u>		<u>161,537</u>
Changes in net position:	23,926	139,090	163,016
Net Position - beginning	<u>928,640</u>	<u>677,677</u>	<u>1,606,317</u>
Net Position - ending	<u>\$952,566</u>	<u>\$816,767</u>	<u>\$1,769,333</u>

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

Town of Caryville, Florida  
 Balance Sheet Governmental Fund  
 September 30, 2019

	<u>General Fund</u>
Assets:	
Cash, unrestricted	\$30,472
Cash, restricted	<u>3,152</u>
Total Assets	<u><u>33,624</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Accounts Payable	2,861
Payroll Taxes Payable	38,333
Current portion of Loan Payable	<u>6,803</u>
Total liabilities	47,997
Fund balance:	
Restricted	3,152
UnAssigned	<u>(17,525)</u>
Total fund balance	<u>(14,373)</u>
Total Liabilities and Fund Balance	<u><u>\$33,624</u></u>

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

Fund balance - governmental fund	(\$14,373)
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets in governmental activities are not reported on this statement	979,615
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Long term liabilities are not reported on this statement	(12,676)
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Net Position of Governmental Activities Per Statement of Net Position	<u><u>\$952,566</u></u>
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The notes to the financial statements are an integral part of this statement

Town of Caryville, Florida  
Statement of Revenues, Expenditures and Changes in  
Net Position - Governmental Fund  
For fiscal year ended September 30, 2019

	<u>General Fund</u>
<u>REVENUES:</u>	
Donations	\$ 340
FDOT Highway Lighting Maintenance	3,211
FDOT Right of Way Maintenance	9,377
Franchise Fees	7,133
Miscellaneous Income	828
Rental Income	31,243
Easement Sale	8,000
State Alcohol Beverage Tax	63
State Communication Service Tax	2,537
State Discretionary Sur-Tax	28,816
State Half Cent Sales Tax	10,635
State Local Option Gas Tax	1,045
State Sales Tax	645
State Revenue Sharing	23,038
Utility Tax	21,103
Insurance Proceeds	12,670
Gain/Loss on Sale of Asset	853
Total Revenues	<u>\$ 161,537</u>
<u>EXPENDITURES:</u>	
General Government (excludes Depreciation)	\$ 135,504
Culture and Recreation	451
Capital Outlay	
Total Expenditures	<u>135,955</u>
Excess (deficiency) of revenues (under) expenditures	\$ 25,582
Net Position at beginning of year	<u>(39,955)</u>
Net Position at end of year	<u>\$ (14,373)</u>

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

Town of Caryville, Florida  
Reconciliation of Statement of Revenues, Expenditures and  
Changes in Net Position of Governmental Fund to the  
Statement of Activities  
For fiscal year ended September 30, 2019

Excess (deficiency) of revenues (under) expenditures	<u>\$25,582</u>
<p>Amounts reported for governmental activities in the statement of activities are different because: Governmental fund reports outlays for capital outlay as expenditures in the year of purchase because such outlays use current financial resources. In contrast, the Statement of Activities allocates capital outlays over the assets' estimated useful lives as depreciation expense.</p>	
Capital asset expenditure	
Minus Depreciation expense	<u>(1,656)</u>
Subtotal	<u>(1,656)</u>
Change in Net Position of Statement of Activities	<u><u>\$23,926</u></u>

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

Town of Caryville, Florida  
 Balance Sheet - Proprietary Fund  
 September 30, 2019

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

Assets:

Current Assets:

Cash, Unrestricted \$12,247

Accounts Receivable, net 8,983

Restricted Assets:

Cash, Restricted for Customer Deposits 9,750

Total current assets 30,980

Capital assets:

Land 12,000

Buildings 6,000

Vehicles and equipment 150,049

Water System 1,153,642

Water Well 600,367

Construction in Progress 33,869

Less accumulated depreciation (1,160,390)

Total capital assets (net of accumulated depreciation) 795,537

Total noncurrent assets 795,537

Total Assets \$826,517

Liabilities and Net Position:

Liabilities:

Current Liabilities:

Customer Deposits 9,750

Total current liabilities 9,750

Noncurrent liabilities

Notes Payable -

Total noncurrent liabilities -

Total Liabilities 9,750

Net Position:

Invested in capital assets, net of related debt 795,537

Restricted for customer deposits 9,750

Unrestricted 11,480

Total Net Position 816,767

Total Liabilities and Net Position \$826,517

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



Town of Caryville, Florida  
Statement of Revenues, Expenses, and changes  
in Net Position - Proprietary Fund  
For Fiscal Year Ended September 30, 2019

Business-type Activities - Enterprise Funds - Water Fund

Operating revenues:	
Water & Garbage Revenues	<u>\$102,625</u>
Total Revenues	<u>102,625</u>
Operating expenses:	
Wages & payroll taxes	30,930
Water Operator	4,400
Water samples	1,685
Utilities	6,723
Gas & Oil	5,438
Supplies, Fees, Freight, Postage, Miscellaneous	1,053
Depreciation	<u>61,526</u>
Total operating expenses	<u>111,755</u>
Operating Income or (Loss)	<u>(9,130)</u>
Nonoperating revenue (expense)	
Grants	<u>148,220</u>
Total Nonoperating revenue (expense)	<u>148,220</u>
Income (Loss) and Change in Net Position	139,090
Net Position at beginning of year	<u>677,677</u>
Net Position at End of Year	<u><u>\$816,767</u></u>

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

Town of Caryville, Florida  
Statement of Cash Flows - Proprietary Fund  
For Fiscal Year Ended September 30, 2019

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

Cash Flows from Operating Activities	
Receipts from water and garbage customers	<u>\$93,642</u>
Total receipts from customers	93,642
Less payments for:	
Wages & payroll taxes	30,930
Water Operator	4,400
Water samples	1,685
Utilities	6,723
Gas & Oil	5,438
Supplies, Fees, Freight, Postage, Miscellaneous	1,053
Less Total of payments listed above	<u>(50,229)</u>
Net cash provided by operating activities	43,413
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	
Interest paid on capital debt	<u>-</u>
Less Net cash provided (used) by capital and related financing activities	-
Cash Flows from Investing & Non-Operating Activities	
Acquisition of capital assets	(148,220)
Grants	<u>148,220</u>
Net cash provided by investing & non-operating activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	43,413
Cash and Cash Equivalents at beginning of year	<u>(21,416)</u>
Cash and Cash Equivalents at End of Year	<u>\$21,997</u>
Cash and Cash Equivalents at End of Year consist of:	
Unrestricted cash	12,247
Restricted cash	<u>9,750</u>
Total	<u>\$21,997</u>

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

Town of Caryville, Florida  
Statement of Cash Flows - Proprietary Fund (Continued)  
For Fiscal Year Ended September 30, 2019

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

Reconciliation of Operating income to Net Cash Provided by Operating Activities	
Operating income	\$139,090
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	61,526
Increase Receivables	(8,983)
Increase Acquisition of capital assets	<u>(148,220)</u>
Net cash provided by operating activities	<u>\$43,413</u>

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

Town of Caryville, Florida  
Notes to Financial Statements  
For fiscal year ended September 30, 2019

**Note 1 – Summary of Significant Accounting Policies**

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

**Reporting Entity**

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

**Government-wide and Fund Financial Statements**

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

**Cash and Cash Equivalents:**

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

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

**Accounts Receivable:**

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

**Inventories:**

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

**Prepaid Items:**

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

**Restricted Assets:**

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

**Capital Assets:**

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

**Note 1 – Summary of Significant Accounting Policies (continued)**

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

Buildings	30 years
Well	50 years
Improvements	30 years
Equipment	5 – 20 years

**Long Term, or Non-Current, Obligations**

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

**Deferred Outflows/Inflows of Resources**

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

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

**Net Position and Fund Equity**

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

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

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

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

Town of Caryville, Florida  
Notes to Financial Statements  
For fiscal year ended September 30, 2019

**Note 1 – Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

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

**Tax Revenue**

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

**Management Estimates and Assumptions**

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

**Subsequent Events**

Subsequent events have been evaluated through October 29, 2020, the date these financial statements were available to be issued. See note 9 for details of subsequent events.

**Note 2 – Stewardship, Compliance, and Accountability**

Budgetary Information:

The Town failed to adopt a formal budget for the fiscal year. A Budgetary Comparison Schedule is not included in the financial statements.



Town of Caryville, Florida  
Notes to Financial Statements  
For fiscal year ended September 30, 2019

**Note 3 – Cash, Cash Equivalents, and Investments**

**Custodial Risk:**

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

**Investments:**

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

**Note 4 – Accounts Receivables**

General Fund and Water/Garbage Fund Accounts Receivable are reported at their gross value and then are reduced by the estimated portion expected to be uncollectible. There are no expected uncollectible for FY 2019.

General Fund Accounts Receivable	\$	11,152
Water and Garbage Fund Accounts Receivable		<u>8,983</u>
Accounts Receivable, net	\$	<u><u>20,135</u></u>

**Note 5 - Notes Receivable and sale of easement**

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

Town of Caryville, Florida  
Notes to Financial Statements  
For fiscal year ended September 30, 2019

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

Installment schedule for sale of easement to Crown Castle:

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

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

Town of Caryville, Florida  
Notes to Financial Statements  
For fiscal year ended September 30, 2019

**Note 6 – Capital Assets**

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities (General Fund)</u>				
Capital assets, not being depreciated:				
Land	\$957,640	\$0	\$0	\$957,640
Total Capital Assets not being depreciated	<u>\$957,640</u>	<u>\$0</u>	<u>\$0</u>	<u>\$957,640</u>
Capital Assets, being depreciated:				
Buildings	\$99,097	\$0	\$0	\$99,097
Vehicles and equipment	\$24,558	\$0	\$0	\$24,558
Total Capital Assets being depreciated	<u>\$123,655</u>	<u>\$0</u>	<u>\$0</u>	<u>\$123,655</u>
Total Cost of Capital Assets	\$1,081,295	\$0	\$0	\$1,081,295
Less accumulated depreciation for:				
Buildings	(\$99,097)	\$0	\$0	(\$99,097)
Vehicles and equipment	(\$927)	(\$1,656)	\$0	(\$2,583)
Total Accumulated Depreciation	<u>(\$100,024)</u>	<u>(\$1,656)</u>	<u>\$0</u>	<u>(\$101,680)</u>
Total capital assets, being depreciated, net	<u>\$23,631</u>	<u>(\$1,656)</u>	<u>\$0</u>	<u>\$21,975</u>
Governmental activities capital assets, net	<u>\$981,271</u>	<u>(\$1,656)</u>	<u>\$0</u>	<u>\$979,615</u>

No new assets added in FY 2019

Town of Caryville, Florida  
Notes to Financial Statements  
For fiscal year ended September 30, 2019

**Note 6 – Capital Assets (continued)**

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-type activities (Water &amp; Garbage Fund)</u>				
Capital assets, not being depreciated:				
Land	\$12,000	\$0	\$0	\$12,000
Total Capital Assets not being depreciated	<u>\$12,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,000</u>
Capital Assets, being depreciated:				
Buildings	\$6,000	\$0	\$0	\$6,000
Vehicles and equipment	\$150,049	\$0	\$0	\$150,049
Water System	\$1,039,292	\$114,350	\$0	\$1,153,642
Water Well	\$600,367	\$0	\$0	\$600,367
Total Capital Assets being depreciated	<u>\$1,795,708</u>	<u>\$114,350</u>	<u>\$0</u>	<u>\$1,910,058</u>
Total Cost of Capital Assets	<u>\$1,807,708</u>	<u>\$114,350</u>	<u>\$0</u>	<u>\$1,922,058</u>
Less accumulated depreciation for:				
Buildings	(\$5,200)	(\$200)	\$0	(\$5,400)
Equipment	(\$112,376)	(\$11,182)	\$0	(\$123,558)
Water System	(\$886,230)	(\$38,137)	\$0	(\$924,367)
Water Well	(\$95,058)	(\$12,007)	\$0	(\$107,065)
Total Accumulated Depreciation	<u>(\$1,098,864)</u>	<u>(\$61,526)</u>	<u>\$0</u>	<u>(\$1,160,390)</u>
Total capital assets, being depreciated, net	<u>\$696,844</u>	<u>\$52,824</u>	<u>\$0</u>	<u>\$749,668</u>
Business-type activities capital assets, net	<u>\$708,844</u>	<u>\$52,824</u>	<u>\$0</u>	<u>\$761,668</u>

Construction in Progress of \$33,870, these expenditures were for planning and engineering cost on a 100% Florida Community Development Block Grant to improve the Town's waterlines. Total grant was approved for \$600,000. See note 9 for additional details.

Town of Caryville, Florida  
 Notes to Financial Statements  
 For fiscal year ended September 30, 2019

**Note 7 – Long Term, or Non-Current Debt**

Non-current debt is as follows:

General

Fund:

General Fund:

Mower purchased 8/25/2017 for a cost of	\$8,558
Note Payable with Sheffield Financial with no interest	\$8,558
Note payments are \$147.00 per month for 48 months beginning 12/23/2017	
Current liability for 12 months at \$147.00	\$1,764
Non-Current liability for 17 months at \$147.00 per month	<u>\$2,206</u>
Total Debt at September 30, 2019	<u>\$3,970</u>
Tractor purchased in FY 2019 for cost of	\$18,675
Note Payable with Mahindra with 7.15% interest	
Note payments are \$419.93 per month for 48 months	
Current liability for 12 months at \$419.93	\$5,039
Non-Current liability for 25 months at \$419.93 per month	<u>\$10,470</u>
Total Debt at September 30, 2019	<u>\$15,509</u>

Water and Garbage Fund:

Garbage truck loan with Mercedes Benz Financial was paid off in FY 2019

There are no loans associated with the Water and Garbage Fund

**Note 8 – Cash**

<u>General Fund Cash:</u>	<u>Total Cash</u>	<u>Restricted</u>	<u>Unrestricted</u>
CDBG	\$1,083	\$0	\$1,083
Donations	\$2,376	\$0	\$2,376
Emergency	\$1,000	\$0	\$1,000
Gas Tax	\$1,562	\$0	\$1,562
General	\$17,423	\$0	\$17,423
Worm Fiddin	\$6,764	\$0	\$6,764
Petty	\$264	\$0	\$264
General Cash Total	<u>\$30,472</u>	<u>\$0</u>	<u>\$30,472</u>

Water and Garbage Fund

<u>Cash:</u>	<u>Total Cash</u>	<u>Restricted</u>	<u>Unrestricted</u>
Water and Garbage	\$19,158	\$6,911	\$12,247
Water Deposits	\$2,829	\$2,829	\$0
Water and Garbage Cash Total	<u>\$21,987</u>	<u>\$9,740</u>	<u>\$12,247</u>

Town of Caryville, Florida  
Notes to Financial Statements  
For fiscal year ended September 30, 2019

**Note 9 – Grants Revenue**

The following is a summary of Grant Revenue received by the Town during the fiscal year  
Governmental Activities:

The Town received grant revenues of \$33,870 from Florida Community Development Block Grant (CDBG). These funds were used to start a water line improvement project that is scheduled to be completed in FY 2021. These funds are considered construction in progress because no substantial improvements have been completed as of 09/30/2019. This is a 100% grant that required no matching funds and was approved for \$600,000.

The Town received grant revenues of \$114,350 from Northwest Florida Water Management District Grant (NWFMD) in FY 2019. These funds were used to make repairs to the existing water lines and water tower. The 100% non-matching grant was approved for \$140,000 but the Town only used \$114,350. The grant was closed on 02/19/2019.

**Note 10 – Miscellaneous Revenue**

The Statement of Activities list Miscellaneous Revenue as \$828. The Town allows residence to use the printer and fax for a small charge.

**Note 11 – Insurance Proceeds**

The Statement of Activities list Insurance Proceeds as \$12,670. The Town received the proceeds from the Florida Municipal Insurance Trust for repairs to the roof of the Town Hall. Repairs were completed in FY 2019 and expensed in the General Fund expenses.

**Note 12 – Rental Revenue**

The Statement of Activities list Rental Revenue as \$31,243. The Town receives rental income for renting the Town facilities to residents. Several buildings are available for rent along with flea market space, roadside vendors, and recreation vehicle lots with partial and full hook-up.

**Note 13 – Risk Management**

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

**Note 14 - Subsequent Events**

Subsequent events have been evaluated through October 29, 2020, the date these financial statements were available to be issued. No event other than the issuance of the Auditor General Report in September 2020 warranted recognition or disclosure. The Florida State Auditor General Report noted thirteen separate findings. I have noted the same thirteen findings in this Audit Report dated October 29, 2020.

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

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

I have audited, in accordance with the auditing standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of the Town of Caryville, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Caryville's basic financial statements and have issued my report thereon dated October 29, 2020.

**Internal Control Over Financial Reporting**

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

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

**Internal Control Over Financial Reporting** (Continued)

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Edward E Chapman JR.*

Edward Chapman, CPA  
Springville, AL  
October 29, 2020



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## MANAGEMENT LETTER

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

### Report on the Financial Statements

I have audited the financial statements of the Town of Caryville, Florida, as of and for the year ended September 30, 2019, and I have issued my report thereon dated October 29, 2020.

### Auditor's Responsibility

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

### Other Reports and Schedule

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated October 29, 2020, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address some of the findings and recommendation made in the preceding annual financial audit report. Finding 2017-01, 2017-02, 2017-03, 2017-07, and 2017-08 are repeat findings for the FY 2019 Audit.

### **Audit finding 2017-01, 2013-01, 2010-01, Financial Condition Assessment (repeated in finding 2019-01)**

The Water and Garbage fund is in a state of deteriorating financial condition as of fiscal year September 30, 2010, 2013 and 2017, and this condition still exists as of fiscal year September 30, 2019. In FY 2017 and FY2019 the Water and Garbage fund had an operating loss of \$37,902 and \$9,130 respectfully. The recommendation for finding 2017-01 was the Town should closely monitor its revenues and expenditures and take steps necessary to reverse the trend of excess expenditures over revenues.

### **Audit finding 2017-02, 2013-03 & 2010-05, Accounts Receivable – Water & Garbage (repeated in finding 2019-02)**

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

The recommendations for findings 2017-02 was that the Town should take steps to determine whether the subsidiary ledger of customer accounts receivable for the Water and Garbage department is correct and if so, adjust the general ledger to agree with the balance. Thereafter each month, the subsidiary ledger should be reconciled with the general ledger.

**Audit finding 2017-03, 2013-04 Water Revenue and 2013-05 Water Loss (repeated in finding 2019-03)**

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

The recommendations for findings 2017-03 2013-04 and 2013-05 were as follows: customers with unpaid bills should have their water service discontinued for non-payment; the Town should authorize an inspection of the water lines to determine where significant leakage is occurring; and an inspection or testing of the water meters should be made to determine if they are functioning properly.

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

Many water customers were allowed to receive water service even though they had unpaid prior month water bills. Lack of enforcement of water bill collection is a violation of Town ordinances, may be a violation of Florida Statutes, and results in lost revenue to the Town. This issue has been resolved as of FY 2019.

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

**Audit finding 2017-05, 2013-07 and 2010-01 Financial Report**

The Town failed to comply with the deadline established by the Florida Statutes for having a financial audit performed on its accounts and records and for filing its annual financial report (AFR) with the Department of Financial Services. Florida Statute 218.39 requires that a local government entity with revenues or the total of expenditures and expenses between \$100,000 and \$250,000, as reported on the fund financial statements, which has not be subject to a financial audit for the two (2) preceding years, have an annual financial audit completed within nine (9) months after the end of its fiscal year. Florida Statute 218.32 requires an AFR be filed with the Department of Financial Services at least annually. This issue has been resolved as of FY 2019.

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

**Audit Finding 2017-06 Failure to reconcile bank balances**

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

resolved as of FY 2019.

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

**Audit Finding 2017-07 Failure to maintain records of all paid invoices (repeated in finding 2019-04)**

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

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

**Audit Finding 2017-08 Failure to pay federal payroll taxes on employee wages (repeated in finding 2019-05)**

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

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

**Official Title and Legal Authority**

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

**Financial Condition and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require me to apply appropriate procedures and communicate the results of my determination as to whether or not the Town of Caryville has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with my audit, it does appear the Town's Water and Garbage Fund is in a state of deteriorating financial condition. The Water and Garbage Fund had a current year operating loss of \$9,130, at September 30, 2019. However, there does appear to be improvements over prior years and the General Fund is no longer reporting an operating loss.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that I communicate any recommendations to improve financial management. In connection with my audit, I have thirteen (13) findings and recommendations as listed below.

**2019-01 Financial Condition Assessment (a repeat finding of finding 2013-01, 2017-01)**

Pursuant to Section 10.554(1)(i)5.a. and 10.556(7), Rule of the Auditor General, I applied certain financial

condition assessment procedures. Based on procedures, I determined the Water and Garbage Fund, are in a state of deteriorating financial condition. The Water and Garbage Fund had a current year operating loss of \$9,130 and September 30, 2019. It is management's responsibility to monitor the Town's financial condition, to help ensure the Town's ability to continue to provide services and pay for its operations. The causes of this financial condition are decreasing revenues without a corresponding decrease in expenditures. Also, there are unpaid payroll taxes and uncollected delinquent water bills. If the current trend continues the Town could eventually be in a "state of financial emergency" and unable to provide critical services.

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

**2019-02 Accounts Receivable – Water and Garbage (a repeat finding of finding 2010-05, 2013-03, 2017-02)**

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

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

**2019-03 Water Revenue and Water Loss (repeat finding of findings 2013-04, 2013-05, 2017-03)**

The Town appears to have unaccounted water usage and/or leakage. The potential result of unaccounted water usage is the loss of water revenues. The potential result of water leakage is an unnecessary drain on the water system and is a waste of a limited natural resource. The Town clerk said many water meters are no longer working, and customers, having non-working meters, are charged the minimum rate. Billing water customers for the minimum water rate charge may result in lost revenue when those customers are using more than the number of gallons of water for the minimum rate charge.

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

**2019-04 Failure to maintain records of all paid invoices (repeat finding of findings 2017-07)**

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

were for a lawful and appropriate purpose.

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

**2019-05 Failure to pay federal payroll taxes on employee wages (repeat finding of findings 2017-08)**

Federal payroll taxes due to the Internal Revenue Service (IRS) have gone unpaid for multiple years.

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

**2019-06 Failure to maintain records on funds received**

During my audit of deposits for the General Fund and the Water and Garbage Fund I was unable to obtain documentation to verify the source of all deposits received.

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

**2019-07, Compliance with FL Section 218.415 (Public Deposit Annual Report and the Public Deposit Identification and Acknowledgment forms)**

The Town could not provide evidence that the Public Deposit Annual Report was filed timely.

Recommendation: Recommend the Town to complete and file the Public Deposit Annual Report by the state assigned due date.

**2019-08, Annual Budget not adopted.**

The Town did not formally adopt a budget for FY 2019 in a timely manner.

Recommendation: Recommend the Town to formally adopt a budget at the beginning of the year. The minutes to the monthly meetings should reflect approval and documentation of the budget presented should be retained.

**2019-09, Comprehensive Policies and Procedures**

The Town does not have comprehensive policies and procedures to govern and direct Town activities, functions, and transactions. Policies and procedures have not been established and maintained for many operational areas.

Recommendation: Recommend the Town develop a comprehensive policy and procedure manual.

**2019-10, Establish General Fund and Water and Garbage Fund balance requirements**

The Town does not have an established General Fund unrestricted fund balance requirement. The Town does not have an established Water and Garbage working capital target amount.

Recommendation: Recommend the Town establish a General Fund unrestricted fund balance requirement and Water and Garbage working capital target amount.

**2019-11, Capital Asset Recording**

The Town does not have procedures in place to accurately identify and document all capital assets. Prior to 2013 the Town did not track and depreciate capital assets that have more than a one-year life and cost of over \$1,000. A physical inventory to record assets has not been initiated.

Recommendation: Recommend inventorying all capital assets owned by the Town.

**2019-12, Comprehensive Record of Town Ordinances**

The Town does not have a comprehensive record of Town ordinances.

Recommendation: Recommend that the Town maintain a complete record of Town Ordinances.

**2019-13, Town Council Meeting Minutes**

The Town Council meetings are not always properly noticed, contrary to State law, and minutes of the meetings were missing and did not always evidence review and approval.

Recommendation: Recommend all Town Council meetings are properly noticed, and minutes are recorded and approved. Any documentation presented during the meetings should be retained with the approved minutes.

**2019-14, Audit Report Filing**

The FY 2019 Audit Report was not timely filed. Although a finding, the timeliness of the filing was not the fault of the Town. Due to the health of the CPA that was originally engaged to file the FY 2019 Audit Report and the Covid Virus, the Audit Report was not issued until October 29, 2020. The Town made every effort to engage a new CPA and provide documentation to complete the required audit.

Recommendation: Recommend engaging a CPA to perform the audit as soon as possible.

**Special District Component Units**

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

**Additional Matters**

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

**Purpose of this Letter**

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

*Edward E Chapman JR.*

Edward Chapman, CPA  
Springville, Alabama  
October 29, 2020

EDWARD CHAPMAN  
CERTIFIED PUBLIC ACCOUNTANT  
7224 US Hwy 11  
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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA  
STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES**

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

I have examined the Town of Caryville, Florida's (the Town's) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019. Management is responsible for the Town's compliance with those requirements. My responsibility is to express an opinion on the Town's compliance based on my examination.

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

In my opinion, the Town did not comply, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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

*Edward E. Chapman, Jr.*

Edward Chapman, CPA  
Springville, Alabama  
October 29, 2020

Town of Caryville  
4436 Old Spanish Trail  
Caryville, FL 32427  
(850) 548-5571  
admin@caryvillefl.com

October 29, 2020

EDWARD E CHAPMAN, CPA  
7224 US HWY 11  
Springville, AL 35146

Subject: The Town of Caryville's response to the FY2019 Audit Findings

The Town of Caryville has reviewed your FY2019 audit findings and the purpose of this letter is to provide the Town's response to the audit finds.

**2019-01 Financial Condition Assessment (a repeat finding of finding 2013-01, 2017-01)**

Pursuant to Section 10.554(1)(i)5.a. and 10.556(7), Rule of the Auditor General, I applied certain financial condition assessment procedures. Based on procedures, I determined the Water and Garbage Fund, are in a state of deteriorating financial condition. The Water and Garbage Fund had a current year operating loss of \$9,130 at September 30, 2019. It is management's responsibility to monitor the Town's financial condition, to help ensure the Town's ability to continue to provide services and pay for its operations. The causes of this financial condition are decreasing revenues without a corresponding decrease in expenditures. Also, there are unpaid payroll taxes and uncollected delinquent water bills. If the current trend continues the Town could eventually be in a "state of financial emergency" and unable to provide critical services.

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

The Town agrees with this finding and recommendation. We now have an experienced Town Clerk and outside bookkeeper that provides detailed financial statements for Town Council review monthly.

**2019-02 Accounts Receivable – Water and Garbage (a repeat finding of finding 2010-05, 2013-03, 2017-02)**

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



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

The Town agrees with this finding and recommendation. We are reviewing solutions to our current process of maintaining water and garbage billing on an Excel spreadsheet.

**2019-03 Water Revenue and Water Loss (repeat finding of findings 2013-04, 2013-05, 2017-03)**

The Town appears to have unaccounted water usage and/or leakage. The potential result of unaccounted water usage is the loss of water revenues. The potential result of water leakage is an unnecessary drain on the water system and is a waste of a limited natural resource. The Town clerk said many water meters are no longer working, and customers, having non-working meters, are charged the minimum rate. Billing water customers for the minimum water rate charge may result in lost revenue when those customers are using more than the number of gallons of water for the minimum rate charge.

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

The Town agrees with this finding and recommendation. We obtained a grant from the Northwest Florida Water Management District to improve the water tower. We also have obtained a Florida Community Development Block Grant to continue to improve the water infrastructure.

**2019-04 Failure to maintain records of all paid invoices (repeat finding of findings 2017-07)**

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

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

The Town agrees with this finding and recommendation. We now have an experienced Town Clerk and outside bookkeeper to ensure proper documentation is retained.

**2019-05 Failure to pay federal payroll taxes on employee wages (repeat finding of findings 2017-08)**

Federal payroll taxes due to the Internal Revenue Service (IRS) have gone unpaid for multiple years.

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

The Town agrees with this finding and recommendation. We are keeping current payroll taxes paid to avoid new penalties and are paying off the past due amounts as soon as possible.

**2019-06 Failure to maintain records on funds received**

During my audit of deposits for the General Fund and the Water and Garbage Fund I was unable to obtain documentation to verify the source of all deposits received.

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

The Town agrees with this finding and recommendation. We now have an experienced Town Clerk and outside bookkeeper to ensure proper documentation is retained.

**2019-07, Compliance with FL Section 218.415 (Public Deposit Annual Report and the Public Deposit Identification and Acknowledgment forms)**

The Town could not provide evidence that the Public Deposit Annual Report was filed timely.

Recommendation: Recommend the Town to complete and file the Public Deposit Annual Report by the state assigned due date.

The Town agrees with this finding and recommendation. We have now complied with this requirement and will timely file the annual report going forward.

**2019-08, Annual Budget not adopted.**

The Town did not formally adopt a budget for FY 2019 in a timely manner.

Recommendation: Recommend the District to formally adopt a budget at the beginning of the year. The minutes to the monthly meetings should reflect approval and documentation of the budget presented should be retained.

The Town agrees with this finding and recommendation. We understand our minutes must be approved in order for the budget to be considered approved. We also understand this must be done prior to the beginning of the year.

**2019-09, Comprehensive Policies and Procedures**

The Town does not have comprehensive policies and procedures to govern and direct Town activities, functions, and transactions. Policies and procedures have not been established and maintained for many operational areas.

Recommendation: Recommend the Town develop a comprehensive policy and procedure manual.

The Town agrees with this finding and recommendation. We are currently working on developing a comprehensive policy and procedure manual.

**2019-10, Establish General Fund and Water and Garbage Fund balance requirements**

The Town does not have an established General Fund unrestricted fund balance requirement. The Town does not have an established Water and Garbage working capital target amount.

Recommendation: Recommend the Town establish a General Fund unrestricted fund balance requirement and Water and Garbage working capital target amount.

The Town agrees with this finding and recommendation. We will establish a General Fund unrestricted fund balance requirement and Water and Garbage working capital target amount.

**2019-11, Capital Asset Recording**

The Town does not have procedures in place to accurately identify and document all capital assets. Prior to 2013 the Town did not track and depreciate capital asset that have more than a one-year life and cost of over \$1000. A physical inventory to record assets has not been initiated.

Recommendation: Recommend inventorying all capital assets owned by the Town.

The Town agrees with this finding and recommendation. We will document a list of Town assets not currently on the depreciation schedule, but we will not be able to determine the cost of the assets because of loss of records.

**2019-12, Comprehensive Record of Town Ordinances**

The Town does not have a comprehensive record of Town ordinances.

Recommendation: Recommend that the Town maintain a complete record of Town Ordinances.

The Town agrees with this finding and recommendation. We have started a binder and will continue to work on getting a complete record of Town ordinances.

**2019-13, Town Council Meeting Minutes**

The Town Council meetings are not always properly noticed, contrary to State law, and minutes of the meetings were missing and did not always evidence review and approval.

Recommendation: Recommend all Town Council meetings are properly noticed, and minutes are recorded, and approved. Any documentation presented during the meetings should be retained with the approved minutes.

The Town agrees with this finding and recommendation. We are making sure all meetings are documented and approved going forward. We will also retain copies of all documents presented at the meetings.

**2019-14, Audit Report Filing**

The FY 2019 Audit Report was not timely filed. Although a finding, the timeliness of the filing was not the fault of the Town. Due to the health of the CPA that was originally engaged to file the FY 2019 Audit Report and the Covid Virus, the Audit Report was not issued until October 29, 2020. The Town made every effort to engage a new CPA and provide documentation to complete the required audit.

Recommendation: Recommend engaging a CPA to perform the audit as soon as possible.


The Town agrees with this finding and recommendation. We will engage a CPA to perform the next audit as soon as possible.

Thank you,

Signature:

Printed name:

Title:

  
Larry Lee Palmer  
Chairman