

TOWN OF OTTER CREEK, FLORIDA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2022
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INTRODUCTORY SECTION

TOWN OF OTTER CREEK, FLORIDA
LIST OF OFFICIALS
September 30, 2022

ELECTED OFFICIALS

MAYOR

Russell Meeks Sr.

VICE-MAYOR

Stuart Stewart

COUNCIL MEMBERS

Dan Shannon

Sonya Lamb

Donald Severino

APPOINTED OFFICIAL

CLERK

Mary DeGroot

FINANCIAL SECTION



Powell and Jones CPA

1359 S.W. Main Blvd.
Lake City, FL 32025
Phone 386.755.4200
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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the
Town Council
Town of Otter Creek, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Otter Creek, Florida, (the "Town") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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 the Town as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

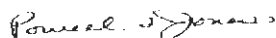
Other Information

Management is responsible for the other information included in the annual report. The other information is composed of the Introductory Section and the Other Information Section as identified in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Powell and Jones CPA
Lake City, Florida
October 9, 2023

TOWN OF OTTER CREEK, FLORIDA

Management's Discussion and Analysis

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

Report Layout

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

Basic Financial Statements

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

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

Town as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Position at September 30, 2022 and 2021, follows:

Net Position at September 30, 2022

	Governmental Activities	Business-type Activities	Total Government	
			2022	2021
Assets				
Cash and investments	\$ 269,260	\$ 42,580	\$ 311,840	\$ 267,259
Capital assets	2,150	565,002	567,152	591,798
Total assets	271,410	607,582	878,992	859,057
Liabilities				
Current liabilities	11,901	9,575	21,476	8,580
Total liabilities	11,901	9,575	21,476	8,580
Net position				
Net investment in capital assets	2,150	565,002	567,152	591,798
Unrestricted	257,359	33,005	290,364	258,679
Total net position	\$ 259,509	\$ 598,007	\$ 857,516	\$ 850,477

66% of the Town's net position reflect its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net position of \$290,364 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net position.

A condensed version of the Statement of Activities follows:

Change in Net Position
For the Fiscal Year Ended September 30, 2022 and 2021

	Governmental Activities	Business-type Activities	Total Government	
			2022	2021
Revenues				
Program revenues				
Charges for services	\$ -	\$ 30,100	\$ 30,100	\$ 32,031
General revenues				
Taxes	72,016	-	72,016	69,349
Franchise fees	5,988	-	5,988	5,788
State revenues	13,784	-	13,784	459,043
Grants	33,557	-	33,557	33,557
Interest and other	2,599	-	2,599	314
Fines and forfeitures	2,400	-	2,400	2,226
Total revenues	<u>130,344</u>	<u>30,100</u>	<u>160,444</u>	<u>602,308</u>
Expenses				
General government	92,831	-	92,831	103,368
Public safety	12,882	-	12,882	7,125
Culture/recreation	-	-	-	360
Water services	-	47,692	47,692	41,710
Total expenses	<u>105,713</u>	<u>47,692</u>	<u>153,405</u>	<u>152,563</u>
Transfers	<u>289</u>	<u>(289)</u>	<u>-</u>	<u>-</u>
Change in net position	24,920	(17,881)	7,039	449,745
Beginning net position	234,589	615,888	850,477	400,732
Ending net position	<u>\$ 259,509</u>	<u>\$ 598,007</u>	<u>\$ 857,516</u>	<u>\$ 850,477</u>

Governmental activities:

Taxes provide 55% of the revenues for Governmental Activities, Grants provide 26%, while state shared revenues provide 11%. Most of the Governmental Activities resources are spent for General Government (88%), Public Safety (12%), and Culture/recreation (0%).

Business-type activities:

Business-type activities decreased the Town's net position by \$17,592 before net transfers out of \$289.

Budgetary Highlights

In the General Fund actual revenue amounts were more than budgeted amounts by \$51,453, and budgeted expenditures amounts were more than actual expenditures by \$26,429.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2022, the Town had \$567,152 invested in capital assets, including fire equipment, park and recreation facilities, buildings, general equipment, and water facilities.

Capital Assets at September 30, 2022 and 2021

	Governmental Activities	Business-type Activities	Total
Land	\$ 2,150	\$ -	\$ 2,150
Buildings and improvements	65,523	1,427,225	1,492,748
Equipment	85,387	6,569	91,956
Subtotal	153,060	1,433,794	1,586,854
Accumulated depreciation	(150,910)	(868,792)	(1,019,702)
Capital assets, net	\$ 2,150	\$ 565,002	\$ 567,152

Debt Outstanding

At year-end, the Town had no outstanding debt.

Other Financial Information

Economic Factors and Rates

- The current unemployment rate for the County was 3.2% which is approximately the same rate for the Town.
- The estimated population for the Town in 2022 was 106.
- The Town's ad valorem tax rate for 2022 was 9.1025 mills.

Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town Clerk at P.O. Box 65, Otter Creek, Florida 32683.

Basic Financial Statements

TOWN OF OTTER CREEK, FLORIDA
STATEMENT OF NET POSITION
September 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 200,018	\$ 35,744	\$ 235,762
Investments	69,242	-	69,242
Restricted assets			
Meter deposits	-	6,836	6,836
Total current assets	<u>269,260</u>	<u>42,580</u>	<u>311,840</u>
Non-current assets:			
Capital assets, net	2,150	565,002	567,152
Total non-current assets	<u>2,150</u>	<u>565,002</u>	<u>567,152</u>
Total assets	<u>271,410</u>	<u>607,582</u>	<u>878,992</u>
LIABILITIES			
Current liabilities:			
Accounts payable	11,901	-	11,901
Deposits	-	9,575	9,575
Total current liabilities	<u>11,901</u>	<u>9,575</u>	<u>21,476</u>
Total liabilities	<u>11,901</u>	<u>9,575</u>	<u>21,476</u>
NET POSITION			
Invested in capital assets	2,150	565,002	567,152
Unrestricted	257,359	33,005	290,364
Total net position	<u>\$ 259,509</u>	<u>\$ 598,007</u>	<u>\$ 857,516</u>

See notes to financial statements

TOWN OF OTTER CREEK, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Governmental activities						
General government	\$ 92,831	\$ -	\$ 33,557	\$ (59,274)	\$ -	\$ (59,274)
Public safety	12,882	-	-	(12,882)	-	(12,882)
Economic environment	-	-	-	-	-	-
Culture/recreation	-	-	-	-	-	-
Total governmental activities	105,713	-	33,557	(72,156)	-	(72,156)
Business-type activities						
Water utility	47,692	30,100	-	-	(17,592)	(17,592)
Total business-type activities	47,692	30,100	-	-	(17,592)	(17,592)
Total government	\$ 153,405	\$ 30,100	\$ 33,557	(72,156)	(17,592)	(89,748)
General revenues						
Property taxes				53,538	-	53,538
Sales and use taxes				23,655	-	23,655
Franchise fees				5,988	-	5,988
Communications services tax				1,001	-	1,001
Fines and forfeitures				2,400	-	2,400
State shared revenues				5,620	-	5,620
Gas taxes				1,986	-	1,986
Interest				240	-	240
Miscellaneous				2,359	-	2,359
Total general revenues				96,787	-	96,787
Transfers				289	(289)	-
Change in net position				24,920	(17,881)	7,039
Net position - beginning				234,589	615,888	850,477
Net position - ending				\$ 259,509	\$ 598,007	\$ 857,516

TOWN OF OTTER CREEK, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2022

	General Fund
ASSETS	
Cash	\$ 200,018
Investments	69,242
Total assets	<u>\$ 269,260</u>
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts payable and accrued liabilities	\$ 11,901
Total liabilities	<u>11,901</u>
 FUND BALANCE	
Assigned	58,739
Unassigned	198,620
Total fund balances	<u>257,359</u>
 Total liabilities and fund balances	<u>\$ 269,260</u>
 Fund balance - governmental funds	 \$ 257,359
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	 2,150
Net position of governmental activities	<u>\$ 259,509</u>

See notes to financial statements

TOWN OF OTTER CREEK, FLORIDA
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2022

	<u>General Fund</u>
REVENUES	
Taxes	\$ 72,016
Intergovernmental revenue	13,784
Franchise Fees	5,988
Fines and forfeitures	2,400
Interest	240
Miscellaneous	2,359
Total revenues	<u>96,787</u>
EXPENDITURES	
Current expenditures	
General government	92,458
Public safety	12,862
Total expenditures	<u>105,320</u>
OTHER FINANCING SOURCES (USES)	
Transfers	289
Grants	33,557
Total other financing sources (uses)	<u>33,846</u>
Change in fund balance	25,313
Fund balance at beginning of year	232,046
Fund balance at end of year	<u>\$ 257,359</u>

See notes to financial statements

TOWN OF OTTER CREEK, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
For the Fiscal Year Ended September 30, 2022

Net change in fund balance - governmental fund	\$	25,313
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlay as expenditures.

However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

Current year depreciation	\$	(393)	
			(393)

Change in net position of governmental activities	\$	24,920
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See notes to financial statements

TOWN OF OTTER CREEK, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2022

	<u>Enterprise Fund</u>
ASSETS	
Current assets:	
Cash	\$ 35,744
Restricted assets	
Meter deposits	<u>6,836</u>
Total current assets	<u>42,580</u>
Fixed assets:	
Plant and improvements	1,433,794
Accumulated depreciation	<u>(868,792)</u>
Total fixed assets	<u>565,002</u>
Total assets	<u><u>607,582</u></u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities:	
Deposits	<u>9,575</u>
Total current liabilities	<u>9,575</u>
NET POSITION	
Invested in capital assets	565,002
Unrestricted	<u>33,005</u>
Total net position	<u>598,007</u>
Total liabilities and net position	<u><u>\$ 607,582</u></u>

See notes to financial statements

TOWN OF OTTER CREEK, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2022

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Water utility revenue	
Water sales	\$ 30,100
Total operating revenues	<u>30,100</u>
OPERATING EXPENSES	
Water utility services	
Operating expenses	
Plant operations	16,143
Office expenses	3,123
Repair and maintenance	4,173
Depreciation	24,253
Total operating expenses	<u>47,692</u>
Operating loss	(17,592)
NONOPERATING REVENUES (EXPENSES)	
Transfers from General Fund	(289)
Total nonoperating revenues (Expenses)	<u>(289)</u>
Decrease in net position	(17,881)
Net position, beginning of year	615,888
Net position, end of year	<u>\$ 598,007</u>

See notes to financial statements

TOWN OF OTTER CREEK, FLORIDA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2022

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 30,423
Cash paid to suppliers	<u>(23,056)</u>
Net cash provided by operating activities	<u>7,367</u>
 Net increase in cash	 7,367
Cash, beginning of year	35,213
Cash, end of year	<u><u>\$ 42,580</u></u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (17,592)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	24,253
Increase (decrease) in current liabilities:	
Customer deposits	<u>706</u>
Total adjustments	<u>24,959</u>
Net cash provided by operating activities	<u><u>\$ 7,367</u></u>

See notes to financial statements

TOWN OF OTTER CREEK, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity - The Town of Otter Creek, Florida is a municipal, political subdivision of the State of Florida, established by House Bill 560, (1969). Accordingly, it is controlled by the Florida Constitution and various Florida Statutes as well as its own local charter, ordinances and policies. It is governed by an elected Mayor and Town Council.

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

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

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

1. Government-wide Financial Statements

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

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

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

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

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

2. Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has only one major governmental fund and one major proprietary fund at year end.

1. Governmental Major Fund:

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

Proprietary Major Fund:

Enterprise Fund - The Enterprise Fund accounts for the revenues, expenses, assets, and liabilities associated with the Town operated water supply service.

D. Assets, Liabilities and Net Position or Fund Balance

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

2. Allowance for Doubtful Accounts - The Town periodically provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2022, this allowance was \$0, based upon current anticipation of full collectibility.

3. Compensated Absences - The Town's employees do not accrue or receive vacation or sick leave benefits.

4. Inventories - The costs of governmental and enterprise fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.

5. Fund Balance -

A. Governmental Funds

As of September 30, 2022. Fund balances of the governmental funds are classified as follows:

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

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

Committed - amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision-

making authority for the Town. Commitments may be established, modified or rescinded only through ordinances or resolutions approved by the Town Council.

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

Unassigned – all other spendable amounts.

As of September 30, 2022, fund balances are composed of the following:

	General Fund
Assigned- ARPA	\$ 58,739
Unassigned	198,620
Total fund balances	<u>\$ 257,359</u>

6. **Capital Assets** - Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements to acquire or construct them. All purchased capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.
7. **Short-term Interfund Receivable/Payables** - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivable and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.
8. **Interfund Transactions** - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.
9. **Prepaid Items** - Significant payments made to vendors for goods or services that will benefit periods beyond September 30, 2022, are recorded as prepaid items.
10. **Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
11. **Budgets** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all Town funds. All annual appropriations lapse at fiscal year end. The encumbrance system is not utilized by the Town.

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

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

"Total fund balances" of the Town's governmental funds \$257,359 differs from "net position" of governmental activities \$259,509 reported in the statement of net position. This difference primarily results from the long-term economical focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Capital related items

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

Cost of capital assets	\$ 153,060
Accumulated depreciation	<u>(150,910)</u>
Total	<u>\$ 2,150</u>

TOWN OF OTTER CREEK, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Statement of Net Position
ASSETS			
Cash	\$ 200,018	\$ -	\$ 200,018
Investments	69,242	-	69,242
Capital assets - net	-	2,150	2,150
Total assets	<u>\$ 269,260</u>	<u>\$ 2,150</u>	<u>\$ 271,410</u>
LIABILITIES			
Liabilities			
Accounts payable	\$ 11,901	\$ -	\$ 11,901
Total liabilities	<u>11,901</u>	<u>-</u>	<u>11,901</u>
Fund balance/net position	<u>\$ 257,359</u>	<u>\$ 2,150</u>	<u>\$ 259,509</u>

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

The "net change in fund balances" for governmental funds \$25,313 differs from the "change in net position" for governmental activities \$24,920 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Depreciation expense	(393)
Difference	<u>\$ (393)</u>

TOWN OF OTTER CREEK, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Statement of Activities
REVENUES			
Taxes	\$ 72,016	\$ -	\$ 72,016
Intergovernmental revenue	13,784	-	13,784
Franchise fees	5,988	-	5,988
Fines and forfeitures	2,400	-	2,400
Interest	240	-	240
Miscellaneous	2,359	-	2,359
Total revenues	<u>96,787</u>	<u>-</u>	<u>96,787</u>
EXPENDITURES			
Current expenditures			
General government	92,458	373	92,831
Public safety	12,862	20	12,882
Total expenditures	<u>105,320</u>	<u>393</u>	<u>105,713</u>
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	289	-	289
Grants	33,557	-	33,557
Total other financing sources (uses)	<u>33,846</u>	<u>-</u>	<u>33,846</u>
Change in net position	25,313	(393)	24,920
Fund balances at beginning of year	232,046	2,543	234,589
Fund balances at end of year	<u>\$ 257,359</u>	<u>\$ 2,150</u>	<u>\$ 259,509</u>

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

1. Prior to September 1, the Town Council develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of a resolution.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the Town Council.
5. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council. No amendments were made to the budget during the year.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the Town deposits were fully insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the Town is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. At year end, all investments consisted of bank certificates of deposits which was fully insured or collateralized. These investments are classified as Category 1 in accordance with GASB Standard No. 3, "Deposits with Financial Institutions, Investments, and Reserve Repurchase Agreements."

NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2021-2022 fiscal year were levied in October 2021. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets:				
Not being depreciated:				
Land	\$ 2,150	\$ -	\$ -	\$ 2,150
Total non-depreciable capital assets	2,150	-	-	2,150
Being depreciated:				
Buildings and improvements	65,523	-	-	65,523
Equipment and vehicles	85,387	-	-	85,387
Total depreciable capital assets	150,910	-	-	150,910
Less accumulated depreciation for:				
Buildings and improvements	(62,530)	(393)	(2,600)	(65,523)
Equipment and vehicles	(87,987)	-	2,600	(85,387)
Total accumulated depreciation	(150,517)	(393)	-	(150,910)
Depreciable capital assets, net	393	(393)	-	-
Governmental activities capital assets, net	\$ 2,543	\$ (393)	\$ -	\$ 2,150
Business-type activities:				
Being depreciated:				
Building and improvements	\$ 603,724	\$ -	\$ 823,501	\$ 1,427,225
Equipment	830,070	-	(823,501)	6,569
Total capital assets	1,433,794	-	-	1,433,794
Less accumulated depreciation for:				
Building and improvements	(841,749)	(23,996)	-	(865,745)
Equipment	(2,790)	(257)	-	(3,047)
Total accumulated depreciation	(844,539)	(24,253)	-	(868,792)
Depreciable capital assets, net	589,255	(24,253)	-	565,002
Business-type activities capital assets, net	\$ 589,255	\$ (24,253)	\$ -	\$ 565,002

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

Governmental activities:	
General government	\$ 373
Public Safety	20
Total depreciation expense - governmental activities	\$ 393
Business-type activities:	
Water services	\$ 24,253
Total depreciation expense - business-type activities	\$ 24,253

NOTE 7. RECEIVABLE AND PAYABLE BALANCES

Receivables

The Town had no receivables at September 30, 2022.

Payables

The Town had \$11,901 payables at September 30, 2022.

NOTE 8. RETIREMENT PLAN

The Town has made no provision for an employee retirement plan and has no related liability for such a plan.

NOTE 9. CONTINGENT LIABILITIES

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

There is one unasserted claim of note: Jeremy Hales has filed suit over the alleged failure of the Town to respond effectually to a demand for records disclosure. The claims to statutory violation have been contested and the estimate of a worst case scenario is \$10-15,000. This potential claim does not meet the criteria of recognition in Governmental Accounting Standards Board (GASB) Codification Section C50 because the amount of the potential claims are not determinable at this time.

NOTE 10. RISK MANAGEMENT

The Town is exposed to various risks of loss related to theft of, damage to and destruction of assets, and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverages for the past three years. There has been no reduction in insurance coverage from the previous year. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Employee Dishonesty Bond

NOTE 11. LONG-TERM LIABILITIES

The Town had no outstanding debt at September 30, 2022 or debt transactions during the fiscal year.

NOTE 12. EMPLOYEE HEALTH CARE

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

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF OTTER CREEK, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND
ACTUAL
For the Fiscal Year Ended September 30, 2022

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes			
Ad valorem taxes	\$ 55,673	\$ 53,538	\$ (2,135)
Discretionary Sales Tax	8,042	15,491	7,449
Franchise fees			
Electricity	-	5,988	5,988
Utility services tax			
Communications services tax	-	1,001	1,001
Local option gas tax	-	1,986	1,986
Total taxes	<u>63,715</u>	<u>78,004</u>	<u>14,289</u>
Licenses and permits			
Professional and occupational	5,788	-	(5,788)
Total licenses and permits	<u>5,788</u>	<u>-</u>	<u>(5,788)</u>
Intergovernmental revenue			
Federal grants			
Grants	-	33,557	33,557
State shared revenues			
State revenue sharing	6,599	5,620	(979)
Local governmental half-cent sales tax	-	8,164	8,164
Total intergovernmental revenue	<u>6,599</u>	<u>47,341</u>	<u>40,742</u>
Fines and forfeitures			
Court fines	2,500	2,400	(100)
Total fines and forfeitures	<u>2,500</u>	<u>2,400</u>	<u>(100)</u>
Miscellaneous			
Interest on investments	-	240	240
Other miscellaneous	289	2,359	2,070
Total miscellaneous	<u>289</u>	<u>2,599</u>	<u>2,310</u>
Total revenues	<u>78,891</u>	<u>130,344</u>	<u>51,453</u>
EXPENDITURES			
General government			
Executive			
Personnel services	71,810	28,188	43,622
Financial and administrative			
Personnel services	-	12,913	(12,913)
Operating expenses	-	28,051	(28,051)
Legal counsel	-	23,306	(23,306)
Total general government	<u>71,810</u>	<u>92,458</u>	<u>(20,648)</u>

(continued)
See notes to financial statements.

TOWN OF OTTER CREEK, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND
ACTUAL
For the Fiscal Year Ended September 30, 2022

	Original and Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
EXPENDITURES (continued)			
Public safety			
Fire control			
Operating expenses	5,747	12,862	(7,115)
Total fire control	5,747	12,862	(7,115)
Total public safety	5,747	12,862	(7,115)
Transportation			
Roads and streets			
Operating expenses	420	-	420
Total transportation	420	-	420
Culture/recreation			
Operating expenses	914	-	914
Total culture/recreation	914	-	914
 Total expenditures	 78,891	 105,320	 (26,429)
 Excess of revenues over expenditures	 -	 25,024	 25,024
 OTHER FINANCING SOURCE (USES)			
Interfund transfers in	-	289	289
Total other financing sources (uses)	-	289	289
 Change in fund balance	 -	 25,313	 25,313
 Fund balance at beginning of year	 232,046	 232,046	 -
Fund balance at end of year	\$ 232,046	\$ 257,359	\$ 25,313

See notes to financial statements.

**TOWN OF OTTER CREEK, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2022**

I. Stewardship, Compliance, and Accountability

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

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). Estimated beginning fund balances are considered in the budgetary process but are not included in the financial statements as budgeted revenues.

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

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

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

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

OTHER INFORMATION

TOWN OF OTTER CREEK, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Fiscal Year Ended September 30, 2022

<u>GRANTOR/PROGRAM TITLE</u>	<u>ALN</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Revenue Recognized</u>	<u>Expenditure</u>
Federal Financial Assistance						
Florida Division of Emergency Management						
American Rescue Plan Act (ARPA)						
Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5247	\$ 67,114	\$ 33,557	\$ 33,557	\$ 33,557
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 67,114</u>	<u>33,557</u>	<u>\$ 33,557</u>	<u>\$ 33,557</u>

See Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

TOWN OF OTTER CREEK, FLORIDA

Notes to Schedule of Expenditures of Federal Awards

For the Fiscal Year Ended September 30, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards of the Town of Otter Creek, Florida (the "Town") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Office of Management and Budget Uniform Guidance.

A. Reporting Entity

This reporting entity consists of the Town of Otter Creek, Florida. The Town includes a Schedule of Expenditures of Federal Awards in the Compliance Section for the purpose of additional analysis.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards. Under the accrual basis, revenues are recognized when they become earned. Expenses generally are recorded when a liability is incurred.

C. Indirect Cost Rate

The Town did not elect to charge the 10% de minimis indirect cost rate allowed under the Uniform Guidance or any other indirect cost rate to any federal or state programs.

COMPLIANCE SECTION

**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***

To the Mayor and Members of the
Town Council
Town of Otter Creek, Florida

We have audited the basic financial statements of the Town of Otter Creek, Florida as of and for the year ended September 30, 2022, and have issued our report thereon dated October 9, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Finding 2011-1

Financial Statement Preparation

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

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

MANAGEMENT'S RESPONSE

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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



POWELL and JONES CPA
Lake City, Florida
October 9, 2023

MANAGEMENT LETTER

To the Mayor and Members of the
Town Council
Town of Otter Creek, Florida

We have audited the financial statements of the Town of Otter Creek, Florida, (the Town) as of and for the year ended September 30, 2021, and have issued our report thereon dated October 9, 2023. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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

PRIOR YEAR FINDINGS

2021-1

Bank Statement Reconciliations

From our audit of cash and bank statement reconciliations, we found that the reconciliations generally were not performed in support of book balances, outstanding checks or deposits in transit. This resulted in bank and book balances not being properly reconciled as well as a complete audit trail for cash receipts being deposited and checks disbursed. We recommend that all bank statements be reconciled on a monthly basis and agreed to general ledger balances. Outstanding items should also be reconciled in detail. This finding has not been corrected.

2021-2

CDBG Grant Funds

During the year the Town received a CDBG grant which was administered by an outside company. During our audit procedures we found that CDBG transactions were not properly recorded in the financial records and maintained as a separate fund as required by grant regulations. We recommend that all grant-related transactions are accurately reflected in the financial records and that CDBG be maintained as a separate fund. This finding has not been corrected.

CURRENT YEAR FINDINGS

2022-1

Record-keeping Deficiencies

Over the course of the audit, we found several instances where the Town had misplaced files and was unable to provide them upon request and other instances of transactions that had been improperly classified in the Town's accounting software. Such practices create the possibility of material misstatements of the financial statements. We recommend putting procedures in place to improve the filing and recording processes that are currently in operation at the Town.

2022-2 Cutoff Procedures

We found multiple instances during the audit where the Town had failed to properly record a transaction and its related asset or liability for events that occurred during the fiscal year but were not fully satisfied until the following period. Applicable standards state that transactions that occur within a given period be recognized in that period. We recommend that the Town implement closeout procedures whereby material receipts and disbursements that occur subsequent to the end of the year are reviewed to ensure that proper cutoff is achieved.

2022-3 Customer Utility Deposits

During the audit, we found that the liability recorded for the customer utility deposits exceeded the amount that was in the bank account designated for deposits. While the amount in excess was not material and the Town is currently able to cover the difference in a worst-case scenario, we recommend the Town perform a thorough review of its deposit listing making updates where necessary and transfer funds to the deposit bank account to cover any lack that is found.

AUDITOR GENERAL COMPLIANCE MATTERS

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

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5.a and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

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

Deteriorating Financial Conditions – From our audit procedures in the prior year, we found the following conditions which together comprise “deteriorating financial conditions” as defined by Chapter 10.550, *Rules of the Auditor General*.

The Enterprise Fund showed the following trends:

	9/30/2022	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Operating loss for the year ended	\$ (17,592)	\$ (9,679)	\$ (19,866)	N/A	\$ (14,431)	\$ (14,313)	\$ (18,773)
Unrestricted cash balance at year end	\$ 35,744	\$ 29,783	\$ 26,676	N/A	\$ 31,864	\$ 25,605	\$ 1,154

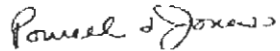
To correct these deteriorating financial conditions of the Enterprise Fund, the Town implemented strict measures during the budget cycle to assure that revenues are sufficient to fund expenditures and replenish needed fiscal reserves in the Enterprise Fund as shown with the cash balance increasing to \$34,744. Finances should continue to be closely monitored during subsequent years to ensure that these objectives continue to be met.

Failure to maintain these corrections could cause the Town in the future to meet a statutory condition that could result in a financial emergency.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

CONCLUSION

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

A handwritten signature in cursive script, appearing to read "Powell & Jones", written in dark ink.

POWELL and JONES CPA
Lake City, Florida
October 9, 2023

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE
WITH SECTION 218.415, *FLORIDA STATUTES***

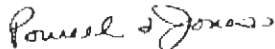
To the Mayor and Members of the
Town Council
Town of Otter Creek, Florida

We have examined the Town of Otter Creek, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2022. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

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



Powell and Jones CPA
Lake City, Florida
October 9, 2023