

Annual Financial Report

September 30, 2024



Town of Montverde, Florida

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Town of Montverde, Florida
List of Principal Officials

MAYOR

Joe Wynkoop

TOWN COUNCIL

Carol Womack

Council Vice President

Allan Hartle

Council Member

Joe Morganelli

Council Member

Jim Ley

Council Member

Town Manager

Paul Larino

Town Clerk

Sandy Johnson

Finance/Accounting

Mai Yang

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Montverde, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2024, 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 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, 2024, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (GAS)*, 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 GAAS and GAS 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 GAAS and GAS, 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 Management's Discussion and Analysis, and pension plan disclosures on page 3 through 10 and 37 through 38 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The schedule of expenditures of federal awards (Schedule), as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information. The other information comprises the introductory section but does not include the basic financial statements and 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 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 a report dated June 27, 2025, 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 the effectiveness of 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 27, 2025

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, 2024.

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 \$12,528,414 (net position). Of this amount, \$2,996,462 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 \$3,427,557.
- As of the close of the current fiscal year, the *Town of Montverde's* governmental funds reported combined ending fund balances of \$2,713,604, a decrease of \$234,433 in comparison with the prior year. Approximately 52% of this total amount, \$1,419,987, 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 \$1,419,987, or 32% 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 fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and ARPA Special Revenue Fund which are considered to be major funds.

The *Town of Montverde* adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 16.

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 17 - 19 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 20 - 36 of this report.

Required Supplementary Information (RSI)

RSI can be found on page 37 - 38 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 \$12,528,414 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	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and other assets	\$ 7,227,812	\$8,883,286	\$2,301,150	\$1,645,066	\$ 9,528,962	\$ 10,528,352
Capital assets	4,305,341	2,678,794	3,993,724	2,477,959	8,299,065	5,156,753
Total assets	11,533,153	11,562,080	6,294,874	4,123,025	17,828,027	15,685,105
Deferred Outflows	105,064	82,313	62,832	52,468	167,896	134,781
Liabilities:						
Long term liabilities	258,868	259,862	290,306	182,003	549,174	441,865
Other liabilities	4,514,791	5,936,423	290,528	218,367	4,805,319	6,154,790
Total liabilities	4,773,659	6,196,285	580,834	400,370	5,354,493	6,596,655
Deferred Inflows	70,722	74,736	42,294	47,638	113,016	122,374
Net Position:						
Net investment in capital assets	4,265,637	2,599,977	3,834,487	2,411,359	8,100,124	5,011,336
Restricted	1,293,617	1,098,682	138,211	864,299	1,431,828	1,962,981
Unrestricted	1,234,582	1,674,713	1,761,880	451,827	2,996,462	2,126,540
Total net position	\$ 6,793,836	\$5,373,372	\$5,734,578	\$3,727,485	\$ 12,528,414	\$ 9,100,857

\$8,100,124 (65%) 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.

Net position that are subject to external restrictions as to how they may be used total \$1,431,828 (11%). The remaining balance of *unrestricted net position* (\$2,996,462 or 24%) may be used to meet the government's ongoing obligations to citizens and creditors.

The Town's net position increased by \$3,427,557 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.

Changes in Net Position as of September 30:

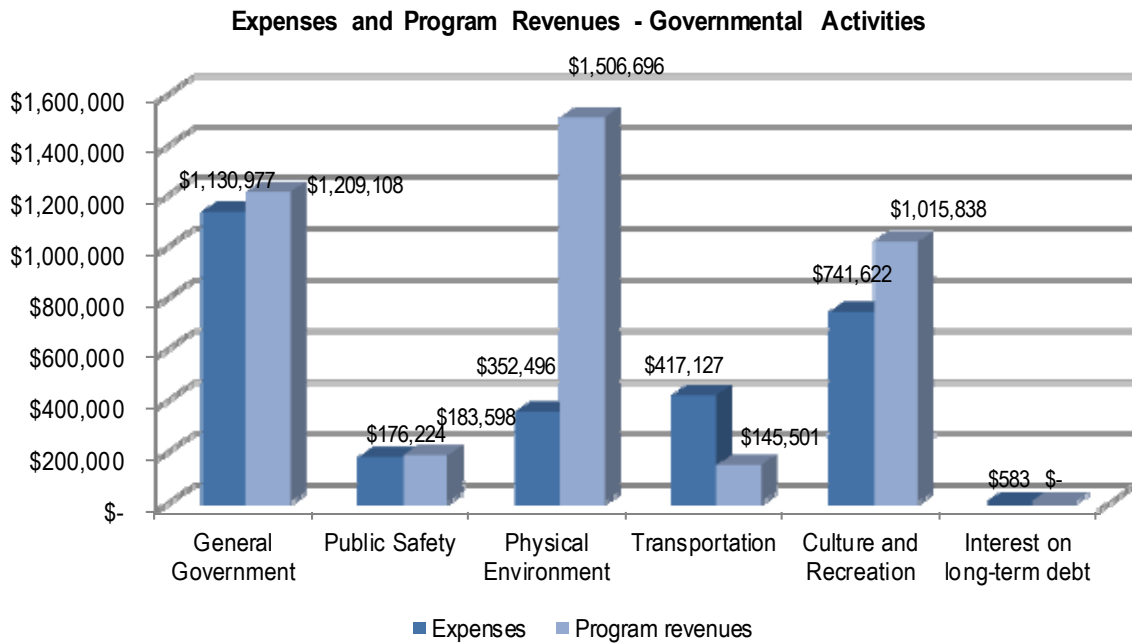
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues -						
Charges for services	\$ 1,877,495	\$ 1,515,130	\$ 1,494,963	\$ 1,390,756	\$ 3,372,458	\$ 2,905,886
Operating grants and contributions	160,166	218,394	-	-	160,166	218,394
Capital grants and contributions	2,023,080	-	425,612	413,887	2,448,692	413,887
General revenues -						
Property taxes	451,116	396,283	-	-	451,116	396,283
Franchise and utility Taxes	384,085	350,530	-	-	384,085	350,530
Intergovernmental	420,226	431,446	-	-	420,226	431,446
Investment income and other	96,509	481,977	11,710	3,687	108,219	485,664
Total revenues	5,412,677	3,393,760	1,932,285	1,808,330	7,344,962	5,202,090
Expenses:						
General government	1,130,977	1,159,301	-	-	1,130,977	1,159,301
Public safety	176,224	126,505	-	-	176,224	126,505
Physical environment	352,496	442,247	-	-	352,496	442,247
Transportation	417,127	84,322	-	-	417,127	84,322
Culture and recreation	741,622	470,449	-	-	741,622	470,449
Interest on long-term debt	583	1,174	-	-	583	1,174
Water	-	-	1,098,376	668,262	1,098,376	668,262
Total expenses	2,819,029	2,283,998	1,098,376	668,262	3,917,405	2,952,260
Increase (Decrease) in Net Position Before Transfers	2,593,648	1,109,762	833,909	1,140,068	3,427,557	2,249,830
Transfers	(1,173,184)	(69,508)	1,173,184	69,508	-	-
Increase (Decrease) in Net Position	1,420,464	1,040,254	2,007,093	1,209,576	3,427,557	2,249,830
Net position, October 1	5,373,372	4,333,118	3,727,485	2,517,909	9,100,857	6,851,027
Net position , September 30	\$ 6,793,836	\$ 5,373,372	\$ 5,734,578	\$ 3,727,485	\$ 12,528,414	\$ 9,100,857

Governmental Activities

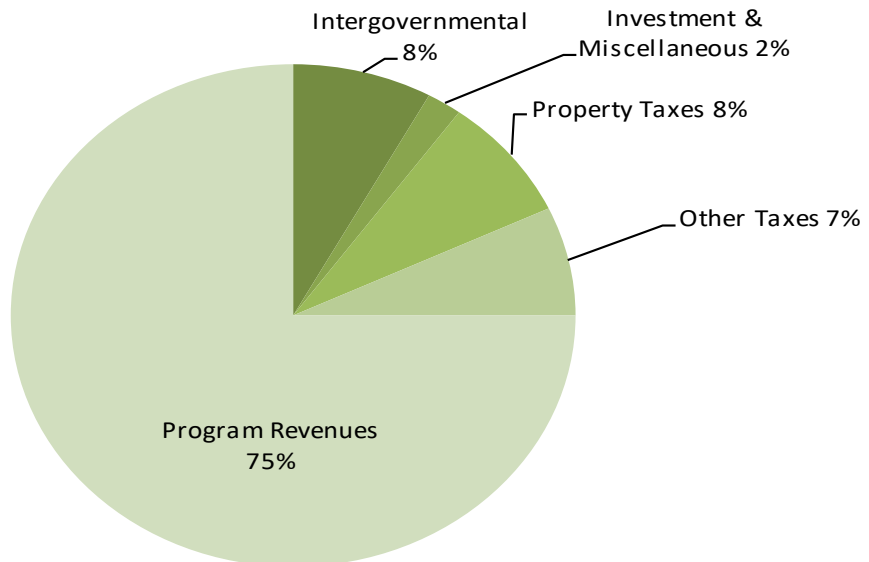
Governmental activities increased the *Town of Montverde's* net position by \$1,420,464. This increase was primarily due to the increase in capital grants.

Business-Type Activities

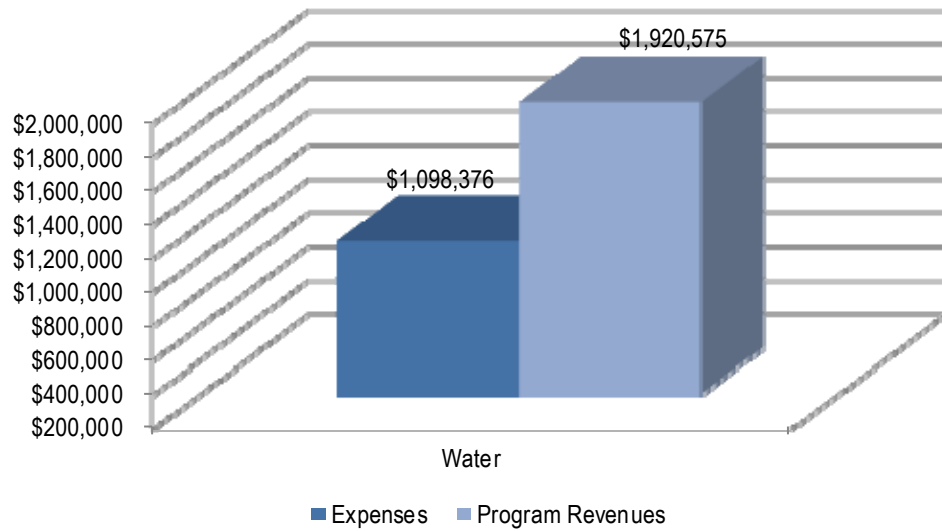
Business-type activities increased the *Town of Montverde's* net position by \$2,007,093. This increase was primarily due to the increase in transfers in.



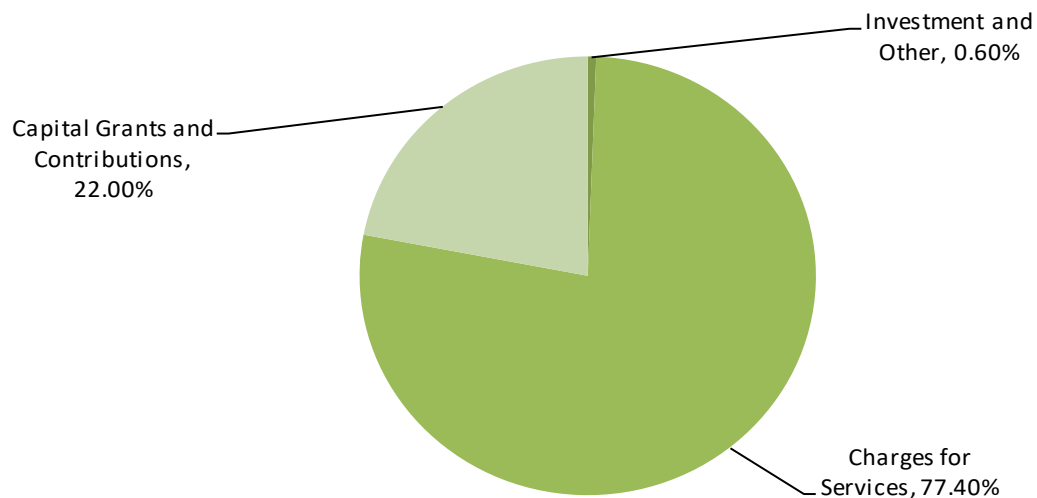
Revenue by Source - Governmental Activities



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 \$2,713,604, a decrease of \$234,433 in comparison with the prior year. Approximately 52% or \$1,419,987 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 to indicate that it is restricted for particular purposes is \$1,293,617.

The general fund is the chief operating fund of the *Town of Montverde*. 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 33% and 60% respectively, of total General Fund expenditures.

The fund balance of the general fund decreased by \$(276,656) during the current fiscal year. This can primarily be attributed to increased capital expenditures.

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 \$1,761,880. The total increase in net position for this fund was \$2,007,093. 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 \$2,075,522 less than budgeted revenues and actual expenditures were \$1,961,225 less than budgeted expenditures. The difference between the original General Fund budget and the final amended General Fund budget resulted in an increase of \$718,000 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, 2024, amounts to \$8,299,065 (net of accumulated depreciation), for an increase of \$3,142,312 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 60.94% (a 60.72% increase for governmental activities, and 61.17% increase for business-type activities).

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Land	\$ 814,368	\$ 490,804	\$ 300,963	\$ 300,963	\$ 1,115,331	\$ 791,767
Construction in progress	993,710	241,784	2,172,249	591,616	3,165,959	833,400
Buildings	718,076	692,413	-	-	718,076	692,413
Improvements	644,377	440,627	-	-	644,377	440,627
Infrastructure	717,011	408,176	1,366,566	1,400,068	2,083,577	1,808,244
Equipment	414,053	400,271	148,097	177,937	562,150	578,208
Intangibles	3,746	4,719	5,849	7,375	9,595	12,094
Total	\$ 4,305,341	\$ 2,678,794	\$ 3,993,724	\$ 2,477,959	\$ 8,299,065	\$ 5,156,753

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

Long-Term Debt

At the end of the fiscal year the City has total debt outstanding of \$198,941. Additional information on long-term debt can be found in Note 6 of this report.

Next Year's Budget and Rates

During the current fiscal year, the unassigned fund balance in the General Fund totaled \$1,419,987. The Town has not assigned any of the fund balance for appropriations in the 2025 budget.

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, 2024

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 7,133,043	\$ 2,166,812	\$ 9,299,855
Receivables, net	59,603	134,338	193,941
Due from other governments	35,166	-	35,166
Capital Assets:			
Capital assets not being depreciated	1,808,078	2,473,212	4,281,290
Capital assets, net of accumulated depreciation	2,497,263	1,520,512	4,017,775
Total assets	11,533,153	6,294,874	17,828,027
Deferred Outflows of Resources:			
Deferred outflows of pension earnings	105,064	62,832	167,896
Liabilities:			
Accounts payable and accrued expenses	578,794	127,897	706,691
Deposits payable	69,791	162,631	232,422
Accrued interest payable	583	-	583
Unearned revenue	3,865,623	-	3,865,623
Noncurrent Liabilities:			
Due within one year	39,704	15,868	55,572
Due in more than one year	219,164	274,438	493,602
Total liabilities	4,773,659	580,834	5,354,493
Deferred Inflows of Resources:			
Deferred inflows of pension earnings	70,722	42,294	113,016
Net Position:			
Net investment in capital assets	4,265,637	3,834,487	8,100,124
Restricted for:			
Historical	3,636	-	3,636
Police	6,435	-	6,435
Infrastructure	833,127	-	833,127
ARPA	68,475	-	68,475
Impact fees	381,944	138,211	520,155
Unrestricted	1,234,582	1,761,880	2,996,462
Total net position	\$ 6,793,836	\$ 5,734,578	\$ 12,528,414

Town of Montverde, Florida
Statement of Activities
Year Ended September 30, 2024

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Program Revenue				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 1,130,977	\$ 1,209,108	\$ -	\$ -	\$ 78,131	\$ -	\$ 78,131
Public safety	176,224	183,598	-	-	7,374	-	7,374
Physical environment	352,496	285,451	48,061	1,173,184	1,154,200	-	1,154,200
Transportation	417,127	70,159	75,342	-	(271,626)	-	(271,626)
Culture and recreation	741,622	129,179	36,763	849,896	274,216	-	274,216
Interest on long-term debt	583	-	-	-	(583)	-	(583)
Total governmental activities	2,819,029	1,877,495	160,166	2,023,080	1,241,712	-	1,241,712
Business-type activities:							
Water	1,098,376	1,494,963	-	425,612	-	822,199	822,199
Total business-type activities	1,098,376	1,494,963	-	425,612	-	822,199	822,199
Total primary government	\$ 3,917,405	\$ 3,372,458	\$ 160,166	\$ 2,448,692	1,241,712	822,199	2,063,911
General Revenues:							
Property taxes					451,116	-	451,116
Franchise and utility taxes					384,085	-	384,085
Intergovernmental					420,226	-	420,226
Unrestricted investment earnings					69,552	11,710	81,262
Miscellaneous					26,957	-	26,957
Transfers					(1,173,184)	1,173,184	-
Total general revenues					178,752	1,184,894	1,363,646
Change in net position					1,420,464	2,007,093	3,427,557
Net position, beginning					5,373,372	3,727,485	9,100,857
Net position, ending					\$ 6,793,836	\$ 5,734,578	\$ 12,528,414

The accompanying Notes to Financial Statements are an integral part of this statement.

Town of Montverde, Florida
Balance Sheet - Governmental Funds
September 30, 2024

	General Fund	ARPA Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 3,198,945	\$ 3,934,098	\$ 7,133,043
Accounts receivable, net	59,603	-	59,603
Due from other governments	35,166	-	35,166
Total assets	\$ 3,293,714	\$ 3,934,098	\$ 7,227,812
Liabilities			
Accounts payable and accrued liabilities	\$ 578,794	\$ -	\$ 578,794
Deposits payable	69,791		69,791
Unearned revenue	-	3,865,623	3,865,623
Total liabilities	648,585	3,865,623	4,514,208
Fund Balances			
Restricted:			
Historical	3,636	-	3,636
Police	6,435	-	6,435
Infrastructure	833,127	-	833,127
Impact Fees	381,944	-	381,944
ARPA	-	68,475	68,475
Unassigned	1,419,987	-	1,419,987
Total fund balances	2,645,129	68,475	2,713,604
Total Liabilities and Fund Balances	\$ 3,293,714	\$ 3,934,098	\$ 7,227,812

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

Total fund balance, governmental funds	\$ 2,713,604
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Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	4,305,341
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Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting	34,342
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Liabilities not due and payable from current available resources are not reported in governmental fund statements. All liabilities, both current and long-term, are reported in the government-wide statements.

Accrued interest payable	(583)	
Net pension liability	(219,164)	
Financed purchases	(39,704)	(259,451)
Net position of Governmental Activities		\$ 6,793,836

Statement of Revenues, Expenditures and Changes in Fund Balances**Governmental Funds**

Year Ended September 30, 2024

	<u>General Fund</u>	<u>ARPA Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes:			
Property	\$ 451,116	\$ -	\$ 451,116
Franchise and utility	384,085	-	384,085
Fees and fines	183,117	-	183,117
Intergovernmental	684,647	1,918,825	2,603,472
Charges for services	1,694,378	-	1,694,378
Investment earnings	27,329	42,223	69,552
Miscellaneous	26,957	-	26,957
Total revenues	<u>3,451,629</u>	<u>1,961,048</u>	<u>5,412,677</u>
Expenditures:			
Current:			
General government	1,225,063	-	1,225,063
Public safety	164,436	-	164,436
Physical environment	352,496	-	352,496
Transportation	529,208	-	529,208
Culture and recreation	2,162,436	-	2,162,436
Debt service:			
Interest	1,174	-	1,174
Principal	39,113	-	39,113
Total expenditures	<u>4,473,926</u>	<u>-</u>	<u>4,473,926</u>
Excess (deficiency) of revenues over expenditures	<u>(1,022,297)</u>	<u>1,961,048</u>	<u>938,751</u>
Other Financing Sources (Uses):			
Transfers in	745,641	-	745,641
Transfers out	-	(1,918,825)	(1,918,825)
Net change in fund balances	<u>(276,656)</u>	<u>42,223</u>	<u>(234,433)</u>
Fund balances, beginning	<u>2,921,785</u>	<u>26,252</u>	<u>2,948,037</u>
Fund balances, ending	<u>\$ 2,645,129</u>	<u>\$ 68,475</u>	<u>\$ 2,713,604</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**
Year Ended September 30, 2024

Net Change in Fund Balances - total governmental funds	\$ (234,433)
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 depreciation expense exceeded capital outlays in the current period.	
Capital outlay	1,817,670
Depreciation expense	(191,123)
Repayments of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	39,113
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued interest payable	591
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.	(11,354)
Change in net position of governmental activities	\$ 1,420,464

Statement of Revenues, Expenditures, and Changes in Fund Balance**Budget and Actual - General Fund**

Year Ended September 30, 2024

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Property taxes	\$ 466,321	\$ 466,321	\$ 451,116	\$ (15,205)
Franchise and utility	289,800	289,800	384,085	94,285
Fees and fines	16,950	16,950	183,117	166,167
Intergovernmental	2,763,575	2,763,575	684,647	(2,078,928)
Charges for services	1,828,449	1,828,449	1,694,378	(134,071)
Investment earnings	22,000	22,000	27,329	5,329
Miscellaneous	140,056	140,056	26,957	(113,099)
Total revenues	5,527,151	5,527,151	3,451,629	(2,075,522)
Expenditures:				
Current:				
General government	938,015	1,220,515	1,225,063	(4,548)
Public safety	229,389	229,389	164,436	64,953
Physical environment	370,904	383,404	352,496	30,908
Transportation	310,514	550,514	529,208	21,306
Culture and recreation	3,868,329	4,051,329	2,162,436	1,888,893
Debt service:				
Interest	-	-	1,174	(1,174)
Principal	-	-	39,113	(39,113)
Total expenditures	5,717,151	6,435,151	4,473,926	1,961,225
Excess (deficiency) of revenues over expenditures	(190,000)	(908,000)	(1,022,297)	(114,297)
Other Financing Sources (Uses):				
Sale of general capital assets	15,000	15,000	-	(15,000)
Transfers in	-	-	745,641	745,641
Total other financing sources	15,000	15,000	745,641	730,641
Net change in fund balances	(175,000)	(893,000)	(276,656)	616,344
Fund balance, beginning	2,921,785	2,921,785	2,921,785	-
Fund balance, ending	\$ 2,746,785	\$ 2,028,785	\$ 2,645,129	\$ 616,344

Town of Montverde, Florida
Statement of Net Position - Proprietary Fund
September 30, 2024

	Water Fund
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 2,166,812
Accounts receivable, net	134,338
Total current assets	2,301,150
Noncurrent assets:	
Capital Assets:	
Land	300,963
Work-In Progress	2,172,249
Infrastructure	2,685,349
Intangible assets	15,259
Machinery and equipment	374,878
Less accumulated depreciation	(1,554,974)
Total noncurrent assets	3,993,724
Total assets	6,294,874
Deferred outflows of resources:	
Deferred outflows of pension earnings	62,832
Liabilities:	
Current Liabilities:	
Accounts payable and accrued expenses	127,897
Customer deposits payable	162,631
Notes payable	15,868
Total current liabilities	306,396
Noncurrent liabilities:	
Net pension liability	131,069
Notes payable	143,369
Total noncurrent liabilities	274,438
Total liabilities	580,834
Deferred inflows of resources:	
Deferred inflows of pension earnings	42,294
Net Position:	
Net investment in capital assets	3,834,487
Restricted for capital projects	138,211
Unrestricted	1,761,880
Total net position	\$ 5,734,578

Town of Montverde, Florida
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended September 30, 2024

	Water Fund
Revenues:	
User charges	\$ 1,494,963
Total operating revenues	<u>1,494,963</u>
Operating Expenses:	
Salaries and benefits	311,532
Contractual services	288,843
Repairs and maintenance	131,955
Bulk sewer charges	54,946
Other supplies and expenses	188,971
Depreciation	<u>116,949</u>
Total operating expenses	<u>1,093,196</u>
Operating income (loss)	<u>401,767</u>
Nonoperating Revenues (Expenses):	
Investment income	11,710
Interest expense	<u>(5,180)</u>
Total nonoperating revenue (expenses)	<u>6,530</u>
Income (loss) before capital contributions and transfers	<u>408,297</u>
Capital Contributions:	
Impact fees	425,612
Transfers in	<u>1,173,184</u>
Change in net position	<u>2,007,093</u>
Total net position, beginning	<u>3,727,485</u>
Total net position, ending	<u><u>\$ 5,734,578</u></u>

Town of Montverde, Florida
Statement of Cash Flows
Proprietary Fund
Year Ended September 30, 2024

	Water Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,518,950
Payments to suppliers	(631,349)
Payments to employees	(311,154)
Net cash provided (used) by operating activities	576,447
Cash Flows from Noncapital Financing Activities:	
Transfers in	1,173,184
Net cash provided (used) by noncapital financing activities	1,173,184
Cash Flows from Capital and Related Financing Activities:	
Principal payments on long-term debt	(7,680)
Proceeds from long-term debt	100,317
Acquisition of capital assets	(1,632,714)
Impact fees	425,612
Interest paid on long-term debt	(5,180)
Net cash provided (used) by capital and related financing activities	(1,119,645)
Cash Flows from Investing Activities:	
Investment income	11,710
Net cash provided (used) by capital and related financing activities	11,710
Net increase (decrease) in cash and cash equivalents	641,696
Cash and cash equivalents, beginning	1,525,116
Cash and cash equivalents, ending	\$ 2,166,812
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities	
Operating income (loss)	\$ 401,767
Adjustments Not Affecting Cash:	
Depreciation and amortization	116,949
Change in Assets and Liabilities:	
Decrease (increase) in accounts receivable	(14,388)
Decrease (increase) deferred outflows	(10,364)
Increase (decrease) in accounts payable	47,577
Increase (decrease) in due to governments	(14,211)
Increase (decrease) in accrued liabilities	420
Increase (decrease) in customer deposits	38,375
Increase (decrease) in net pension liability	15,666
Increase (decrease) in deferred inflows	(5,344)
Total adjustments	174,680
Net cash provided (used) by operating activities	\$ 576,447

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 four (4) 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 Manager. 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)

ARPA Special Revenue Fund - is a special revenue fund to track the proceeds and expenditures of the Town's American Rescue Plan Act funding.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 assets 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 assets 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In fiscal year 2024, the Town has not implemented any new accounting standards with a material effect on the Town's 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 Manager 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 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.

Excess Expenditures over Appropriations

Expenditures for general government, principal and interest exceeded budget for the year ended September 30, 2024.

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 prices 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, 2024.

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, 2024, all of the Town's bank deposits were in qualified public depositories.

NOTE 4 RECEIVABLES

Receivables as of September 30, 2024 are as follows:

	General Fund	Water Fund	Total
Receivables:			
Accounts	\$ 60,286	\$ 138,340	\$ 198,626
Less allowance for uncollectible accounts	(683)	(4,002)	(4,685)
	<u>\$ 59,603</u>	<u>\$ 134,338</u>	<u>\$ 193,941</u>

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not being Depreciated:				
Land	\$ 490,804	\$ 323,564	\$ -	\$ 814,368
Construction in progress	241,784	1,022,337	(270,411)	993,710
Total capital Assets, not being depreciated	732,588	1,345,901	(270,411)	1,808,078
Capital Assets, Being Depreciated:				
Buildings	1,193,963	55,891	-	1,249,854
Improvements	1,245,074	268,291	-	1,513,365
Infrastructure	1,258,565	348,410	-	1,606,975
Machinery and equipment	935,136	69,588	-	1,004,724
Intangibles	9,729	-	-	9,729
Total capital assets, being depreciated	4,642,467	742,180	-	5,384,647
Less Accumulated Depreciation for:				
Buildings	(501,550)	(30,228)	-	(531,778)
Improvements	(804,447)	(64,541)	-	(868,988)
Infrastructure	(850,389)	(39,575)	-	(889,964)
Machinery and equipment	(534,865)	(55,806)	-	(590,671)
Intangibles	(5,010)	(973)	-	(5,983)
Total accumulated depreciation	(2,696,261)	(191,123)	-	(2,887,384)
Total capital assets, being depreciated, net	1,946,206	551,057	-	2,497,263
Government activities capital assets, net	\$ 2,678,794	\$ 1,896,958	\$ (270,411)	\$ 4,305,341

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 300,963	\$ -	\$ -	\$ 300,963
Construction in progress	591,616	1,580,633	-	2,172,249
Total capital assets, not being depreciated	892,579	1,580,633	-	2,473,212
Capital Assets, Being Depreciated:				
Water system	2,633,268	52,081	-	2,685,349
Machinery and equipment	374,878	-	-	374,878
Intangibles	15,259	-	-	15,259
Total capital assets, being depreciated	3,023,405	52,081	-	3,075,486
Less Accumulated Depreciation for:				
Water system	(1,233,200)	(85,583)	-	(1,318,783)
Machinery and equipment	(196,941)	(29,840)	-	(226,781)
Intangibles	(7,884)	(1,526)	-	(9,410)
Total accumulated depreciation	(1,438,025)	(116,949)	-	(1,554,974)
Total capital assets, being depreciated, net	1,585,380	(64,868)	-	1,520,512
Business-type activities capital assets, net	\$ 2,477,959	\$ 1,515,765	\$ -	\$ 3,993,724

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 36,828
Public safety	11,788
Transportation	63,956
Culture and recreation	78,551
Total depreciation expense, governmental activities	\$ 191,123
Business-type Activities:	
Water	\$ 116,949
Total depreciation expense, business-type activities	\$ 116,949

NOTE 6 LONG-TERM LIABILITIES

Financed Purchases

During the year ended September 30, 2022, the Town has entered into an agreement for financing the acquisition of vehicles and equipment in the amount of \$117,356. The loan bears an interest rate of 1.49% and is payable in three annual payments of \$40,287 starting on October 6, 2022.

Annual debt service requirements to maturity for financed purchases are as follows:

<u>Year Ending September 30,</u>	Governmental Activities	
	Principal	Interest
2025	\$ 39,704	\$ 583
	<u>\$ 39,704</u>	<u>\$ 583</u>

State Revolving Fund Loan

In addition, in the fiscal year 2022, the Town received approval of SRF loan 351300 for \$163,125 and an interest rate of 1.67%. During the current year, the Town did draw funds on the approved loan in the amount of \$100,317. The first payment of \$9,068 on the amount drawn was due on August 15th, 2024. Total principal and interest remaining on the loan was \$172,536 and total pledged revenue was \$530,426.

Annual debt service requirements to maturity for the loan are as follows:

<u>Year Ending September 30,</u>	Business-Type Activities	
	Principal	Interest
2025	\$ 15,868	\$ 2,268
2026	15,807	2,329
2027	16,073	2,063
2028	16,342	1,794
2029	16,616	1,520
2030 - 2034	78,531	3,325
	<u>\$ 159,237</u>	<u>\$ 13,299</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Financed purchases	\$ 78,817	\$ -	\$ (39,113)	\$ 39,704	\$ 39,704
Net pension liability	181,045	38,119	-	219,164	-
Governmental activity long-term liabilities	<u>\$ 259,862</u>	<u>\$ 38,119</u>	<u>\$ (39,113)</u>	<u>\$ 258,868</u>	<u>\$ 39,704</u>
Business-Type Activities:					
SRF loan	\$ 66,600	\$ 100,317	\$ (7,680)	\$ 159,237	\$ 15,868
Net pension liability	115,403	15,666	-	131,069	-
Business-type activity long-term liabilities	<u>\$ 182,003</u>	<u>\$ 115,983</u>	<u>\$ (7,680)</u>	<u>\$ 290,306</u>	<u>\$ 15,868</u>

NOTE 7 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.

Funding Policy

The FRS has ten (10) classes of membership. Only two (2) classes are applicable to the Town's eligible employees. These classes, with descriptions and contribution rates in effect during the period ended September 30, 2024 are as follows:

Regular Class

Members not qualifying for other classes (16.63% [includes 3% employee contribution] from July 1, 2024 through September 30, 2024 and 16.57% [includes 3% employee contribution] from October 1, 2023 through June 30, 2024).

Senior Management Service Class

Members of senior management who do not elect the optional annuity retirement program (37.52% [includes 3% employee contribution] from July 1, 2024 through September 30, 2024 and 37.52% [includes 3% employee contribution] from October 1, 2023 through June 30, 2024).

These employer contribution rates include 2% and 2% HIS Plan subsidy for the periods October 1, 2023 through June 30, 2024 and from July 1, 2024 through September 30, 2024, 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.

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

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 an 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.

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 \$31,755 for the fiscal year ended September 30, 2024.

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

At September 30, 2024, the Town reported a liability of \$202,489 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Town's proportionate share of the net pension liability was based on the Town's 2023-24 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At June 30, 2024, the Town's proportionate share was .0005 percent, which was a decrease of .00011 percent from its proportionate share measured as of June 30, 2023.

For the fiscal year ended September 30, 2024, the Town recognized pension expense of \$40,489. 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	\$ 20,457	\$ -
Change of Assumptions	27,753	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	13,458
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	78,618	73,229
Pension Plan Contributions Subsequent to the Measurement Date	9,501	-
	<u>\$ 136,329</u>	<u>\$ 86,687</u>

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

The deferred outflows of resources related to the Pension Plan, totaling \$9,501 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, 2025. 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>	
2025	\$ 7,329
2026	35,262
2027	(9,766)
2028	3,078
2029	4,238
	<u>\$ 40,141</u>

Actuarial Assumptions

The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.5%, average, including inflation
Investment Rate of Return	6.70%, 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, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.30%	3.30%	1.10%
Fixed income	29.00%	5.70%	5.60%	3.90%
Global equity	45.00%	8.60%	7.00%	18.20%
Real estate	12.00%	8.10%	6.80%	16.60%
Private equity	11.00%	12.40%	8.80%	28.40%
Strategic investments	2.00%	6.60%	6.20%	8.70%
Total	100.00%			
Assumed inflation - mean			2.40%	1.50%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.70%. 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 calculating the total pension liability is equal to the long-term expected rate of return.

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 6.70%, as well as what the Town's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	Discount Rate Minus 1% 5.70%	Current Discount Rate 6.70%	Discount Rate Plus 1% 7.70%
Town's Proportionate Share of Net Pension Liability (FRS)	\$ 356,172	\$ 202,489	\$ 73,748

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.

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

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, 2024, 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, 2024, the HIS contribution for the period October 1, 2023 through June 30, 2024 and from July 1, 2024 through September 30, 2024 was 2% and 2%, 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 \$8,645 for the fiscal year ended September 30, 2024.

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

At September 30, 2024, the Town reported a liability of \$147,744 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The Town's proportionate share of the net pension liability was based on the Town's 2023-24 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At June 30, 2024, the Town's proportionate share was .0010 percent, which was an increase of .00011 percent from its proportionate share measured as of June 30, 2023.

For the fiscal year ended September 30, 2024, the Town recognized pension expense of \$11,223. 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	\$ 1,427	\$ 284
Change of Assumptions	2,615	17,491
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	53
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	25,060	8,501
Pension Plan Contributions Subsequent to the Measurement Date	2,465	-
	<u>\$ 31,567</u>	<u>\$ 26,329</u>

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

The deferred outflows of resources related to the HIS Plan, totaling \$2,645 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, 2025. 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,

2025	\$	2,776
2026		2,706
2027		(1,557)
2028		(2,010)
2029		514
Thereafter		344
	\$	<u>2,773</u>

Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary Increases	3.5%, average, including inflation
Municipal Bond Rate	3.93% net of pension plan investment expense

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018 tables.

The actuarial assumptions used in the June 30, 2024 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 3.93%. 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 Pension 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 3.65%, 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 (2.65%) or one percentage point higher (4.65%) than the current rate:

	Discount Rate Minus 1% 2.93%	Current Discount Rate 3.93%	Discount Rate Plus 1% 4.93%
Town's Proportionate Share of Net Pension Liability (FRS)	\$ 168,188	\$ 147,744	\$ 130,773

NOTE 7 FLORIDA RETIREMENT SYSTEM (CONTINUED)

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.

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 2024 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 11.30%, Special Risk Administrative Support class 12.95%, Special Risk class 19.00%, and Senior Management Service class 12.67%.

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, 2024, 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 \$29,573 of contributions during the year ended September 30, 2024.

Defined Contribution Plan

The Town established a 401(a) plan for the town manager. The town contributes 29% of compensation. Employees are required to contribute 3% of compensation. Employees are immediately vested in both employer and employee contributions. The Town contributed \$34,800 for the year ended September 30, 2024.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Litigation

The Town is engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2024. 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 9 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 post-employment 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, 2024 of zero.

NOTE 10 TRANSFERS

During the year, the ARPA special revenue fund transferred \$745,641 to the general fund and \$1,173,184 to the Utility Fund. These transfers were to move ARPA grant funds to the funds where the capital project costs were recorded.

NOTE 11 SUBSEQUENT EVENTS

Subsequent to year end, the Town repaid \$2,200,000 of unspent grant funds to the County related to a project that was canceled. These unspent grant funds are included in unearned revenues at year end.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Montverde, Florida
Required Supplementary Information
Schedule of the Town's Proportionate Share of Net Pension Liability
Last Ten Fiscal Years

Florida Retirement System

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.00052%	0.00039%	0.00070%	0.00084%	0.00039%	0.00034%	0.00040%	0.00037%	0.00038%	0.00039%
Town's Proportionate Share of the Net Pension Liability	\$202,489	\$155,495	\$261,851	\$63,474	\$167,371	\$116,406	\$119,847	\$109,476	\$96,922	\$50,328
Town's Covered Payroll	\$296,608	\$212,356	\$334,173	\$396,124	\$309,625	\$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	68.27%	73.22%	78.36%	16.02%	54.06%	36.99%	46.41%	41.48%	41.71%	20.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

Health Insurance Subsidy

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.09849%	0.00089%	0.00098%	0.00099%	0.00078%	0.00070%	0.00074%	0.00072%	0.00076%	0.00076%
Town's Proportionate Share of the Net Pension Liability	\$147,744	\$140,953	\$104,306	\$121,158	\$95,017	\$78,069	\$78,754	\$76,464	\$88,867	\$77,173
Town's Covered Payroll	\$296,608	\$212,356	\$334,173	\$396,124	\$309,625	\$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	49.81%	66.38%	31.21%	30.59%	30.69%	24.80%	30.50%	28.97%	38.25%	31.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

Town of Montverde, Florida
Required Supplementary Information
Schedule of the Town's Contributions
Last Ten Fiscal Years

Florida Retirement System

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 31,755	\$ 21,508	\$ 24,686	\$ 38,108	\$ 13,876	\$ 11,043	\$ 11,123	\$ 9,136	\$ 10,051	\$ 9,344
Contributions in Relation to the Contractually Required Contributions	<u>31,755</u>	<u>21,508</u>	<u>24,686</u>	<u>38,108</u>	<u>13,876</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 316,566	\$ 235,029	\$ 334,173	\$ 396,124	\$ 309,625	\$ 314,738	\$ 258,247	\$ 263,947	\$ 232,360	\$ 248,515
Contributions as a Percentage of Covered Payroll	10.03%	9.15%	7.39%	9.62%	4.48%	3.51%	4.31%	3.46%	4.33%	3.76%

Health Insurance Subsidy

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 8,645	\$ 6,588	\$ 5,908	\$ 6,148	\$ 4,623	\$ 4,040	\$ 4,006	\$ 3,765	\$ 3,802	\$ 2,992
Contributions in Relation to the Contractually Required Contributions	<u>8,645</u>	<u>6,588</u>	<u>5,908</u>	<u>6,148</u>	<u>4,623</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 316,566	\$ 235,029	\$ 334,173	\$ 396,124	\$ 309,625	\$ 314,738	\$ 258,247	\$ 263,947	\$ 232,360	\$ 248,515
Contributions as a Percentage of Covered Payroll	2.73%	2.80%	1.77%	1.55%	1.49%	1.28%	1.55%	1.43%	1.64%	1.20%

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**

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 (Government Auditing Standards), the 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, 2024, 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 27, 2025.

Report on 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) as a basis for designing 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, 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.

Report on 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 financial statements. 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*.

Town of Montverde's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in Appendix A. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 27, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Honorable Mayor and Town Council
Town of Montverde, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the *Town of Montverde's* (the Town) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the fiscal year ended September 30, 2024. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McDiarmid Davis

Orlando, Florida
June 27, 2025

Town of Montverde, Florida
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Award Type			
Grantor	Assistance	Agency or Pass-	
Pass-Through Grantor	Listing	Through Entity	
Grantor Program Title	Number	Grant Number	Expenditures
Federal Awards			
United States Department of Treasury			
Coronavirus State and Local Fiscal Recovery Funds *	21.027		\$ 745,641
Passed through Lake County, Florida			
Coronavirus State and Local Fiscal Recovery Funds *	21.027		1,173,184
Passed through State of Florida, Department of Environmental Protection			
Coronavirus State and Local Fiscal Recovery Funds *	21.027	WG058	430,622
Coronavirus State and Local Fiscal Recovery Funds *	21.027	22FRP102	49,939
Total United States Department of Treasury			<u>2,399,386</u>
United States Environmental Protection Agency			
Passed through State of Florida, Department of Environmental Protection			
Capitalization Grants for Clean Water State Revolving Funds	66.458	LS35132	105,513
Total United States Environmental Protection Agency			<u>105,513</u>
United States Department of Homeland Security			
Passed through State of Florida, Division of Emergency Management			
Disaster Grants - Public Assistance (Hurricane Ian)	97.036	Z3251	48,061
Total United States Department of Homeland Security			<u>48,061</u>
Total federal awards			<u><u>\$ 2,552,960</u></u>

* Denotes a major program

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Montverde (the Town) under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Therefore, amounts reported on the Schedule are based on expenditures incurred as of September 30, 2024, even if grant or loan was received subsequent to that date. Federal expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 INDIRECT COST RATE

Indirect cost rate is dictated by its federal contract terms. The 10-percent de minimis indirect rate as allowed under the Uniform Guidance is not in effect nor is available under its contracts.

Section I - Summary of Independent Auditor's Results:

Financial Statements

Type of auditors' report issued:	Unmodified Opinion	
Internal control over financial reporting:		
• Material weakness identified?	<u> X </u> Yes	<u> </u> No
• Significant deficiency identified	<u> </u> Yes	<u> X </u> None reported
Noncompliance material to financial Statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Type of auditors' report issued on compliance for major federal programs:	Unmodified Opinion	
Internal control over major federal programs:		
• Material weakness identified?	<u> </u> Yes	<u> X </u> No
• Significant deficiency identified	<u> </u> Yes	<u> X </u> None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> </u> Yes	<u> X </u> No

Identification of Major Federal Programs:

Assistance Listing 21.027

Coronavirus State and Local
Fiscal Recovery Funds

Dollar threshold used to distinguish between
type A and type B programs

Federal
\$750,000

Auditee qualified as a low-risk auditee pursuant to the Uniform
Guidance?

Yes

X No

Section II - Financial Statement Findings:

ML2024-01 Internal Control 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 and Context - 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 record transactions and prepare financial statements 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.

Corrective Action Plan -See management response

Section III - Federal Awards

Findings and Questioned Costs:

None

Section IV - Federal Award

Summary Schedule of Prior Year Findings:

No Prior Year Findings

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, 2024, and have issued our report thereon dated June 27, 2025.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; 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 27, 2025, 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 2023 Finding #	FY 2022 Finding #
2024-01	2023-01	2022-01

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. In connection with our audit, we did not have any such recommendations.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, did/did not operate within the Town's geographical boundaries during the fiscal year under audit.

The Town did not have a PACE program operate within the Town.

As required by Section 10.554(1)(i)6.b., Rules of the Auditor General, if a PACE program was operating within the geographical areas of the Town, a list of all program administrators and third-party administrators that administered the program.

Not applicable, no PACE programs.

As required by Section 10.554(1)(i)6.c., Rules of the Auditor General, if a PACE program was operating within the geographical areas of the Town, the full names and contact information of each such program administrator and third-party administrator

Not applicable, no PACE programs

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.

McDermitt Davis

Orlando, Florida
June 27, 2025

ML 2024-01-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 record transactions and prepare financial statements 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.



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407-843-5406
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**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, 2024. 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, 2024.

McDermitt Davis

Orlando, Florida
June 27, 2025



Paul Larino
Town Manager
Town of Montverde
17404 6th Sixth St.
PO Box 560008
Montverde, FL 34756

06/30/2025

Tamara Campbell, CPA
McDirmitt Davis
1800 Pembroke Drive
Suite 170
Orlando, FL 32810

RE: FY 2024 Audit Management Response Letter

Dear Ms. Campbell,

I want to express my sincere gratitude for your meticulous audit of the town's financial statements for the 2024 fiscal year. Your work is instrumental in ensuring the trust of our citizens in our community finances. My staff and I are dedicated to this cause, and we value your independent evaluation of the town's finances. Below are my responses and comments to your findings in the audit report.

ML 2024-01- Internal Controls Over Recording Transactions in Accordance with GAAP

Criteria -AU-C5section 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 (GAP) in recording the Town financial transactions and preparing its financial statements.

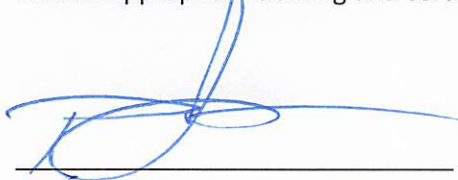
Condition - During the course of our audit, we had to recommend multiple adjusting entries be posted and make several adjustments in order for financial statements to be prepared.

Cause - Due to the small size of the Town, the staff does not have the necessary qualifications and training to record transactions and prepare financial statements 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.

Management Response - Town management agrees with the recommendations provided as part of the audit. Management recognizes that the nature of small towns with limited budgets creates difficulties in hiring certified CPAs qualified to meet the GAAP audit standards. Town management has implemented additional internal controls to address this concern. This includes a formal purchasing policy and a more stringent review of finances by management and the Town Council. The town also has a full-time person dedicated to finance and controls. Management has and will continue to budget funds for this person to receive appropriate training and certification through the FGFOA.



Paul Larino, MPA, ICMA-CM
Town Manager