

# Eastpoint Water and Sewer District

## Financial Statements

September 30, 2017



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**Eastpoint Water and Sewer District**  
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## **INDEPENDENT AUDITORS' REPORT**

Board of District Commissioners  
Eastpoint Water and Sewer District  
Eastpoint, Florida

We have audited the accompanying financial statements of the business-type activities of Eastpoint Water and Sewer District (District), as of and for the year ended September 30, 2017 and notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Eastpoint Water and Sewer District, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 6, the schedule of the District's proportionate share of the net pension liability – Florida Retirement System on page 27, the schedule of the District's contributions – Florida Retirement System on page 28, the schedule of the District's proportionate share of the net pension liability – Health Insurance Subsidy Program on page 29, and the schedule of the District's contributions – Health Insurance Subsidy Program on page 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019 on our consideration of the Eastpoint Water and Sewer District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Eastpoint Water and Sewer District's internal control over financial reporting and compliance.

*Carly Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
March 15, 2019

## **Management's Discussion & Analysis**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management of Eastpoint Water and Sewer District (District), an independent special district, offers readers of the District's financial statements this narrative overview and analysis of the District's financial performance during the fiscal years ending September 30, 2017 and 2016. This information is designed in a manner to enhance the readers understanding of the District's financial position and activities in conjunction with the audited basic financial statements which follow.

### **FINANCIAL HIGHLIGHTS**

- The total assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources by \$6,735,246 at the end of the fiscal year.
- The District's net position decreased by 2% from the prior year.
- The District's operating revenues increased by 17% from the prior year.
- The District's operating expenses increased by 12% from the prior year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of the following: 1) statement of net position, 2) statement of revenues, expenses, and changes in net position, 3) statement of cash flows, and 4) notes to basic financial statements. This report also contains other essential information to assist the reader to better understand the data supplied in the basic financial statements.

### **REQUIRED FINANCIAL STATEMENTS**

The District reports information in the financial statements that conforms to U.S. generally accepted accounting principles using the accrual methods similar to those used by private companies. Revenues are reported when earned and expenses are recorded when a liability is incurred. The operating revenues are the result of charges to customers for water and sewer services, miscellaneous revenues, and connection fees. These statements offer short and long-term financial information about its activities. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to District's creditors (liabilities). The financial statements also provide the basis for evaluating the capital structure of the District and assessing its liquidity and financial flexibility.

Revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the financial success of the operation of the District and can be used to determine whether it has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

### **FINANCIAL ANALYSIS OF THE DISTRICT**

The financial analysis of the District provides the foundation for sound financial management. It translates the conceptual relationship into a numerical language useful for practical interpretation. The statement of net position presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources noting differences between them 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 District is improving or weakening. The statement of revenues, expenses, and changes in net position presents information indicating how the District's net position changed during the year.

## NET POSITION

A comparative condensed summary of the District's statement of net position and statement of revenues, expenses, and changes in net position are presented below:

<b>Condensed Statement of Net Position</b>		
<i>September 30,</i>	<b>2017</b>	<b>2016</b>
Current assets	\$ 674,729	\$ 566,565
Noncurrent assets	9,787,194	9,954,274
Total assets	10,461,923	10,520,839
Deferred outflows of resources	145,922	199,114
Current liabilities	79,469	95,344
Noncurrent liabilities	3,748,663	3,677,853
Total liabilities	3,828,132	3,773,197
Deferred inflows of resources	44,467	49,515
Net investment in capital assets	6,215,432	6,509,042
Restricted net position	159,794	128,750
Unrestricted net position	360,020	259,449
Total net position	\$ 6,735,246	\$ 6,897,241

## Condensed Statement of Revenues, Expenses, and Changes in Net Position

<i>Year ended September 30,</i>	<b>2017</b>	<b>2016</b>
Operating revenues	\$ 898,430	\$ 764,983
Nonoperating revenues	244,506	424,212
Total revenues	1,142,936	1,189,195
Operating expenses	879,932	787,067
Depreciation	314,239	354,982
Nonoperating expenses	110,760	109,181
Total expenses	1,304,931	1,251,230
Net loss	(161,995)	(62,035)
Beginning net position	6,897,241	6,959,276
Ending net position	\$ 6,735,246	\$ 6,897,241

The statement of revenues, expenses, and changes in net position identifies the various revenue and expense items which impacted the change in net position. The statement provides answers as to the nature and source of these changes. The operating revenues had an increase due to an increase in water and sewer rates in the current year. The nonoperating revenue decrease was primarily due to a decrease in grant revenue. Total expenses increased over the prior year due to increases in personnel costs, repairs and maintenance and other operating expenses.

### CAPITAL ASSETS

At September 30, 2017, the District has invested \$9,493,518 in capital assets. This represents 91% of total assets. A summary of the District's capital assets follows.

<i>September 30,</i>	<b>Capital Assets</b>	
	<b>2017</b>	<b>2016</b>
Land	\$ 602,729	\$ 602,729
Water and sewer system	14,480,834	13,782,409
Equipment and furniture	348,969	313,146
Construction in progress	-	624,958
<b>Total</b>	<b>15,432,532</b>	<b>15,323,242</b>
Less accumulated depreciation	(5,939,014)	(5,626,200)
<b>Capital assets, net</b>	<b>\$ 9,493,518</b>	<b>\$ 9,697,042</b>

Well construction began in 2008 in response to the need for resource protection as mandated by permitting agencies, water quality, safety and the necessary reconstruction of a failing delivery system. During fiscal year 2015, the District began construction on well # 4 and the project was completed in September 2017.

### DEBT MANAGEMENT

As of September 30, 2017, Eastpoint Water and Sewer District had total bond debt and notes payable outstanding in the amount of \$3,278,086.

### Outstanding Debt

<i>September 30,</i>	<b>2017</b>	<b>2016</b>
Bonds payable	\$ 3,139,000	\$ 3,188,000
Notes payable	139,086	-
<b>Total</b>	<b>\$ 3,278,086</b>	<b>\$ 3,188,000</b>



Principal repayments during the year on the bond were \$49,000 and repayments on the note payable were \$8,914. More detail on the District's long-term debt is presented in note 9 of the notes to basic financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District Commissioners and managers utilized the same factors for establishing the 2017-2018 budget as were used for setting the 2016-2017 budget. Among those factors considered were: user fees, service charges, aging infrastructure repair costs, manpower, and existing debt. The District Commissioners and administration followed the recommendations of the Florida Rural Water Association in regards to rates. The District Commissioners and administration are in the process of working to expand the district boundaries to remove the surcharge that customers outside the district pay and replace with ad valorem taxes. In addition, the District has continued an aggressive preventative maintenance program which is designed to lower operational expenses as the cost of power, health insurance, state retirement, fuel and supplies have drastically increased.

### **CONTACTING THE DISTRICT**

This financial report is designed to provide a general overview of the Eastpoint Water and Sewer District's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the management at Eastpoint Water and Sewer District, 40 Island Drive, Eastpoint, Florida 32328.

**Eastpoint Water and Sewer District**  
**Statement of Net Position – Proprietary Fund**

*September 30, 2017*

**Assets**

Current assets

Cash and cash equivalents	\$ 502,464
Accounts receivable, net	90,603
Grants receivable	31,660
Inventory	46,637
Prepaid expenses	3,365
Total current assets	674,729

**Noncurrent assets**

Restricted cash and cash equivalents	293,676
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Capital assets

Land	602,729
Water and sewer system	14,480,834
Equipment and furniture	348,969
Total capital assets	15,432,532
Less accumulated depreciation	(5,939,014)

Capital assets, net	9,493,518
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Total noncurrent assets	9,787,194
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Total assets	10,461,923
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<b>Deferred outflows of resources</b>	145,922
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(Continued)

*See accompanying notes*

**Eastpoint Water and Sewer District**  
**Statement of Net Position – Proprietary Fund (Continued)**

*September 30, 2017*

<b>Liabilities</b>	
Current liabilities	
Accounts payable	\$ 65,590
Unearned revenue	13,879
<b>Total current liabilities</b>	<b>79,469</b>
Noncurrent liabilities	
Customer deposits	133,882
Due within a year	
Notes payable, current portion	8,583
Bonds payable, current portion	51,000
Accrued interest	9,098
Due in more than one year	
Net pension liability	327,597
Notes payable, net of current portion	130,503
Bonds payable, net of current portion	3,088,000
<b>Total noncurrent liabilities</b>	<b>3,748,663</b>
<b>Total liabilities</b>	<b>3,828,132</b>
<b>Deferred inflows of resources</b>	<b>44,467</b>
<b>Net position</b>	
Net investment in capital assets	6,215,432
Restricted for	
Debt service	13,078
Renewal and replacement	84,354
Short-lived asset reserves	62,362
Unrestricted	360,020
<b>Total net position</b>	<b>\$ 6,735,246</b>

*See accompanying notes*

**Eastpoint Water and Sewer District**  
**Statement of Revenues, Expenses, and Changes in Net**  
**Position – Proprietary Fund**

*Year ended September 30, 2017*

<b>Operating revenues</b>	
Water services	\$ 317,795
Sewer services	303,921
Connection fees	132,352
Miscellaneous revenues	144,362
<b>Total operating revenues</b>	<b>898,430</b>
<b>Operating expenses</b>	
Personnel services	508,610
Contractual services	26,125
Repairs and maintenance	85,738
Utilities	93,481
Insurance	46,017
Office	28,000
Other operating	86,299
Training	115
Miscellaneous	5,547
Depreciation	314,239
<b>Total operating expenses</b>	<b>1,194,171</b>
<b>Operating loss</b>	<b>(295,741)</b>
<b>Nonoperating revenues (expenses)</b>	
Property taxes	185,354
Grant revenues	53,844
Interest income	5,308
Interest expense	(110,760)
<b>Total nonoperating revenues (expenses)</b>	<b>133,746</b>
<b>Net loss</b>	<b>(161,995)</b>
<b>Net position, beginning</b>	<b>6,897,241</b>
<b>Net position, ending</b>	<b>\$ 6,735,246</b>

*See accompanying notes*

**Eastpoint Water and Sewer District**  
**Statements of Cash Flows – Proprietary Fund**

*Year ended September 30, 2017*

<b>Operating activities</b>	
Receipts from customers	\$ 896,213
Payments to suppliers and others	(387,197)
Payments to employees	(485,142)
<b>Net cash provided by operating activities</b>	<b>23,874</b>
<b>Noncapital financing activities</b>	
Property tax receipts	185,354
Grant receipts	190,932
<b>Net cash provided by noncapital financing activities</b>	<b>376,286</b>
<b>Capital and related financing activities</b>	
Acquisition of capital assets	(110,715)
Principal repayment of bonds payable	(49,000)
Proceeds from notes payable	148,000
Repayment of notes payable	(8,914)
Interest paid on bonds and notes payable	(110,760)
<b>Net cash used by capital and related financing activities</b>	<b>(131,389)</b>
<b>Investing activities</b>	
Interest received	5,308
<b>Net cash provided by investing activities</b>	<b>5,308</b>
<b>Net change in cash and cash equivalents</b>	<b>274,079</b>
<b>Cash and cash equivalents, beginning</b>	<b>522,061</b>
<b>Cash and cash equivalents, ending</b>	<b>\$ 796,140</b>
<b>Cash classified as:</b>	
Current assets - cash and cash equivalents	\$ 502,464
Restricted - cash and cash equivalents	293,676
<b>Cash and cash equivalents, ending</b>	<b>\$ 796,140</b>

(Continued)

*See accompanying notes*

**Eastpoint Water and Sewer District**  
**Statements of Cash Flows – Proprietary Fund (Continued)**

*Year ended September 30, 2017*

<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (295,741)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	314,239
(Increase) decrease in assets	
Accounts receivable, net	(7,617)
Decrease in deferred outflows of resources	53,192
Increase (decrease) in liabilities	
Accounts payable	(15,875)
Customer deposits	5,400
Net pension liability	(24,676)
Decrease in deferred inflows of resources	(5,048)
<b>Total adjustments</b>	<b>319,615</b>
<b>Net cash provided by operating activities</b>	<b>\$ 23,874</b>

*See accompanying notes*

## Eastpoint Water and Sewer District Notes to Basic Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***Reporting Entity***

Eastpoint Water and Sewer District (District) is an independent special district created under Chapter 67-1399, Laws of Florida, Acts of 1967 in the unincorporated community of Eastpoint, Florida. The District has the powers granted to Water and Sewer Districts under the provisions of Chapter 153, Florida Statutes. The governing body of the District is the Eastpoint Board of District Commissioners. The District provides water services and sewer disposal as authorized by Statutes.

#### ***Basis of Presentation***

The District operates as a proprietary fund and applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. A proprietary type fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. The District exercises oversight responsibility through designation of management and budgetary review and approval.

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

The accompanying financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. There were no entities that required inclusion as component units within the District's financial statements.

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 revenue of the District is charges to customers for water and sewer services. Operating expenses 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.

#### ***Governmental Accounting Standards Board Pronouncements***

The District follows the provisions of GASB Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and GASB Statement 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*. These statements establish standards for external financial reporting for state and local governmental entities.

## Eastpoint Water and Sewer District Notes to Basic Financial Statements

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### *Cash and Cash Equivalents*

The District considers demand deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less to be cash and cash equivalents.

#### *Accounts Receivable*

Accounts receivable are shown at their net realizable value and reduced by an allowance for uncollectible accounts. The allowance is based on accounts that are significantly past due at year-end.

#### *Grants Receivable*

Grants receivable consists of amounts due from granting agencies all of which are considered collectable.

#### *Inventory*

The District's inventory, which consists primarily of supplies, is stated at the lower of cost or net realizable value with cost determined using the first-in, first-out method.

#### *Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses. The cost of prepaid expenses are recorded as expenses when consumed rather than when purchased.

#### *Capital Assets*

It is the District's policy to capitalize purchases of property and equipment that cost over \$500 and have an estimated useful life in excess of one year. Lesser amounts are expensed. Property and equipment is recorded at historical cost, or estimated historical cost if actual cost is not known. Donated fixed assets are valued at their estimated fair value on the date of donation. Depreciation of fixed assets other than land and construction in process is charged as an expense against operations. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are generally as follows:

Water and sewer system	40 Years
Equipment and furniture	3-10 Years



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Compensated Absences***

The District follows GASB 16, *Accounting for Compensated Absences*. Enterprise funds accrue sick leave and vacation benefits in the period in which they are earned.

***Net position, deferred inflows of resources, and deferred outflows of resources***

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and renames the components of net position which were previously considered net assets.

Net position is classified in three categories. The general meaning of each is as follows:

Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of September 30, 2017 of \$159,794 is restricted by creditors. This is no portion of net position restricted by enabling legislation at September 30, 2017.

Unrestricted - identifies that portion of net position that is available for future periods.

GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Unearned Revenue***

Unearned revenue represents revenues received in advance of earnings. Revenues will be recognized as earned revenue at the time they are earned in accordance with the accrual basis of accounting.

***Net Pension Liability***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) Plans (Plan) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Use of Restricted Assets***

It is generally the practice of the District to utilize restricted assets before unrestricted when possible.

***Subsequent Events***

Management of the District has evaluated subsequent events through March 15, 2019, the date the financial statements were available to be issued.

***Recently issued accounting pronouncements***

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in the years 2018 through 2020. These statements address the following:

GASB Statement 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of state and local governments. Effective for periods beginning after December 15, 2018.

GASB Statement 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Effective for periods beginning after June 15, 2017.

GASB Statement 86, *Certain Debt Extinguishment Issues*, improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. Effective for periods beginning after June 15, 2017.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GASB Statement 87, Leases. To better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. Effective for periods beginning after December 15, 2019.

GASB Statement 88 *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*, improves consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. Effective for periods beginning after June 15, 2018.

GASB Statement 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for reporting period and to simplify accounting for certain interest costs. Effective for periods beginning after December 15, 2019.

The District is currently evaluating the effects that these statements will have on its accounting and future financial statements.

**NOTE 2: CASH AND INVESTMENTS**

***Deposits***

All cash resources of Eastpoint Water and Sewer District are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the District's funds are entirely collateralized throughout the fiscal year. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro rata basis. The District's cash consists of demand deposits and interest-bearing certificates of deposit in a local bank.

***Investments***

Florida Statutes, Section 218.415, authorizes the District to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency

## Eastpoint Water and Sewer District Notes to Basic Financial Statements

### NOTE 2: CASH AND INVESTMENTS (CONTINUED)

- Interest bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02
- Direct obligations of the U.S. Treasury

The District had no investments at September 30, 2017. As such, the District was not subject to interest rate risk, credit risk, custodial credit risk or concentrations of credit risk disclosures.

Restricted cash and cash equivalents consisted of the following at September 30, 2017:

Customer deposits	\$	133,882
Debt service funds		13,078
Bond renewal and replacement funds		84,354
Short-lived asset reserves		62,362
<hr/>		
Total restricted cash	\$	293,676

### NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable includes amounts due from customers for water and sewer services provided by the District. Accounts receivable at their net realizable value are as follows at September 30, 2017:

Customer utility billings	\$	272,637
Tap fees		31,306
<hr/>		
Total accounts receivable		303,943
Less allowance for doubtful accounts		(213,340)
<hr/>		
Accounts receivable, net	\$	90,603

Accounts receivable are recorded based on reading meters indicating customers' usage of water. An allowance for doubtful accounts is established for estimated amounts not expected to be collected.

### NOTE 4: PROPERTY TAXES

Property taxes consist of ad valorem taxes on real and personal property within the District. Property values are determined by the Franklin County Property Appraiser. Property taxes are collected by the Franklin County Tax Collector. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest bearing tax certificates. Property tax revenues are recognized when taxes are received by the District. Because any delinquent taxes collected after September 30 would not be material, delinquent taxes due are not accrued at year end. The District's millage rate for the year ended September 30, 2017, was 3.0 mils. The tax levy of the District is established by the Districts' Board prior to October 1 of each year.

**Eastpoint Water and Sewer District  
Notes to Basic Financial Statements**

**NOTE 4: PROPERTY TAXES (CONTINUED)**

The District's tax calendar is as follows:

Tax Lien Date:	January 1
Tax Levy Date:	Not later than October 1
Delinquent Date:	April 1 of year following assessment
Payment Period:	November through March (up to 4% discount for early payment)
Tax Delinquent Date:	April 1
Tax Certificates Sold:	May 31

**NOTE 5: RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and natural disasters for which the District carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability

The District's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to the date of the District's experience for this type of risk.

**NOTE 6: CAPITAL ASSETS**

Capital assets activity for the year ended September 30, 2017, was as follows:

	September 30, 2016	Increases	(Decreases)	September 30, 2017
Capital assets not being depreciated				
Land	\$ 602,729	\$ -	\$ -	\$ 602,729
Construction in progress	624,958	73,467	(698,425)	-
<b>Total capital assets, not being depreciated</b>	<b>1,227,687</b>	<b>73,467</b>	<b>(698,425)</b>	<b>602,729</b>

(Continued)

**Eastpoint Water and Sewer District**  
**Notes to Basic Financial Statements**

**NOTE 6: CAPITAL ASSETS (CONTINUED)**

Capital assets being depreciated				
Water and sewer system	\$ 13,782,409	\$ 698,425	\$ -	\$ 14,480,834
Equipment and furniture	313,146	37,248	(1,425)	348,969
<hr/>				
Total capital assets being depreciated	14,095,555	735,673	(1,425)	14,829,803
Less accumulated depreciation	5,626,200	314,239	(1,425)	5,939,014
<hr/>				
Total capital assets being depreciated, net	8,469,355	421,434	-	8,890,789
<hr/>				
Total capital assets, net	\$ 9,697,042	\$ 494,901	\$ (698,425)	\$ 9,493,518

**NOTE 7: EMPLOYEE BENEFIT PLANS**

***Defined Benefit Plans***

The District participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability and death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida, 32315-9000 or by calling (844) 377-1888.

The Florida Retirement System (FRS) Pension Plan (Plan) is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The Plan was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of plan membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

## Eastpoint Water and Sewer District Notes to Basic Financial Statements

### NOTE 7: EMPLOYEE BENEFIT PLANS (CONTINUED)

#### ***Benefits Provided***

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

#### ***Contributions***

The contribution requirements of plan members and the District are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to the Plan. The District's contribution rates for the year ended September 30, 2017, were as follows:

	<b>October 1, 2016 Through June 30, 2017</b>		<b>July 1, 2017 Through September 30, 2017</b>	
	<b>FRS</b>	<b>HIS</b>	<b>FRS</b>	<b>HIS</b>
Regular class	5.86%	1.66%	6.26%	1.66%
Senior management	20.11%	1.66%	21.05%	1.66%
DROP plan participants	11.33%	1.66%	11.60%	1.66%

The District's contributions for the year ended September 30, 2017, were \$17,988 to FRS and \$5,010 to HIS.

#### ***Pension Liabilities and Pension Expense***

In its financial statements for the year ended September 30, 2017, the District reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2017. The District's proportions of the net pension liabilities were based on the District's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

**Eastpoint Water and Sewer District**  
**Notes to Basic Financial Statements**

**NOTE 7: EMPLOYEE BENEFIT PLANS (CONTINUED)**

	FRS	HIS
Net pension liability	\$ 210,848	\$ 116,749
Proportion at:		
Current measurement date	0.000712822%	0.001091881%
Prior measurement date	0.000924935%	0.001018704%
Pension expense	\$ 35,971	\$ 11,888

***Deferred Outflows/Inflows of Resources Related to Pensions***

At September 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,351	\$ 1,168
Changes of assumptions	70,860	-
Net difference between projected and actual earnings on pension plan investments	-	5,225
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,369	27,736
Employer contributions subsequent to the measurement date	5,112	-
<b>Total</b>	<b>\$ 112,692</b>	<b>\$ 34,129</b>

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 243
Changes of assumptions	16,411	10,095
Net difference between projected and actual earnings on pension plan investments	65	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	15,261	-
Employer contributions subsequent to the measurement date	1,493	-
<b>Total</b>	<b>\$ 33,230</b>	<b>\$ 10,338</b>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year-end will be recognized as a reduction of



## Eastpoint Water and Sewer District Notes to Basic Financial Statements

### NOTE 7: EMPLOYEE BENEFIT PLANS (CONTINUED)

the net pension liability in the reporting period ending September 30, 2018. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2018	\$ 11,749	\$ 4,911
2019	30,189	4,911
2020	18,706	4,911
2021	414	4,122
2022	9,417	2,680
Thereafter	2,976	(136)
<b>Total</b>	<b>\$ 73,451</b>	<b>\$ 21,399</b>

#### **Actuarial Assumptions**

The total pension liability for each of the defined benefit plans, measured as of June 30, 2017, was determined by an actuarial valuation dated July 1, 2017, using the individual entry-age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2016 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2017:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.60% to 7.10%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 2.85% to 3.58%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation

## Eastpoint Water and Sewer District Notes to Basic Financial Statements

### NOTE 7: EMPLOYEE BENEFIT PLANS (CONTINUED)

assumption. For FRS, the table below summarizes the target allocation and best estimate for the expected long-term expected investment rate of return.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)	Long-term Expected Real Rate of Return (Geometric)
Cash	1%	3.0%	3.0%
Fixed income	18%	4.5%	4.4%
Global equity	53%	7.8%	6.6%
Real estate (property)	10%	6.6%	5.9%
Private equity	6%	11.5%	7.8%
Strategic investments	12%	6.1%	5.6%
	<u>100%</u>		

#### **Discount Rate**

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.10%. The FRS' 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.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.58% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

#### **Sensitivity Analysis**

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the District's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

Net proportionate share of the FRS Net Pension Liability					
		Current			
1% Decrease		Discount Rate		1% Increase	
	6.10%		7.10%		8.10%
\$	381,622	\$	210,848	\$	69,066

  

Net proportionate share of the HIS Net Pension Liability					
		Current			
1% Decrease		Discount Rate		1% Increase	
	2.58%		3.58%		4.58%
\$	133,226	\$	116,749	\$	103,025

**NOTE 7: EMPLOYEE BENEFIT PLANS (CONTINUED)**

***Pension Plans' Fiduciary Net Position***

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

***Defined Contribution Plan***

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan.

Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P.O. Box 56290, Jacksonville, Florida 32241-6290 or by calling (866) 377-2121. The FRS Investment Plan is funded through employee and employer contributions. The employees contribute 3%. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class, The District's contributions for the year ended September 30, 2017, was \$3,692.

**NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN**

The District provides health insurance to its active and retired employees (OPEB Plan). Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Currently, the District funds the OPEB Plan on a pay-as-you-go basis as a current operating expense, and reflects the expense in its financial statements in the fiscal year in which the payments are made. Pursuant to the provisions of GASB 43, *Financial Reporting for Postemployment Benefits Other Than Pensions*, and GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, governments who provide postemployment benefits other than pensions are required to begin showing all or a portion of the liabilities associated with their OPEB Plans in their financial statements and whether, and to what extent, progress is being made in funding those liabilities.

**NOTE 9: BONDS AND NOTES PAYABLE**

Bonds payable consist of revenue bonds issued for the purpose of financing a part of the cost of acquiring, erecting and constructing, and improving the District's water and sewer system. Bonds payable consist of \$3,724,000 Water and Sewer System Revenue Bonds, Series with annual principal installments varying between \$44,000 and \$153,000, plus interest at 3.38% due annually on

## Eastpoint Water and Sewer District Notes to Basic Financial Statements

### NOTE 9: BONDS AND NOTES PAYABLE (CONTINUED)

September 1, with final maturity on September 1, 2051. The bonds are collateralized by a pledge of, and a lien against, the net revenues derived from the operations of the water and sewer systems.

A summary of the bonds is as follows:

	September 30, 2016	Additions/ (Reductions)	September 30, 2017	Due within one year
2012A	\$ 3,188,000	\$ (49,000)	\$ 3,139,000	\$ 51,000

The resolutions authorizing the above 2012A bond issue provides for the monthly transfers to a short-lived asset reserve fund in the amount of 1/12 of 1/10 of the maximum bond issue plus \$1,267. These funds are to be used for the replacement of short-lived assets which have a useful life less than the repayment period of the bonds.

The bond issue also requires annual deposits to a reserve account in the amount of 1/10 of the maximum bond service requirement until such time as the funds in the reserve account shall equal the maximum bond service requirements. The bond issue also requires the monthly deposits to a sinking fund of a sum equal to 1/12 of the principal and interest of the bonds maturing on the next succeeding anniversary date.

Future minimum debt service requirements on the bonds are summarized below:

Year ending September 30,	Principal	Interest	Total
2018	\$ 51,000	\$ 105,941	\$ 156,941
2019	52,000	104,220	156,220
2020	54,000	102,465	156,465
2021	56,000	100,643	156,643
2022	58,000	98,753	156,753
2023 - 2027	320,000	463,051	783,051
2028 - 2032	378,000	405,304	783,304
2033 - 2037	445,000	337,163	782,163
2038 - 2042	526,000	256,770	782,770
2043 - 2047	621,000	161,830	782,830
2048 - 2051	578,000	49,647	627,647
<b>Total</b>	<b>\$ 3,139,000</b>	<b>\$ 2,185,787</b>	<b>\$ 5,324,787</b>

The water and sewer revenue bonds are secured by a first lien on the net water and sewer system revenues. The balance of net revenues pledged against the bonds for the year ended September 30, 2017 was \$98,400. The total principal and interest remaining to be paid on the bonds at September

## Eastpoint Water and Sewer District Notes to Basic Financial Statements

### NOTE 9: BONDS AND NOTES PAYABLE (CONTINUED)

30, 2017, is \$5,324,787. Total principal and interest paid for the current year was \$156,595 which was 159% of pledged revenues.

Notes payable consist of a loan agreement dated September 30, 2016, with a local bank for \$148,000 with an initial interest rate of 1.85% and original maturity date of March 30, 2017 for the repair of a lift station. The note was renewed on March 31, 2017, at an interest rate of 2.55% and a maturity date of March 31, 2022. The note requires monthly payments of \$1,002 including principal and interest. The total principal and interest remaining to be paid on the note at September 30, 2017 is \$152,811. Total principal and interest paid for the current year was \$12,079.

Future minimum debt service requirements on the note is summarized below:

Year ending September 30,	Principal	Interest	Total
2018	\$ 8,583	\$ 3,446	\$ 12,029
2019	8,804	3,225	12,029
2020	9,031	2,997	12,028
2021	9,264	2,764	12,028
2022	103,404	1,293	104,697
Total	\$ 139,086	\$ 13,725	\$ 152,811

## **Required Supplementary Information**

**Eastpoint Water and Sewer District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**– Florida Retirement System**  
**Last 10 Fiscal Years**

<b>June 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 *</b>	<b>2012 *</b>	<b>2011 *</b>	<b>2010 *</b>	<b>2009 *</b>	<b>2008 *</b>
District's proportion of the net pension liability	0.0007128%	0.0009249%	0.0008904%	0.0008098%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 210,848	\$ 233,547	\$ 115,003	\$ 49,407	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 304,622	\$ 283,462	\$ 261,857	\$ 255,159	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.22%	82.39%	43.92%	19.36%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%	N/A	N/A	N/A	N/A	N/A	N/A

\*Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

*See independent auditors' report*

**Eastpoint Water and Sewer District  
Schedule of the District's Contributions  
– Florida Retirement System  
Last 10 Fiscal Years**

<b>Year ended September 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 *</b>	<b>2012 *</b>	<b>2011 *</b>	<b>2010 *</b>	<b>2009 *</b>	<b>2008 *</b>
Contractually required contribution	\$ 17,988	\$ 17,115	\$ 17,372	\$ 21,075	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(17,988)	(17,115)	(17,372)	(21,075)	N/A	N/A	N/A	N/A	N/A	N/A
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
District's covered-employee payroll	\$ 301,792	\$ 295,337	\$ 261,332	\$ 267,982						
Contributions as a percentage of covered-employee payroll	5.96%	5.80%	6.65%	7.86%	N/A	N/A	N/A	N/A	N/A	N/A

\*Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

*See independent auditors' report*



**Eastpoint Water and Sewer District**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**– Health Insurance Subsidy Program**  
**Last 10 Fiscal Years**

<b>June 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 *</b>	<b>2012 *</b>	<b>2011 *</b>	<b>2010 *</b>	<b>2009 *</b>	<b>2008 *</b>
District's proportion of the net pension liability	0.0010919%	0.0010187%	0.0009420%	0.0008913%	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability	\$ 116,749	\$ 118,726	\$ 96,074	\$ 83,339	N/A	N/A	N/A	N/A	N/A	N/A
District's covered-employee payroll	\$ 304,622	\$ 283,462	\$ 261,857	\$ 255,159	N/A	N/A	N/A	N/A	N/A	N/A
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.33%	41.88%	36.69%	32.66%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%	N/A	N/A	N/A	N/A	N/A	N/A

\* Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

*See independent auditors' report*

**Eastpoint Water and Sewer District  
Schedule of the District's Contributions  
– Health Insurance Subsidy Program  
Last 10 Fiscal Years**

<b>Year ended September 30,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013 *</b>	<b>2012 *</b>	<b>2011 *</b>	<b>2010 *</b>	<b>2009 *</b>	<b>2008 *</b>
Contractually required contribution	\$ 5,010	\$ 4,903	\$ 3,560	\$ 2,164	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(5,010)	(4,903)	(3,560)	(2,164)	N/A	N/A	N/A	N/A	N/A	N/A
<b>Contribution deficiency (excess)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
District's covered-employee payroll	\$ 301,792	\$ 295,337	\$ 261,332	\$ 267,982						
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.36%	0.81%	N/A	N/A	N/A	N/A	N/A	N/A

\* Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

*See independent auditors' report*

## **Compliance Section**

## **INDEPENDENT AUDITORS' MANAGEMENT LETTER**

Board of District Commissioners  
Eastpoint Water and Sewer District  
Eastpoint, Florida

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

We have audited the financial statements of Eastpoint Water and Sewer District (District), as of and for the year ended September 30, 2017, and have issued our report thereon dated March 15, 2019.

### **Auditors' Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditors' 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* and our Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 15, 2019, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective actions have been taken to address findings and recommendations in the preceding financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

### **Prior Year Findings and Recommendations**

Findings reported the two previous years include: 2017-001 (prior two years 2016-001 and 2015-001) and 2017-002 (prior two years 2016-002 and 2015-002).

### **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. Eastpoint Water and Sewer District was established in 1967, under a Charter in accordance with the laws of Florida 67-1717. There are no component units of the District.

### **Financial Condition and Management**

Sections 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 Eastpoint Water and Sewer District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify of the specific conditions met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District'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.

### **Annual Financial Report**

Sections 10.554(1)(i)5.b. 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 the annual financial report for the District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

### **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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

### **Purpose of This Letter**

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

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
March 15, 2019

**INDEPENDENT AUDITORS' 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***

Board of District Commissioners  
Eastpoint Water and Sewer District  
Eastpoint, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Eastpoint Water and Sewer District (District), as of and for the year ended September 30, 2017, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 15, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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. We did identify certain deficiencies in internal control that we consider to be material weaknesses.

We consider the deficiencies described below to be material weaknesses.

2017-001 – Segregation of Duties (Prior two years 2016-001 and 2015-001) (initially reported in 2005)

Condition: The District does not have proper separation of certain accounting and administrative duties among employees.

Effect: Not having proper segregation of duties increases the possibility of undetected errors or irregularities.

Cause: The District has limited staff available which can lead to certain incompatible duties being performed by one person.

Criteria: Authorization, custody, and record keeping duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Recommendation: The District should separate duties so that no one individual has control over all phases of a transaction. Additional oversight by management and the Board should be implemented in cases where proper segregation of incompatible duties is not considered feasible.

Views of responsible officials and planned corrective action: Separation of duties is not considered feasible by the District because of its size and limited number of employees. The District's administration personnel has three full-time employees each assigned specific duties for individual transactions and the duties have been segregated to the extent possible in consideration of the size of the District.

2017-002 – Adjustments to Financial Statements (prior years 2016-002 and 2015-002) (Initially reported in 2007)

Condition: Adjustments to the financial records had to be proposed by the auditors in order for the financial statements to conform to generally accepted accounting principles (GAAP).

Effect: Financial statements are not in conformity with GAAP prior to adjustment.

Cause: Management relies on auditors to propose entries based on audit procedures.

Criteria: The requirement is for the District to be able to prepare financial statements in accordance with GAAP.

Recommendation: While we realize it would not be financially feasible to implement procedures necessary to eliminate all proposed adjustments, we recommend striving to reduce the number of adjustments needed as much as possible.

Views of responsible officials and planned corrective action: We realize that ideally our internal control system should be designed in a manner that ensures the accuracy of the financial statements and that the auditors should not have to recommend journal entries to see that they conform to generally accepted accounting principles. We will continue to try to improve our internal control systems to reduce the number of adjustments proposed by our auditors each year.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on



compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* as noted below.

2017-003 – The District did not submit the required annual financial report (AFR) and the annual financial audit report within the prescribed deadline of June 30, 2018.

Condition: For the year ended September 30, 2018, the audit and the annual report were submitted after the prescribed deadline of June 30, 2018.

Effect: The District's noncompliance with Florida Statutes could ultimately impact its ability to operate (collect ad-valorem and state taxes).

Cause: The District's management did not enlist the services of an independent accounting firm in time to be able to submit the reports on a timely basis.

Criteria: The annual financial report (AFR) and the annual financial audit report are due to the Florida Auditor General no later than 9 months after year-end along with the filing of the annual report with the Department of Financial Services.

Recommendation: The District should submit the required reports on a timely basis.

Views of responsible officials and planned corrective action: The District will work towards submitting the reports in a timely manner.

#### District's Responses to Findings

The District's views of responsible officials and planned corrective action identified in our audit are described above. The District's views of responsible officials and planned corrective action were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

#### 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.

*Carri Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
March 15, 2019



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## INDEPENDENT ACCOUNTANTS' REPORT

Board of District Commissioners  
Eastpoint Water and Sewer District  
Eastpoint, Florida

We have examined Eastpoint Water and Sewer District's (District) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management of the District is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirements identified above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination of the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended, September 30, 2017.

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

*Carr, Riggs & Ingram, L.L.C.*

Certified Public Accountants  
Panama City Beach, Florida  
March 15, 2019