

Annual Financial Report

September 30, 2019



Town of Montverde, Florida

Introductory Section

	<u>Page</u>
I. Introductory Section:	
Table of Contents	i
List of Principal Officials	ii
II. Financial Section:	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Fire Special Revenue Fund	17
Statement of Net Position - Proprietary Funds	18
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Notes to Financial Statements	21-37
Required Supplementary Information	
Schedule of Town's Proportionate Share of Net Pension Liability - FRS	38
Schedule of Town's Contributions - FRS	39
III. Other Reports:	
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>	40-41
Management Letter	42-45
Independent Accountant's Report on Compliance with the Requirements of Section 218.415, Florida Statutes	46
Response to Management Comments	47

Town of Montverde, Florida
List of Principal Officials

MAYOR

Joe Wynkoop

TOWN COUNCIL

Judy Smith	Council President
Allan Hartle	Council Vice President
Jim Peacock	Council Member
Billy Bates	Council Member
Jim Ley	Council Member

TOWN CLERK

Brenda Brasher

Financial Section



934 North Magnolia Avenue, Suite 100
Orlando, Florida 32803
407-843-5406
www.mcdermittdavis.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Montverde, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the *Town of Montverde, Florida*, as of and for the year ended September 30, 2019, 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Town of Montverde, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and fire special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and pension plan disclosures on page 3 through 10 and 38 through 39 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Town of Montverde's* basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2020 on our consideration of *Town of Montverde'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 solely 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 *Town of Montverde's* internal control over financial reporting and compliance.

McDiarmid Davis

Orlando, Florida
June 29, 2020

As management of the *Town of Montverde, Florida* we offer readers of the *Town of Montverde's* financial statements this narrative overview and analysis of the financial activities of the *Town of Montverde* for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets and deferred outflows of the *Town of Montverde* exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$5,846,691 (net position). Of this amount, \$943,561 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$90,011.
- As of the close of the current fiscal year, the *Town of Montverde's* governmental funds reported combined ending fund balances of \$1,855,777, a decrease of \$44,027 in comparison with the prior year. Approximately 66% of this total amount, \$1,228,647, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,228,647, or 101% of total general fund expenditures.

Overview of the Financial Statements

The financial statements focus on both the Town as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the Town's accountability.

This discussion and analysis are intended to serve as an introduction to the *Town of Montverde's* (the Town) basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the *Town of Montverde's* financial position, in a manner similar to a private-sector business. They include a *Statement of Net Position* and a *Statement of Activities*.

The *Statement of Net Position* presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the *Town of Montverde* that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the *Town of Montverde* include general government, public safety, physical environment, transportation, and culture and recreation services. The business-type activities of the *Town of Montverde* include the Water Utility.

The government-wide financial statements include only the Town of Montverde itself (known as the primary government).

The government-wide financial statements can be found on pages 11 - 12 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The *Town of Montverde*, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the *Town of Montverde* can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The *Town of Montverde* maintains two individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Fire Special Revenue Fund which are considered to be major funds.

The *Town of Montverde* adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided for the General Fund, and the Fire Special Revenue Fund to demonstrate compliance with this budget at pages 16 - 17.

The basic governmental fund financial statements can be found on pages 13 - 15 of this report.

Proprietary Funds

Town of Montverde maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The *Town of Montverde* uses an enterprise fund to account for the Water Utility.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide more detailed information for the Water Utility.

The basic proprietary fund financial statements can be found on pages 18 - 20 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 21 - 37 of this report

Required Supplementary Information (RSI)

RSI can be found on page 38 - 39 of this report.

Government-Wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the *Town of Montverde*, assets exceeded liabilities by \$5,846,691 at the close of the most recent fiscal year. The following table reflects the condensed statement of net position for the current and prior year. For more detail see the Statement of Net Position on page 11.

Statement of Net Position as of September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 1,882,845	\$ 1,929,673	\$ 24,658	\$ 474,555	\$ 1,907,503	\$ 2,404,228
Capital Assets	2,297,268	2,313,720	1,952,250	1,295,500	4,249,518	3,609,220
Total Assets	4,180,113	4,243,393	1,976,908	1,770,055	6,157,021	6,013,448
Deferred Outflows	26,293	38,370	32,576	35,996	58,869	74,366
Liabilities:						
Long term liabilities	86,859	102,470	107,616	96,131	194,475	198,601
Other liabilities	27,068	29,869	116,188	79,307	143,256	109,176
Total Liabilities	113,927	132,339	223,804	175,438	337,731	307,777
Deferred Inflows	14,055	12,051	17,413	11,306	31,468	23,357
Net Position:						
Net investment in capital assets	2,297,268	2,313,720	1,952,250	1,295,500	4,249,518	3,609,220
Restricted	653,612	505,198	-	-	653,612	505,198
Unrestricted	1,127,544	1,318,455	(183,983)	323,807	943,561	1,642,262
Total Net Position	\$ 4,078,424	\$ 4,137,373	\$ 1,768,267	\$ 1,619,307	\$ 5,846,691	\$ 5,756,680

\$4,249,518 (73%) of the Town's net position reflects its investment in capital assets (e.g., land, buildings, improvements, infrastructure and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Town has no long-term debt.

Net position that are subject to external restrictions as to how they may be used total \$653,964 (11%). The remaining balance of *unrestricted net position* (\$943,561 or 16%) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town's net position increased by \$90,011 during the current fiscal year. The following table reflects the condensed Statement of Activities for the current year. For more detail see the Statement of Activities on page 12.

Town of Montverde, Florida
Management's Discussion and Analysis

Changes in Net Position as of September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues -						
Charges for services	\$ 374,364	\$ 308,091	\$ 381,826	\$ 326,774	\$ 756,190	\$ 634,865
Operating grants and contributions	182,800	90,663	-	-	182,800	90,663
Capital grants and contributions	-	25,000	18,128	49,887	18,128	74,887
General revenues -						
Property taxes	249,930	247,187	-	-	249,930	247,187
Franchise and utility Taxes	265,144	245,010	-	-	265,144	245,010
Intergovernmental	347,167	362,295	-	-	347,167	362,295
Investment income and miscellaneous	58,051	92,895	-	1,678	58,051	94,573
Total revenues	1,477,456	1,371,141	399,954	378,339	1,877,410	1,749,480
Expenses:						
General government	267,150	285,042	-	-	267,150	285,042
Public safety	224,483	229,669	-	-	224,483	229,669
Physical environment	148,618	148,171	-	-	148,618	148,171
Transportation	225,880	249,921	-	-	225,880	249,921
Culture and recreation	370,274	247,067	-	-	370,274	247,067
Water	-	-	550,994	411,005	550,994	411,005
Total expenses	1,236,405	1,159,870	550,994	411,005	1,787,399	1,570,875
Increase (Decrease) in Net Position Before Transfers	241,051	211,271	(151,040)	(32,666)	90,011	178,605
Transfers	(300,000)	-	300,000	-	-	-
Increase (Decrease) in Net Position	(58,949)	211,271	148,960	(32,666)	90,011	178,605
Net position, October 1	4,137,373	3,926,102	1,619,307	1,651,973	5,756,680	5,578,075
Net position, September 30	\$ 4,078,424	\$ 4,137,373	\$ 1,768,267	\$ 1,619,307	\$ 5,846,691	\$ 5,756,680

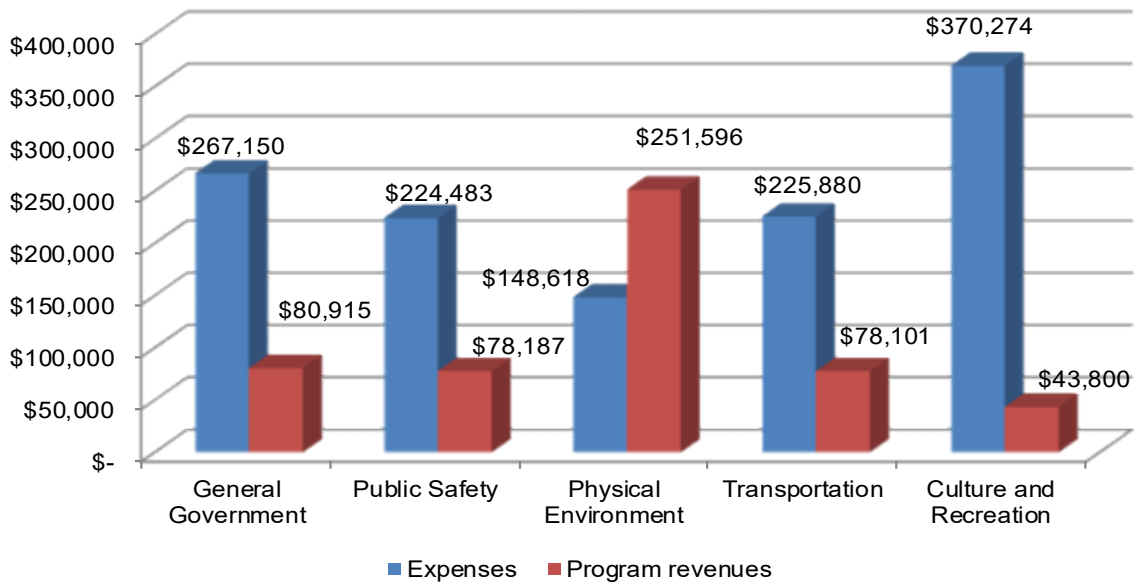
Governmental Activities

Governmental activities decreased the *Town of Montverde's* net position by \$58,949. This decrease was primarily due to the increase in expenses and transfer out.

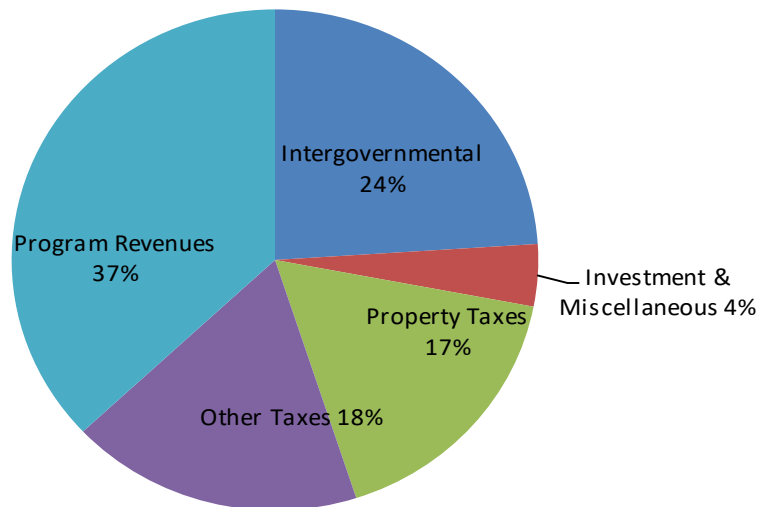
Business-Type Activities

Business-type activities increased the *Town of Montverde's* net position by \$148,960. This increase was primarily due to the increase in revenues and transfers in.

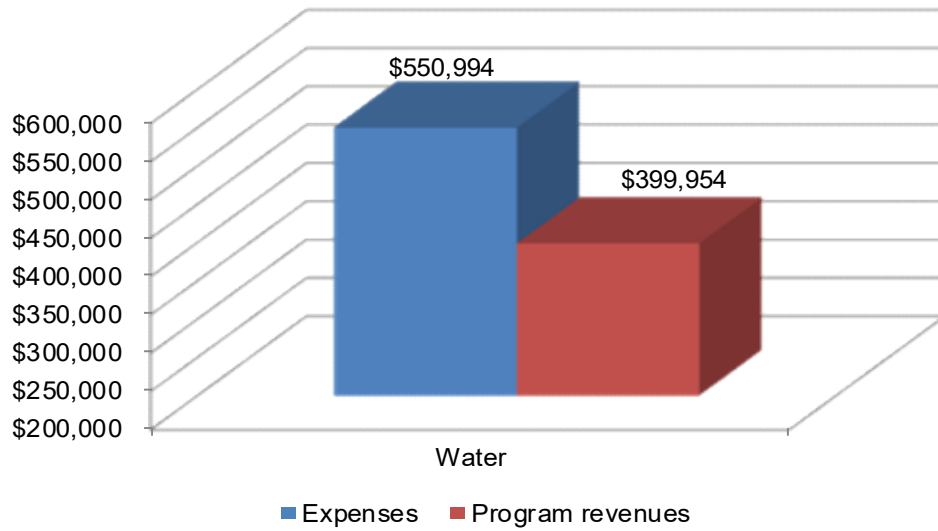
Expenses and Program Revenues - Governmental Activities



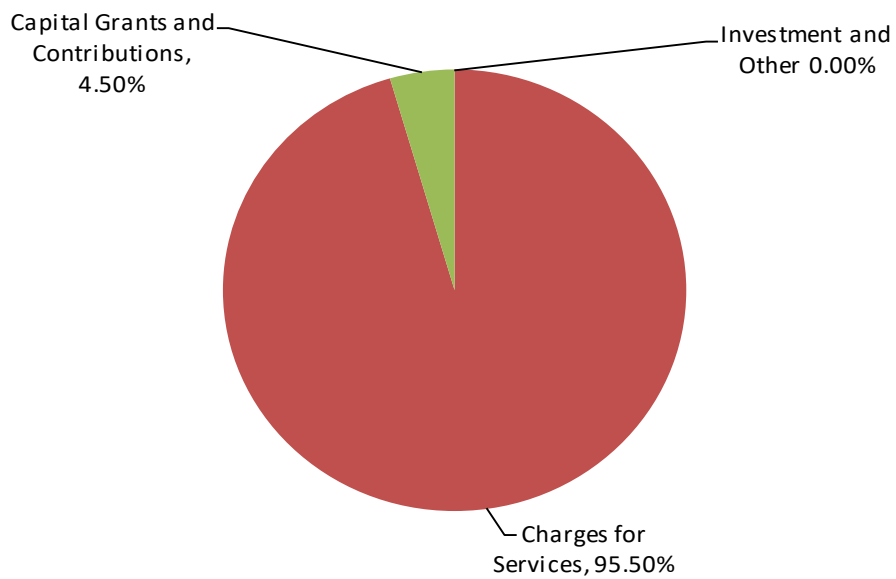
Revenue by Source - Governmental Activities



Expenses and Program Revenues - Business-Type Activities



Revenue by Source - Business-Type Activities



Financial Analysis of the Government's Funds

As noted earlier, the *Town of Montverde* uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

Governmental Funds

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

As of the end of the current fiscal year, the *Town of Montverde's* governmental funds reported combined ending fund balances of \$1,855,777, a decrease of \$44,027 in comparison with the prior year. Approximately 66% or \$1,228,647 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted or assigned to indicate that it is restricted for particular purposes \$627,130.

The general fund is the chief operating fund of the *Town of Montverde*. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,228,647 while total fund balance was \$1,855,777. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represent 81% and 122% respectively, of total General Fund expenditures and transfers out.

The fund balance of the general fund increased by \$5,252 during the current fiscal year. This can primarily be attributed to higher than expected franchise and utility revenues as well as planned capital projects that were not started before year end.

The fund balance of the Fire Fund decreased by \$49,279 as the remaining balance was transferred to the general fund to close the fund and consolidate reporting.

Proprietary Funds

The *Town of Montverde's* proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds at the year-end amounted to \$(183,983). The total increase in net position for this fund was \$148,960. Other factors concerning the finances of these funds have already been addressed in the discussion of the *Town of Montverde's* business-type activities.

General Fund Budgetary Highlights

During the year, actual revenues were \$170,656 more than budgeted revenues and actual expenditures were \$85,317 less than budgeted expenditures. The difference between the original General Fund budget and the final amended General Fund budget resulted in no difference in appropriations from fund balance.

Capital Asset and Debt Administration

The *Town of Montverde's* investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$4,249,518 (net of accumulated depreciation), for an increase of \$640,298 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and intangibles. The total increase in the Town's investment in capital assets for the current fiscal year was 17.74% (a .71% decrease for governmental activities, and 50.69% increase for business-type activities).

Town of Montverde, Florida
Management's Discussion and Analysis

Capital Assets (Net of Depreciation) as of September 30:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 490,804	\$ 490,804	\$ 300,963	\$ 300,963	\$ 791,767	\$ 791,767
Work-in-Progress	-	-	20,801	27,679	20,801	27,679
Buildings	665,594	633,584	-	-	665,594	633,584
Improvements	587,855	651,003	-	-	587,855	651,003
Infrastructure	418,735	452,040	1,373,558	874,380	1,792,293	1,326,420
Equipment	125,669	76,705	243,449	77,473	369,118	154,178
Intangibles	8,611	9,584	13,479	15,005	22,090	24,589
Total	\$ 2,297,268	\$ 2,313,720	\$ 1,952,250	\$ 1,295,500	\$ 4,249,518	\$ 3,609,220

Additional information on the *Town of Montverde's* capital assets can be found in Note 5 of this report.

Long-Term Debt

The Town has no long-term debt outstanding at September 30, 2019.

Next Year's Budget and Rates

During the current fiscal year, the unassigned fund balance in the General Fund totaled \$1,228,647. None of the unassigned fund balance is budgeted for appropriations in the 2020 budget. The Town is expecting to incur enough revenues in 2020 to cover expenditures to mitigate any need to draw on 2019 unassigned fund balance.

Requests for Information

This financial report is designed to provide a general overview of the *Town of Montverde's* finances for all those with an interest in the government's finances. Questions concerning any of the information should be addressed to the office of the Town Clerk, *Town of Montverde*, 17404 6th Street, Montverde, FL 34756.

Basic Financial Statements

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

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 1,828,036	\$ 15,333	\$ 1,843,369
Receivables, net	32,851	5,098	37,949
Internal balances	(4,227)	4,227	-
Due from other governments	26,185	-	26,185
Capital Assets:			
Capital assets not being depreciated	490,804	321,764	812,568
Capital assets, net of accumulated depreciation	1,806,464	1,630,486	3,436,950
Total assets	4,180,113	1,976,908	6,157,021
Deferred Outflows of Resources:			
Deferred outflows of pension earnings	26,293	32,576	58,869
Liabilities:			
Accounts payable and accrued expenses	27,068	34,609	61,677
Deposits payable	-	74,914	74,914
Unearned revenue	-	6,665	6,665
Noncurrent liabilities:			
Net pension liability	86,859	107,616	194,475
Total liabilities	113,927	223,804	337,731
Deferred Inflows of Resources:			
Deferred inflows of pension earnings	14,055	17,413	31,468
Net Position:			
Net investment in capital assets	2,297,268	1,952,250	4,249,518
Restricted for:			
Historical	3,636	-	3,636
Police	6,435	-	6,435
Infrastructure	594,941	-	594,941
Impact fees	11,956	-	11,956
Cemetery	10,162	-	10,162
Capital projects	26,482	-	26,482
Unrestricted	1,127,544	(183,983)	943,561
Total net position	\$ 4,078,424	\$ 1,768,267	\$ 5,846,691

Town of Montverde, Florida
Statement of Activities
For the Year Ended September 30, 2019

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities:							
General Government	\$ 267,150	\$ 80,915	\$ -	\$ -	\$ (186,235)	\$ -	\$ (186,235)
Public Safety	224,483	78,187	-	-	(146,296)	-	(146,296)
Physical Environment	148,618	168,202	83,394	-	102,978	-	102,978
Transportation	225,880	3,260	74,841	-	(147,779)	-	(147,779)
Culture and Recreation	370,274	43,800	24,565	-	(301,909)	-	(301,909)
Total governmental activities	1,236,405	374,364	182,800	-	(679,241)	-	(679,241)
Business-type activities:							
Water	550,994	381,826	-	18,128	-	(151,040)	(151,040)
Total business-type activities	550,994	381,826	-	18,128	-	(151,040)	(151,040)
Total primary government	\$ 1,787,399	\$ 756,190	\$ 182,800	\$ 18,128	(679,241)	(151,040)	(830,281)
General Revenues:							
					249,930	-	249,930
					265,144	-	265,144
					347,167	-	347,167
					16,706	-	16,706
					41,345	-	41,345
					(300,000)	300,000	-
					620,292	300,000	920,292
					(58,949)	148,960	90,011
					4,137,373	1,619,307	5,756,680
					\$ 4,078,424	\$ 1,768,267	\$ 5,846,691

Town of Montverde, Florida
Balance Sheet - Governmental Funds
September 30, 2019

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and cash equivalents	\$ 1,828,036	\$ -	\$ 1,828,036
Accounts receivable, net	32,851	-	32,851
Due from other governments	26,185	-	26,185
Total assets	<u>\$ 1,887,072</u>	<u>\$ -</u>	<u>\$ 1,887,072</u>
Liabilities:			
Accounts payable	\$ 19,039	\$ -	\$ 19,039
Other accrued expenses	8,029	-	8,029
Due to other funds	4,227	-	4,227
Total liabilities	<u>31,295</u>	<u>-</u>	<u>31,295</u>
Fund Balances:			
Restricted:			
Historical	3,636	-	3,636
Police	6,435	-	6,435
Infrastructure	594,941	-	594,941
Cemetery	10,162	-	10,162
Impact Fees	11,956	-	11,956
Unassigned	1,228,647	-	1,228,647
Total fund balances	<u>1,855,777</u>	<u>-</u>	<u>1,855,777</u>
Total Liabilities and Fund Balances	<u>\$ 1,887,072</u>	<u>\$ -</u>	

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	2,297,268
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds.	12,238
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(86,859)
Net Position of Governmental Activities	<u>\$ 4,078,424</u>

Town of Montverde, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2019

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Property	\$ 249,930	\$ -	\$ 249,930
Franchise and utility	265,144	-	265,144
Fees and fines	1,721	-	1,721
Special assessments	71,416	-	71,416
Intergovernmental	529,967	-	529,967
Charges for services	301,227	-	301,227
Investment earnings	16,706	-	16,706
Miscellaneous	41,345	-	41,345
Total revenues	<u>1,477,456</u>	<u>-</u>	<u>1,477,456</u>
Expenditures:			
Current:			
General government	256,800	-	256,800
Public safety	264,186	-	264,186
Physical environment	204,301	-	204,301
Transportation	191,581	-	191,581
Culture and recreation	304,615	-	304,615
Total expenditures	<u>1,221,483</u>	<u>-</u>	<u>1,221,483</u>
Excess (deficiency) of revenues over expenditures	<u>255,973</u>	<u>-</u>	<u>255,973</u>
Other Financing Sources (Uses):			
Transfers in	49,279	-	49,279
Transfers out	(300,000)	(49,279)	(349,279)
Total other financing sources (uses)	<u>(250,721)</u>	<u>(49,279)</u>	<u>(300,000)</u>
Net change in fund balances	5,252	(49,279)	(44,027)
Fund balances, beginning	<u>1,850,525</u>	<u>49,279</u>	<u>1,899,804</u>
Fund balances, ending	<u>\$ 1,855,777</u>	<u>\$ -</u>	<u>\$ 1,855,777</u>

Town of Montverde, Florida

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

For the Year Ended September 30, 2019

Net Change in Fund Balances - total governmental funds: \$ (44,027)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays were less than depreciation in the current period. (16,452)

Governmental funds report cash contributions to pensions as expenditures because they consume current financial resources. The Statement of Activities reports the change in pension liability and related deferrals as pension expense. This is the amount of the difference between the two amounts.

1,530

Change in net position of governmental activities

\$ (58,949)

Town of Montverde, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 266,500	\$ 266,500	\$ 249,930	\$ (16,570)
Franchise and utility	234,200	234,200	265,144	30,944
Impact fees/special assessments	76,000	76,000	71,416	(4,584)
Fees and Fines	1,500	1,500	1,721	221
Intergovernmental	459,100	459,100	529,967	70,867
Charges for Services	240,500	240,500	301,227	60,727
Investment Earnings	8,000	8,000	16,706	8,706
Miscellaneous	21,000	21,000	41,345	20,345
Total revenues	1,306,800	1,306,800	1,477,456	170,656
Expenditures:				
Current:				
General government	355,800	355,800	256,800	99,000
Public safety	265,100	265,100	264,186	914
Physical environment	180,400	180,400	204,301	(23,901)
Transportation	205,500	205,500	191,581	13,919
Culture and recreation	300,000	300,000	304,615	(4,615)
Total expenditures	1,306,800	1,306,800	1,221,483	85,317
Excess (deficiency) of revenues over expenditures	-	-	255,973	255,973
Other Financing Sources (Uses):				
Transfers In	-	-	49,279	49,279
Transfers out	-	-	(300,000)	(300,000)
Total other financing sources	-	-	(250,721)	(250,721)
Net change in fund balances	-	-	5,252	5,252
Fund Balance, beginning	1,850,525	1,850,525	1,850,525	-
Fund Balance, ending	\$ 1,850,525	\$ 1,850,525	\$ 1,855,777	\$ 5,252

Town of Montverde, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Fire Special Revenue Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Current:				
Public safety	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Uses:				
Transfers Out	-	-	(49,279)	(49,279)
Total other financing uses	-	-	(49,279)	(49,279)
Net change in fund balances	-	-	(49,279)	(49,279)
Fund balance, beginning	49,279	49,279	49,279	-
Fund balance, ending	\$ 49,279	\$ 49,279	\$ -	\$ (49,279)

Town of Montverde, Florida
Statement of Net Position - Proprietary Fund
September 30, 2019

	<u>Water Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 15,333
Accounts receivable, net	5,098
Due from other funds	<u>4,227</u>
Total current assets	<u>24,658</u>
Noncurrent assets:	
Capital assets:	
Land	300,963
Work-In Progress	20,801
Infrastructure	2,378,248
Intangible assets	15,259
Machinery and equipment	353,027
Less accumulated depreciation	<u>(1,116,048)</u>
Total noncurrent assets	<u>1,952,250</u>
Total assets	<u>1,976,908</u>
Deferred outflows of resources:	
Deferred outflows of pension earnings	<u>32,576</u>
Liabilities:	
Current Liabilities:	
Accounts payable	28,902
Accrued liabilities	5,707
Customer deposits payable	74,914
Unearned revenue	<u>6,665</u>
Total current liabilities	<u>116,188</u>
Noncurrent Liabilities:	
Net pension liability	<u>107,616</u>
Total noncurrent liabilities	<u>107,616</u>
Total liabilities	<u>223,804</u>
Deferred inflows of resources:	
Deferred inflows of pension earnings	<u>17,413</u>
Net Position:	
Net investment in capital assets	1,952,250
Unrestricted	<u>(183,983)</u>
Total net position	<u>\$ 1,768,267</u>

Town of Montverde, Florida
**Statement of Revenues, Expenses, and Changes in Fund Net Position-
Proprietary Fund**
For the Year Ended September 30, 2019

	<u>Water Fund</u>
Revenues:	
User charges	\$ 381,826
Total operating revenues	<u>381,826</u>
Operating Expenses:	
Salaries and benefits	253,013
Contractual services	63,109
Repairs and maintenance	88,632
Other supplies and expenses	83,201
Depreciation	63,039
Total operating expenses	<u>550,994</u>
Operating income (loss)	<u>(169,168)</u>
Income before transfers	<u>(169,168)</u>
Impact Fees	18,128
Transfers In	300,000
Change in net position	<u>148,960</u>
Total net position, beginning	<u>1,619,307</u>
Total net position, ending	<u><u>\$ 1,768,267</u></u>

Town of Montverde, Florida
Statement of Cash Flows
Proprietary Fund
For the Year Ended September 30, 2019

	<u>Water Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 386,542
Payments to suppliers	(207,178)
Payments to employees	(229,686)
	<u>(50,322)</u>
Net cash provided by operating activities	
Cash Flows from Noncapital:	
Transfers	300,000
Increase in due from other funds	(4,227)
	<u>295,773</u>
Net cash used by noncapital financing activities	
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	(719,789)
Impact Fees	18,128
	<u>(701,661)</u>
Net cash used by capital and related financing activities	
Cash Flows from Investing Activities:	
Investment income	-
	<u>-</u>
Net cash provided by investing activities	
Net increase in cash and cash equivalents	(456,210)
Cash and Cash Equivalents, beginning	<u>471,543</u>
Cash and Cash Equivalents, ending	<u><u>\$ 15,333</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities	
Operating income (loss)	\$ (169,168)
Adjustments Not Affecting Cash:	
Depreciation and amortization	63,039
Change in Assets and Liabilities:	
Decrease (increase) in accounts receivable	(2,086)
Decrease (increase) deferred outflows	3,420
Increase (decrease) in accounts payable	27,764
Increase (decrease) in accrued liabilities	2,315
Increase (decrease) in customer deposits	6,802
Increase (decrease) in net pension liability	11,485
Increase (decrease) in deferred inflows	6,107
	<u>118,846</u>
Total adjustments	
Net Cash Provided by Operating Activities	<u><u>\$ (50,322)</u></u>

Notes To Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The *Town of Montverde*, Florida ("the Town") is a political subdivision of the state of Florida located in Lake County. The *Town of Montverde* was originally incorporated under the laws of the State of Florida on May 18, 1925. The legislative branch of the Town is composed of a Mayor and a five (5) member elected Council. The Town Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Town Mayor. The Town provides the following services authorized by its charter: public safety (law enforcement and fire control), roads and streets, culture and recreation, planning and zoning, and water utility services.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The government reports the following funds:

Major Governmental Funds

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fire Special Revenue Fund - a special revenue fund established to account for the proceeds and uses of the fire special assessment, which is used for the operations of the volunteer fire department. This fund was closed in the current year and consolidated with the general fund.

Major Proprietary Funds

Water Fund is used to account for the operations of the Town's water system, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the Town's water function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 Town's water fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance:

Deposits and Investments

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

Investments of the Town are reported at fair value and are categorized within the fair value hierarchy established in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The Town's investments consist of investments authorized per Section 218.415, Florida Statutes.

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 either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported 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".

Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All receivables are shown net of an allowance for uncollectibles. The County bills and collects property taxes and remits them to the Town. Town property tax revenues are recognized when levied to the extent that they result in current receivables.

All property is reassessed according to its fair value on the lien date, or January 1 of each year. Taxes are levied on October 1 of each year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. On or around May 31 following the tax year, certificates are sold for all delinquent taxes on real property.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The use of certain assets of the Water fund may be restricted by specific provisions of town ordinances and/or agreements with various parties. Assets so designated are identified as restricted assets on the balance sheet.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town's capitalization policy as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. No interest was capitalized for the year ended September 30, 2019.

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

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Improvements	10-20
Infrastructure	50
Machinery and Equipment	3-15
Water System	20-50
Intangibles	5-10

Compensated Absences

The Town provides paid time off (PTO) for its employees. Effective July 2017, policy was updated to allow employees to cash out up to 50% of their banked hours after voluntarily leaving employment. No payout will be given if terminated from employment. Since balances are historically low, there are no amounts accrued on the financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. The Town has no long-term debt outstanding at September 30, 2019.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category, which is the deferred outflows of pension earnings.

In addition to liabilities, the statement of financial 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category, which is the deferred inflows of pension earnings.

Net Position Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the town's highest level of decision-making authority. The Council is the highest level of decision-making authority for the town that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amounts in the assigned fund balance classification are intended to be used by the town for specific purposes but do not meet the criteria to be classified as committed. The council has maintained authority to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the financial statement date and the reported amounts of revenues and expenses or expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Standards Issued

In fiscal year 2019, the Town implemented Government Accounting Standards Board (GASB) Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements and Statement No. 63, Certain Asset Retirement Obligations that is effective for this fiscal year. The Town has reviewed these statements and determined that these pronouncements have no discernable impact on these financial statements.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

- (1) Prior to the end of the fiscal year, 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) The general summary of the budget and notice of public hearing is published in the local newspaper. Public hearings are conducted to obtain taxpayer comments. Prior to October 1, budgets are legally enacted through passage of an ordinance or resolution.
- (3) Any transfer of budgeted amounts within and between divisions and departments must be approved by a majority vote of the Town Council and any revisions that alter the total appropriations of any fund must be approved by a majority vote of the Town Council. The level of classification detail at which expenditures may not legally exceed appropriations is the department level.
- (4) Appropriations lapse at the close of the fiscal year to the extent they have not been expended.
- (5) Budgets are adopted for the general fund and special revenue funds on a basis consistent with accounting principles generally accepted in the United States of America. Budgets are also adopted for the enterprise funds; however, this data is not presented under generally accepted accounting principles.
- (6) The Town Council, by ordinance or resolution, may make supplemental appropriations in excess of those originally estimated for the year up to the amount of available revenues. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions.

Expenditures in Excess of Appropriations

The General Fund contained expenditures in excess of appropriations in the physical environment, culture and recreation departments, and transfers out for the year ended September 30, 2019.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

All bank deposits were covered by Federal Depository Insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

Investments

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The Town uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the Town's own data in measuring unobservable inputs. The Town had no investments as defined by GASB Statement No. 72 as of September 30, 2019.

The Town's investment policies are governed by Florida Statutes, which allow the following investments:

- (a) Florida Local Government Surplus Funds Trust Fund Investment Pool (SBA LGIP)
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest bearing time deposit or savings accounts in qualified public depositories
- (d) Direct obligations of the U.S. Treasury

The Town does not have an investment policy that addresses credit risk, concentration of credit risk, custodial credit risk, or interest rate risk. However, all deposits are potentially subject to custodial credit risk. The Town policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida, and creates the Public Deposit Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2019, all of the Town's bank deposits were in qualified public depositories.

NOTE 4 RECEIVABLES

Receivables as of September 30, 2019 are as follows:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Total</u>
Receivables:			
Accounts	\$ 33,010	\$ 5,579	\$ 38,589
Less allowance for uncollectible accounts	<u>(159)</u>	<u>(481)</u>	<u>(640)</u>
	<u>\$ 32,851</u>	<u>\$ 5,098</u>	<u>\$ 37,949</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 490,804	\$ -	\$ -	\$ 490,804
Total capital assets, not being depreciated	<u>490,804</u>	<u>-</u>	<u>-</u>	<u>490,804</u>
Capital assets, being depreciated:				
Buildings	1,014,396	55,683	-	1,070,079
Improvements	1,225,999	-	-	1,225,999
Infrastructure	1,233,325	-	-	1,233,325
Machinery and equipment	1,218,307	76,581	-	1,294,888
Intangibles	9,729	-	-	9,729
Total capital assets, being depreciated	<u>4,701,756</u>	<u>132,264</u>	<u>-</u>	<u>4,834,020</u>
Less accumulated depreciation for:				
Buildings	(380,812)	(23,673)	-	(404,485)
Improvements	(574,996)	(63,148)	-	(638,144)
Infrastructure	(781,285)	(33,305)	-	(814,590)
Machinery and equipment	(1,141,602)	(27,617)	-	(1,169,219)
Intangibles	(145)	(973)	-	(1,118)
Total accumulated depreciation	<u>(2,878,840)</u>	<u>(148,716)</u>	<u>-</u>	<u>(3,027,556)</u>
Total capital assets, being depreciated, net	<u>1,822,916</u>	<u>(16,452)</u>	<u>-</u>	<u>1,806,464</u>
Government activities capital assets, net	<u>\$ 2,313,720</u>	<u>\$ (16,452)</u>	<u>\$ -</u>	<u>\$ 2,297,268</u>

NOTE 5 CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 300,963	\$ -	\$ -	\$ 300,963
Work-in-progress	27,679	330,809	(337,687)	20,801
Total capital assets, not being depreciated	<u>328,642</u>	<u>330,809</u>	<u>(337,687)</u>	<u>321,764</u>
Capital assets, being depreciated:				
Water system	1,828,444	549,804	-	2,378,248
Machinery and equipment	176,164	176,863	-	353,027
Intangibles	15,259	-	-	15,259
Total capital assets, being depreciated	<u>2,019,867</u>	<u>726,667</u>	<u>-</u>	<u>2,746,534</u>
Less accumulated depreciation for:				
Water system	(954,064)	(50,626)	-	(1,004,690)
Machinery and equipment	(98,691)	(10,887)	-	(109,578)
Intangibles	(254)	(1,526)	-	(1,780)
Total accumulated depreciation	<u>(1,053,009)</u>	<u>(63,039)</u>	<u>-</u>	<u>(1,116,048)</u>
Total capital assets, being depreciated, net	<u>966,858</u>	<u>663,628</u>	<u>-</u>	<u>1,630,486</u>
Business-type activities capital assets, net	<u>\$ 1,295,500</u>	<u>\$ 994,437</u>	<u>\$ (337,687)</u>	<u>\$ 1,952,250</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 24,981
Public safety	22,805
Transportation	34,679
Culture and recreation	66,251
Total Depreciation Expense, governmental activities	<u>\$ 148,716</u>
Business-type Activities:	
Water	\$ 63,039
Total Depreciation Expense, business type activities	<u>\$ 63,039</u>

NOTE 6 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Net pension liability	\$ 102,470	\$ -	\$ (15,611)	\$ 86,859	\$ -
Governmental activity long-term liabilities	<u>\$ 102,470</u>	<u>\$ -</u>	<u>\$ (15,611)</u>	<u>\$ 86,859</u>	<u>\$ -</u>
Business-Type Activities:					
Net pension liability	\$ 96,131	\$ 11,485	\$ -	\$ 107,616	\$ -
Business-type activity long-term liabilities	<u>\$ 96,131</u>	<u>\$ 11,485</u>	<u>\$ -</u>	<u>\$ 107,616</u>	<u>\$ -</u>

NOTE 7 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The Fire Fund transferred \$49,279 to the General Fund to close the fund, and consolidate the activity in the General Fund. Additionally, the General Fund transferred \$300,000 to the Utility fund to supplement operations.

NOTE 8 FLORIDA RETIREMENT SYSTEM

Plan Description

Town employees participate in the Florida Retirement System ("FRS"), a cost-sharing multiple employer public employee retirement plan administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

Early retirement benefits may also be provided; however, there is a reduction in benefits for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees. There is a 3% requirement for employees to contribute to FRS effective July 1, 2011.

The 2007 Florida Legislature continued the uniform contribution rate system under which participating employers make uniform contributions to support the FRS Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.405, Florida Statutes, FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS defined benefit pension plan. Employers contribute based upon blended rates determined as a percentage of the total payroll for each class or subclass of FRS membership, regardless of which retirement plan individuals elect.

The State of Florida issues a report that includes financial statements and required supplementary information for FRS. That report may be obtained by writing to Florida Retirement System, Tallahassee, Florida 32399-1560.

NOTE 8 FLORIDA RETIREMENT SYSTEM (CONTINUED)

Funding Policy

The FRS has ten (10) classes of membership. Only one (1) class is applicable to the Town's eligible employees. This class, with descriptions and contribution rates in effect during the period ended September 30, 2019 are as follows:

Regular Class

Members not qualifying for other classes (11.47% [includes 3% employee contribution] from July 1, 2019 through September 30, 2019 and 11.26% [includes 3% employee contribution] from October 1, 2018 through June 30, 2019).

These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively.

Pension Plan (FRS)

Plan Description

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

NOTE 8 FLORIDA RETIREMENT SYSTEM (CONTINUED)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year.

The Town's contributions to the Pension Plan totaled \$11,043 for the fiscal year ended September 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the Town reported a liability of \$116,406 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Town's proportionate share of the net pension liability was based on the Town's 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the Town's proportionate share was .00034 percent, which was an increase (decrease) of (.00006) percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the Town recognized pension expense of \$29,057. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 6,904	\$ 72
Change of Assumptions	29,898	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	6,440
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	5,098	11,616
Pension Plan Contributions Subsequent to the Measurement Date	2,853	-
	<u>\$ 44,753</u>	<u>\$ 18,128</u>

The deferred outflows of resources related to the Pension Plan, totaling \$2,853 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>	
2020	\$ 10,790
2021	2,058
2022	6,512
2023	4,796
2024	(17)
Thereafter	(367)
	<u>\$ 23,772</u>

NOTE 8 FLORIDA RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	6.90%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected Generational with scale MP-2018.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.00%	3.30%	3.30%	1.20%
Fixed Income	18.00%	4.10%	4.10%	3.50%
Global Equity	54.00%	8.00%	6.80%	16.50%
Real Estate	10.00%	6.70%	6.10%	11.70%
Private Equity	11.00%	11.20%	8.40%	25.80%
Strategic Investments	<u>6.00%</u>	5.90%	5.70%	6.70%
Total	<u><u>100.00%</u></u>			
Assumed Inflation - Mean			2.60%	1.70%

(1) As outlined in the Pension Plan's investment policy

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

NOTE 8 FLORIDA RETIREMENT SYSTEM (CONTINUED)

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate:

	Discount Rate Minus 1% 5.90%	Current Discount Rate 6.90%	Discount Rate Plus 1% 7.90%
Town's Proportionate Share of Net Pension Liability (FRS)	\$ 201,228	\$ 116,406	\$ 45,566

Pension Plan Fiduciary Net Position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

HIS Plan

Plan Description

The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2019, the HIS contribution for the period October 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019 was 1.66% and 1.66%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions to the HIS Plan totaled \$4,040 for the fiscal year ended September 30, 2019.

NOTE 8 FLORIDA RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2019, the Town reported a liability of \$78,069 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Town's proportionate share of the net pension liability was based on the Town's 2018-19 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2019, the Town's proportionate share was .00070 percent, which was an increase (decrease) of (.00004) percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the Town recognized pension expense of \$5,507. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 948	\$ 96
Change of Assumptions	9,040	6,381
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	50	
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	3,100	6,863
Pension Plan Contributions Subsequent to the Measurement Date	978	-
	\$ 14,116	\$ 13,340

The deferred outflows of resources related to the HIS Plan, totaling \$978 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ended September 30,	
2020	\$ 1,037
2021	706
2022	(105)
2023	(1,377)
2024	(303)
Thereafter	(160)
	\$ (202)

NOTE 8 FLORIDA RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	3.5% net of pension plan investment expense

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 3.50%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 3.50%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate:

	Discount Rate Minus 1% <u>2.50%</u>	Current Discount Rate <u>3.50%</u>	Discount Rate Plus 1% <u>4.50%</u>
Town's Proportionate Share of Net Pension Liability (FRS)	\$ 89,119	\$ 78,069	\$ 68,865

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

NOTE 8 FLORIDA RETIREMENT SYSTEM (CONTINUED)

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Senior Management, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2019 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, and Senior Management Service class 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The Town made no contributions during the year ended September 30, 2019, as no employees had elected to participate.

NOTE 9 COMMITMENTS AND CONTINGENCIES

Litigation

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2019. While the ultimate outcome of the litigation cannot be determined at this time, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the Town.

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 carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage during the past three years.

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS

In accordance with Florida Statutes Section 112.0801, the Town makes continued group health insurance through the Town's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirement have been met. This benefit has no cost to the Town, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree.

The Town currently has no OPEB liability due to the following conditions:

The only other postemployment benefit the Town offers is the ability for retirees to self-pay under the Town's group health plan.

The average number of self-paying retirees at any one time has not exceeded one for the last five years.

The Town does not expect this situation to change in the foreseeable future.

Accordingly, the Town has a net OPEB obligation at September 30, 2019 of zero.

Required Supplementary Information

Florida Retirement System Last 10 Fiscal Years*					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Proportion of the Net Pension Liability	0.00034%	0.00040%	0.00037%	0.00038%	0.00039%
Town's Proportionate Share of the Net Pension Liability	\$ 116,406	\$ 119,847	\$ 109,476	\$ 96,922	\$ 50,328
Town's Covered Payroll	\$ 314,738	\$ 258,247	\$ 263,947	\$ 232,360	\$ 248,515
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	36.99%	46.41%	41.48%	41.71%	20.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%	84.26%	83.89%	84.88%	92.00%

Health Insurance Subsidy Last 10 Fiscal Years*					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Proportion of the Net Pension Liability	0.00070%	0.00074%	0.00072%	0.00076%	0.00076%
Town's Proportionate Share of the Net Pension Liability	\$ 78,069	\$ 78,754	\$ 76,464	\$ 88,867	\$ 77,173
Town's Covered-employee Payroll	\$ 314,738	\$ 258,247	\$ 263,947	\$ 232,360	\$ 248,515
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	24.80%	30.50%	28.97%	38.25%	31.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.63%	2.15%	1.64%	0.97%	0.50%

*only five years of data available

Florida Retirement System					
Last 10 Fiscal Years*					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 11,043	\$ 11,123	\$ 9,136	\$ 10,051	\$ 9,344
Contributions in Relation to the Contractually Required Contributions	<u>11,043</u>	<u>11,123</u>	<u>9,136</u>	<u>10,051</u>	<u>9,344</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 314,738	\$ 258,247	\$ 263,947	\$ 232,360	\$ 248,515
Contributions as a Percentage of Covered Payroll	3.51%	4.31%	3.46%	4.33%	3.76%

Health Insurance Subsidy					
Last 10 Fiscal Years*					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 4,040	\$ 4,006	\$ 3,765	\$ 3,802	\$ 2,992
Contributions in Relation to the Contractually Required Contributions	<u>4,040</u>	<u>4,006</u>	<u>3,765</u>	<u>3,802</u>	<u>2,992</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 314,738	\$ 258,247	\$ 263,947	\$ 232,360	\$ 248,515
Contributions as a Percentage of Covered Payroll	1.28%	1.55%	1.43%	1.64%	1.20%

*only five years of data available

Other Reports

**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 Town Council
Town of Montverde, Florida

We have audited, 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, the financial statements of the governmental activities, business-type activities, and each major fund of the *Town of Montverde, Florida*, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 29, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Appendix A to the Management Letter, we identified a deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Town of Montverde, which are detailed in Appendix B to the Management Letter.

Town of Montverde's Response to Findings

Town of Montverde's response to the findings identified in our audit are included in this report. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

McDiarmid Davis

Orlando, Florida
June 29, 2020



MANAGEMENT LETTER

Honorable Mayor and Town Council
Town of Montverde, Florida

Report on the Financial Statements

We have audited the financial statements of the *Town of Montverde, Florida*, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 29, 2020.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 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, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address the finding in the preceding annual report, except as noted below:

Tabulation of Uncorrected Audit Findings

Current Year Finding #	FY 2018 Finding #	FY 2017 Finding #
2019-01	2018-01	2017-01
2019-03	2018-03	2017-03

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. See Appendix B.

Additional Matters

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

Purpose of this Letter

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

McDiarmid Davis

Orlando, Florida
June 29, 2020

ML 19-1-Internal Controls Over Recording Transactions in Accordance with GAAP

Criteria - AU-C Section 265 *Communicating Internal Control Related Matters Identified in an Audit*, requires auditors to evaluate whether or not the Town employees have the necessary skills and knowledge to apply generally accepted accounting principles (GAAP) in recording the Town's financial transactions and preparing its financial statements.

Condition - During the course of our audit, we had to recommend multiple adjusting entries be posted, and make several adjustments in order for financial statements to be prepared.

Cause - Due to the small size of the Town, the staff does not have the necessary qualifications and training to prepare transactions in accordance with GAAP.

Effect - Material misstatements in financial reporting could go undetected.

Recommendation - We recommend that Town staff receive additional training on governmental accounting standards, as well as make all required adjustments to the year-end financial statements.

ML 19-3-Utility Billing Reconciliation

Criteria - An effectively designed system of internal controls requires sufficient account reconciliations to mitigate the risk material misstatement, whether due to fraud or error.

Condition - During the course of our audit, we determined that the Town does not conduct account reconciliations appropriately to reduce the risk of control failure.

Cause - Employees do not complete account reconciliations between the utility billing system and the general ledger system on a monthly basis.

Effect - Material misstatements, whether due to fraud or error, could go undetected.

Recommendation - We recommend that the Town perform account reconciliations during the year and at year-end. The implementation of the integrated general ledger and utility system software will also help mitigate the risks.

ML 19-2-Payroll Time Calculation

Criteria - Payroll should be based on actual time worked.

Condition - During the course of our audit, we noted a few instances where employees were paid for an incorrect calculation of partial hours worked.

Cause - Time cards for partial hours were not properly converted to tenths of hours when entered into the system for payment.

Effect - Employees could be paid for incorrect hours worked.

Recommendation - We recommend that the Town implement procedures to automate payroll calculations of partial hours within the system.



934 North Magnolia Avenue, Suite 100
Orlando, Florida 32803
407-843-5406
www.mcdermittdavis.com

**INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and Town Council
Town of Montverde, Florida

We have examined Town of Montverde’s (the Town) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2019. 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 the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States 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, Town of Montverde complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

McDermitt Davis

Orlando, Florida
June 29, 2020



McDermitt Davis & Company, LLC
934 N. Magnolia Ave
Orlando FL 32803

Re: Town of Montverde Management Letter

In response to the Management Letter dated June 29, 2020, pursuant to the Town of Montverde annual audit for fiscal year ended September 30, 2019, please find below the Town of Montverde management responses to the Management Letter Audit Comments.

ML 19-3-Utility Billing Reconciliation

Going forward the Town will be completing reconciliations between the utility billing system and the general ledger system on a monthly basis.

ML 19-2-Payroll Time Calculation

The Town has put in place in the last few months and after the Audit dates a timecard system that automatically calculates time that the Town is using for payroll. The Town no longer dose the function manually.

ML 19-1-Internal Controls Over Recording Transactions in Accordance with GAAP

The Town agrees this is an area which needs more ongoing training for staff. We will continue to have the correct positions trained and the Town will make sure all required adjustments to the end of the year-end financial statements are completed.