

Town of Howey-in-the-Hills, Florida

Audit Report

September 30, 2017



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INGRAM

CPAs and Advisors

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September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and
Town Council
Town of Howey-in-the-Hills, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Howey-in-the-Hills, Florida (the "Town") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Basis for Qualified Opinions on Governmental Activities, Business-Type Activities and Utility Fund

As discussed in Note 7 to the financial statements, the Town has not implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and the Utility Fund are not reasonably determinable.

Qualified Opinions

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 45, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and the Utility Fund of the Town 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.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and aggregate remaining fund information as of September 30, 2017, and the respective changes in financial position thereof for the year 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 the management's discussion and analysis, budgetary comparison schedules, and pension trend information 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.

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 supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Cam, Riggs & Ingram, L.L.C.

Gainesville, Florida
June 29, 2018

Management's Discussion and Analysis

This discussion and analysis of the Town of Howey-in-the-Hill's financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the Town's financial statements, which follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the Town's activities as a whole and fund financial statements that report on the Town's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the Town's assets, liabilities, and deferred outflows/inflows using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets, liabilities, and deferred outflows/inflows – can be used to measure the Town's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the Town's financial health is improving or deteriorating. However, other non-financial factors, such as road conditions or changes in the tax base, must also be considered when assessing the overall health of the Town.

In these statements, the Town's activities are divided as follows:

- *Governmental activities* – Most of the Town's basic services are reported here, including administration, police services, road and bridge, and maintenance. Taxes and charges for services finance most of these activities.
- *Business-type activities* – These activities are financed in whole or in part by fees charged to external parties for goods or services. The activities of the water, sewer, refuse systems and stormwater services are reported as business-type activities.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the Town's funds.

- *Governmental funds* – The Town's governmental funds are the General Fund, Taylor Memorial Cemetery, Law Enforcement Trust, Police Automation, Special Law Enforcement, Tree, and Impact Fees funds. These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.
- *Proprietary funds* – The Town's proprietary funds are the Utility and Stormwater Funds. Proprietary funds are reported using the accrual basis of accounting and, accordingly, there is a correlation between the amounts reported in the fund financial statements and the amounts reported in the government-wide financial statements.

Town of Howey-in-the-Hills, Florida

Management's Discussion and Analysis

The following tables present condensed, government-wide data about net position and changes in net position.

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Non-capital assets	\$ 1,070,346	\$ 726,389	\$ 1,103,706	\$ 999,352	\$ 2,174,052	\$ 1,725,741
Capital assets	1,621,776	1,485,285	2,901,592	2,941,688	4,523,368	4,426,973
Total assets	2,692,122	2,211,674	4,005,298	3,941,040	6,697,420	6,152,714
Deferred outflows of resources						
Pension related	441,428	532,237	-	-	441,428	532,237
Liabilities						
Current liabilities	71,432	155,981	125,196	83,842	196,628	239,823
Long-term liabilities	275,470	271,607	2,090,999	2,222,397	2,366,469	2,494,004
Total liabilities	346,902	427,588	2,216,195	2,306,239	2,563,097	2,733,827
Deferred inflows of resources						
Pension related	59,955	11,295	-	-	59,955	11,295
Net position						
Net investment in capital assets	1,525,227	1,448,687	812,431	720,791	2,337,658	2,169,478
Restricted	382,836	87,097	-	-	382,836	87,097
Unrestricted	818,630	769,244	976,672	914,010	1,795,302	1,683,254
Total net position	\$ 2,726,693	\$ 2,305,028	\$ 1,789,103	\$ 1,634,801	\$ 4,515,796	\$ 3,939,829
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	\$ 290,015	\$ 107,125	\$ 826,923	\$ 615,443	\$ 1,116,938	\$ 722,568
Operating grants & contributions	250,990	238,578	-	-	250,990	238,578
General revenues						
Property taxes	688,491	681,442	-	-	688,491	681,442
Franchise fees and utility taxes	225,182	222,539	35,962	27,599	261,144	250,138
Shared revenues	121,464	122,343	-	-	121,464	122,343
Other	366,339	33,401	-	-	366,339	33,401
Total revenues	1,942,481	1,405,428	862,885	643,042	2,805,366	2,048,470
Program expenses						
General government	445,326	333,075	-	-	445,326	333,075
Public safety	631,086	589,143	-	-	631,086	589,143
Physical environment	151,870	116,632	-	-	151,870	116,632
Transportation	110,612	208,933	-	-	110,612	208,933
Culture and recreation	167,606	104,677	-	-	167,606	104,677
Interest on long-term debt	14,316	6,371	-	-	14,316	6,371
Utility	-	-	703,542	577,504	703,542	577,504
Stormwater	-	-	5,040	5,040	5,040	5,040
Total expenses	1,520,816	1,358,831	708,582	582,544	2,229,398	1,941,375
Change in net position	421,665	46,597	154,303	60,498	575,968	107,095
Beginning net position	2,305,028	2,258,431	1,634,800	1,574,302	3,939,828	3,832,733
Ending net position	\$ 2,726,693	\$ 2,305,028	\$ 1,789,103	\$ 1,634,800	\$ 4,515,796	\$ 3,939,828

Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$541,005 in program revenues and \$1,401,7446 of general revenues, and incurred \$1,514,216 of program expenses. This resulted in a \$421,665 increase in net position.

Business-type Activities

Program revenues of the business-type activities were \$826,923 and general revenues were \$35,962 compared to expenses of \$708,582. This resulted in a \$154,303 increase in net position.

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$133,735, from \$482,343 to \$616,078.

Impact Feed Fund

The Impact Fees Fund's fund balance increased by \$292,442, from \$79,477 to \$371,919.

Utility

The Utility Fund's net position increased by \$159,343, from \$1,527,136 to \$1,686,479.

BUDGETARY HIGHLIGHTS

There were no significant budget adjustments made during the year. In the general fund, total revenues exceeded budget by approximately \$320,000, and total expenditures exceeded the final budgeted amount by approximately \$297,000.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town had capital asset acquisitions during the year primarily for capital improvements. Please refer to a note to the accompanying financial statements entitled *Capital Asset Activity* for more detailed information about the Town's capital asset activity.

Debt Administration

The Town incurred no new debt during the year. Please refer to a note to the accompanying financial statements entitled *Long-term Obligations* for more detailed information about the Town's long-term debt activity.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the Town's financial position or results of operations.



Town of Howey-in-the-Hills, Florida

Management's Discussion and Analysis

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Town Hall at 352-324-2290, Howey-in-the-Hills, Florida.

Town of Howey-in-the-Hills, Florida
Statement of Net Position
September 30, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 1,024,783	\$ 1,025,692	\$ 2,050,475
Investment in state pool	18,016	-	18,016
Due from other governments	18,551	-	18,551
Prepays	8,996	-	8,996
Accounts receivable	-	54,949	54,949
Inventory	-	3,589	3,589
Restricted assets:			
Cash and equivalents	-	19,476	19,476
Capital assets:			
Non-depreciable	287,666	-	287,666
Depreciable, net	1,334,110	2,901,592	4,235,702
Total assets	2,692,122	4,005,298	6,697,420
Deferred outflows of resources			
Pension related	441,428	-	441,428
Total assets and deferred outflows of resources	3,133,550	4,005,298	7,138,848
Liabilities			
Accounts payable and accrued liabilities	71,432	82,361	153,793
Customer deposits	-	42,835	42,835
Noncurrent liabilities:			
Due within one year	67,520	124,337	191,857
Due in more than one year	61,101	1,966,662	2,027,763
Net pension liability	146,849	-	146,849
Total liabilities	346,902	2,216,195	2,563,097
Deferred inflows of resources			
Pension related	59,955	-	59,955
Total liabilities and deferred inflows of resources	406,857	2,216,195	2,623,052
Net position			
Net investment in capital assets	1,525,227	812,431	2,337,658
Restricted:			
Public safety	77,599	-	77,599
Physical environment	218,928	-	218,928
Culture and recreation	86,309	-	86,309
Unrestricted	818,630	976,672	1,795,302
Total net position	\$ 2,726,693	\$ 1,789,103	\$ 4,515,796

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Statement of Activities
Year ended September 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities							
General government	\$ 445,326	\$ 12,754	\$ -	\$ -	\$ (432,572)	\$ -	\$ (432,572)
Public safety	631,086	260,037	-	-	(371,049)	-	(371,049)
Physical environment	151,870	8,555	-	-	(143,315)	-	(143,315)
Transportation	110,612	-	160,420	-	49,808	-	49,808
Culture and recreation	167,606	8,669	90,570	-	(68,367)	-	(68,367)
Interest on long-term debt	14,316	-	-	-	(14,316)	-	(14,316)
Total governmental activities	1,520,816	290,015	250,990	-	(979,811)	-	(979,811)
Business-type activities							
Utility	703,542	826,923	-	-	-	123,381	123,381
Stormwater	5,040	-	-	-	-	(5,040)	(5,040)
Total business-type activities	708,582	826,923	-	-	-	118,341	118,341
Total	\$ 2,229,398	\$ 1,116,938	\$ 250,990	\$ -	(979,811)	118,341	(861,470)
General revenues							
Property taxes					688,491	-	688,491
Franchise fees and utility taxes					225,182	35,962	261,144
Impact and developer fees					330,209	-	330,209
Shared revenues - unrestricted					121,464	-	121,464
Miscellaneous					36,130	-	36,130
Total general revenues					1,401,476	35,962	1,437,438
Change in net position					421,665	154,303	575,968
Net position - beginning of year					2,305,028	1,634,800	3,939,828
Net position - end of year					\$ 2,726,693	\$ 1,789,103	\$ 4,515,796

See accompanying notes.

Town of Howey-in-the-Hills, Florida

**Balance Sheet
Governmental Funds
September 30, 2017**

	General Fund	Impact Fees Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and equivalents	\$ 642,017	\$ 371,919	\$ 10,847	\$ 1,024,783
Investment in state pool	18,016	-	-	18,016
Due from other funds	-	-	70	70
Due from other governments	18,551	-	-	18,551
Prepays	8,996	-	-	8,996
Total assets	\$ 687,580	\$ 371,919	\$ 10,917	\$ 1,070,416
Liabilities				
Accounts payable and accrued liabilities	\$ 71,432	\$ -	\$ -	\$ 71,432
Due to other funds	70	-	-	70
Total liabilities	71,502	-	-	71,502
Fund balances				
Nonspendable - prepaids	8,996	-	-	8,996
Restricted:				
Public safety	-	70,816	6,783	77,599
Physical environment	-	214,794	4,134	218,928
Culture and recreation	-	86,309	-	86,309
Unassigned	607,082	-	-	607,082
Total fund balances	616,078	371,919	10,917	998,914
Total liabilities and fund balances	\$ 687,580	\$ 371,919	\$ 10,917	\$ 1,070,416

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Reconciliation of the Balance Sheet to the Statement of Net Position
September 30, 2017

Fund balances - total governmental funds \$ 998,914

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

Capital assets used in governmental activities are not reported in the
governmental funds.

Capital assets - net 1,621,776

The net pension liability is not reported in governmental funds. (146,849)

Deferred outflows associated with pensions are not reported in the
governmental funds. 441,428

Deferred inflows associated with pensions are not reported in the
governmental funds. (59,955)

Long-term liabilities are not reported in the governmental funds.

Capital lease (96,549)

Compensated absences (32,072)

Net position of governmental activities \$ 2,726,693

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2017

	General Fund	Impact Fees Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 962,713	\$ -	\$ -	\$ 962,713
Permits, fees and special assessments	392,928	321,645	-	714,573
Intergovernmental	195,656	-	-	195,656
Charges for services	9,844	-	-	9,844
Judgments, fines and forfeits	11,892	-	2,330	14,222
Miscellaneous	45,473	-	-	45,473
Total revenues	1,618,506	321,645	2,330	1,942,481
Expenditures				
Current:				
General government	444,970	-	-	444,970
Public safety	669,736	-	-	669,736
Physical environment	151,279	22,605	-	173,884
Transportation	109,956	-	-	109,956
Culture and recreation	161,063	-	-	161,063
Debt service:				
Principal retirement	52,592	-	-	52,592
Interest	7,718	6,598	-	14,316
Total expenditures	1,597,314	29,203	-	1,626,517
Excess of revenues over (under) expenditures	21,192	292,442	2,330	315,964
Other financing sources (uses)				
Capital lease	112,543	-	-	112,543
Net change in fund balances	133,735	292,442	2,330	428,507
Fund balances - beginning of year	482,343	79,477	8,587	570,407
Fund balances - end of year	\$ 616,078	\$ 371,919	\$ 10,917	\$ 998,914

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Year ended September 30, 2017**

Net change in fund balances	\$ 428,507
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.	
Acquisitions of capital assets	305,726
Current year depreciation expense	(169,235)
The repayment of debt principal is an expenditure in the governmental funds but has no effect on net position of governmental activities.	
Principal payments	52,592
Governmental funds report capital lease proceeds as an other financing source in the governmental funds but has no effect on the net position of governmental activities.	
	(112,543)
The accounting for pension costs differs between governmental funds and governmental activities.	
Change in net pension liability	68,260
Change in deferred outflows related to pensions	(90,810)
Change in deferred inflows related to pensions	(48,660)
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.	
Compensated absences	(12,172)
Change in net position of governmental activities	\$ 421,665

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Utility Fund	Nonmajor Stormwater Fund	Total Enterprise Funds
Current assets			
Cash and equivalents	\$ 1,013,796	\$ 11,896	\$ 1,025,692
Accounts receivable, net	54,949	-	54,949
Inventory	3,589	-	3,589
Total current assets	1,072,334	11,896	1,084,230
Noncurrent assets			
Restricted cash and equivalents	19,476	-	19,476
Capital assets, net	2,810,864	90,728	2,901,592
Total noncurrent assets	2,830,340	90,728	2,921,068
Total assets	3,902,674	102,624	4,005,298
Current liabilities			
Accounts payable and accrued liabilities	82,361	-	82,361
Customer deposits	42,835	-	42,835
Current portion of long-term liabilities	124,337	-	124,337
Total current liabilities	249,533	-	249,533
Noncurrent liabilities	1,966,662	-	1,966,662
Total liabilities	2,216,195	-	2,216,195
Net position			
Net investment in capital assets	721,703	90,728	812,431
Unrestricted	964,776	11,896	976,672
Total net position	\$ 1,686,479	\$ 102,624	\$ 1,789,103

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year ended September 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Utility Fund	Nonmajor Stormwater Fund	Total Enterprise Funds
Operating revenues			
User fees - water	\$ 657,486	\$ -	\$ 657,486
User fees - sanitation	169,437	-	169,437
Total operating revenues	826,923	-	826,923
Operating expenses			
Personal services	64,471	-	64,471
Operating expenses	429,104	-	429,104
Depreciation	144,672	5,040	149,712
Total operating expenses	638,247	5,040	643,287
Operating income (loss)	188,676	(5,040)	183,636
Nonoperating revenues (expenses)			
Utility service taxes	35,962	-	35,962
Interest income (expense)	(65,295)	-	(65,295)
Total nonoperating revenues (expenses)	(29,333)	-	(29,333)
Change in net position	159,343	(5,040)	154,303
Net position - beginning of year	1,527,136	107,664	1,634,800
Net position - end of year	\$ 1,686,479	\$ 102,624	\$ 1,789,103

See accompanying notes.

Town of Howey-in-the-Hills, Florida

**Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2017**

	Utility Fund	Nonmajor Stormwater Fund	Total Enterprise Funds
Operating activities			
Receipts from customers	\$ 816,364	\$ -	\$ 816,364
Payments to suppliers	(394,112)	-	(394,112)
Payments to employees	(64,133)	-	(64,133)
Net cash provided by operating activities	358,119	-	358,119
Noncapital financing activities			
Receipts/(Payments) from/to other funds	16,826	(16,826)	-
Utility service taxes	35,962	-	35,962
Net cash provided by noncapital financing activities	52,788	(16,826)	35,962
Capital and related financing activities			
Principal paid on debt	(131,737)	-	(131,737)
Interest paid on debt	(66,633)	-	(66,633)
Acquisition of capital assets	(109,616)	-	(109,616)
Net cash used by capital and related financing activities	(307,986)	-	(307,986)
Change in cash and equivalents	102,921	(16,826)	86,095
Cash and equivalents - beginning of year	930,351	28,722	959,073
Cash and equivalents - end of year	\$ 1,033,272	\$ 11,896	\$ 1,045,168
Operating income (loss)	\$ 188,676	\$ (5,040)	\$ 183,636
Depreciation	144,672	5,040	149,712
Change in:			
Receivables	(18,259)	-	(18,259)
Operating payables	34,992	-	34,992
Customer deposits	7,700	-	7,700
Compensated absences	338	-	338
Net cash provided by operating activities	\$ 358,119	\$ -	\$ 358,119

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Fiduciary Net Position
September 30, 2017

	Pension Trust Fund
Assets	
Investments	\$ 1,466,535
Liabilities	-
Net position	
Restricted for pension benefits	\$ 1,466,535

See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Changes in Fiduciary Net Position
Year ended September 30, 2017

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 67,336
Member	12,470
State	10,991
Total contributions	90,797
Investment income:	
Investment income	173,224
Less, investment management fee	(13,899)
Net investment income	159,325
Total additions	250,122
Deductions	
Member benefits	79,800
Change in net position	170,322
Net position restricted for pension benefits	
Beginning of year	1,296,213
Net position restricted for pension benefits	
End of year	\$ 1,466,535

See accompanying notes.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Howey-in-the-Hills, Florida (the “Town”), conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The Town is a Florida political subdivision established under the Laws of Florida, Chapter 10675(1925), with an elected mayor and four elected members of the Council.

As required by generally accepted accounting principles, the accompanying financial statements present the Town as a primary government. Component units are entities for which a primary government is considered to be financially accountable, or entities that would be misleading to exclude.

The Town is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The Town may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended component units, although legally separate entities, are in substance part of the Town's operations and, accordingly, data from these units would be combined with data of the Town. There are no blended component units included in the Town's reporting entity.

Discretely presented component units, on the other hand, would be reported in separate columns to emphasize that they are legally separate from the Town. There are no discretely presented component units included in the Town's financial reporting entity.

The Town did not participate in any joint ventures during the 2016 – 2017 fiscal year.

Government-wide 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 charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as *general revenues*.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements, but all nonmajor funds are aggregated and displayed in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The Town reports the following major governmental funds:

General Fund – the primary operating fund, used to account for and report all activities not accounted for and reported in another fund.

Impact Fees Fund – to account for Police, Water, and Parks impact fees.

The Town reports the following major enterprise fund:

Utility Fund – to account for the activities of the Town's water and refuse system.

Additionally, the Town reports the following fiduciary fund:

Pension Trust Fund – to account for activities of the Town's pension plan.

Measurement Focus and Basis of Accounting

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 at the time liabilities are 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 funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Certain intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Cash and Cash Equivalents

For purpose of the Statement of Cash Flows, the Town considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Town invests surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the “State Pool”). The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight.

The State Pool has adopted operating procedures consistent with the requirements of GASB Statement No.79 and, accordingly, the Town’s investment in the State Pool is reported at amortized cost.

Pension Investments

Investments of the pension plan are stated at fair value.

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectible accounts of \$22,166 in the Utility Fund.

Inventory

Inventory of the Utility Fund is valued at cost under the first-in, first-out method.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at fair value at the date of contribution. The Town uses a capitalization threshold of \$1,000 for all classes of capital assets.

In accordance with GASB Statement No. 34, as amended, the Town has elected to report general infrastructure prospectively, effective October 1, 2003.

Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Buildings	10 – 50
Improvements	15 – 50
Furniture, equipment and vehicles	3 – 15

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For its business-type activities, the Town's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. No interest costs were capitalized during 2017.

Deferred Outflows/Inflows of Resources – Pension Related

A *deferred outflow of resources* is a consumption of net assets that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net assets that is applicable to a future reporting period.

Pensions

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

Compensated Absences

The Town's policy is to allow limited vesting of employee vacation pay and compensatory leave balances. A liability for accrued compensated absences of employees of the governmental funds has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements.

Property Taxes

The Lake County Tax Collector bills and collects property taxes for the Town.

Details of the Town's tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount period	November - February
No discount period	March
Delinquent date	April 1

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

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 an enterprise fund's principal ongoing operations. 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.

Restricted Net Position

In the accompanying statements of net position, *restricted net position* is subject to restriction beyond the Town's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

The statement of net position reports \$382,836 of net position restricted by enabling legislation relating to impact fees.

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

Fund Balance

The Town follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Town's highest level of decision-making authority, which is an ordinance of the Town Council. Committed amounts cannot be used for any other purpose unless the Town Council removes those constraints by taking the same type of action.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Town Council or (b) a body or official to which the Town Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The Town's policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

The Town's deposits are with qualified public depositories pursuant to Chapter 280, Florida Statutes, and are entirely insured or collateralized pursuant to the Florida Public Deposits Act.

Investments – Other than Pension

The Town invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the Town is authorized to invest excess public funds in the following instruments: the Local Government Trust Fund; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposits in qualified public depositories; and direct obligations of the U.S. Treasury.

The Town's investment in the State Pool exposes it to credit risk. The Town does not have a formal investment policy relating to that risk, which is described as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Pool is rated by Standard & Poors and has a rating at September 30, 2017, of AAAM.

Notes to Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Pension Investments

The Town is a participating employer in the Florida Municipal Pension Trust Fund (FMPTF), which is sponsored by the Florida League of Cities, Inc. The Town's pension plan assets are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT), which is an external investment pool. The fair value of the position in the pool is equal to the value of the Town's beneficial interest in the pool's portfolio. The pool is not registered with the Securities and Exchange Commission.

The Town's beneficial interest in the FMIvT portfolio is summarized below:

Cash and Money Market	\$ 5,866
FMIvT Broad Market High Quality Bond Portfolio	230,246
FMIvT Core Plus	338,770
FMIvT High Quality Growth Portfolio	117,323
FMIvT Large Cap Diversified Value Portfolio	115,856
FMIvT Russell 1000 Enhanced Index Portfolio	341,703
FMIvT Diversified Small to Mid Cap Equity Portfolio	159,852
FMIvT International Equity Portfolio	156,919
Total	\$ 1,466,535

Fair Value Measurements

Since the Town's pension investments are in an external investment pool, its investments are not required to be categorized within the fair value hierarchy.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policies limit investments in bonds to those rated in the top four quality grades by a major rating service. The Bond Portfolio is rated by Fitch and has a rating at September 30, 2017, of AA/V4.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Town's investment policies do not provide specific restrictions as to maturity length of investments. The weighted average maturity of the Bond Portfolio is 5.90 years.

Foreign Currency Risk

The Town's pension funds contain investments in foreign stock mutual funds; however, all of the investments are denominated in U.S. Dollars and are not exposed to foreign currency risk.

Notes to Financial Statements

NOTE 3 – INTERFUND BALANCES

At September 30, 2017, interfund balances were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 70
Cemetery Fund	70	-
Total	\$ 70	\$ 70

NOTE 4 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2017, the following changes in capital assets occurred:

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
Governmental Activities				
Capital assets, not being depreciated:				
Land and improvements	\$ 287,666	\$ -	\$ -	\$ 287,666
Total capital assets, not being depreciated	287,666	-	-	287,666
Capital assets, being depreciated:				
Buildings and improvements	525,973	2,829	-	528,802
Improvements	1,353,855	177,285	-	1,531,140
Equipment and machinery	372,547	13,069	-	385,616
Assets under capital lease	102,715	112,543	67,461	147,797
Total capital assets, being depreciated	2,355,090	305,726	67,461	2,593,355
Less accumulated depreciation for:				
Buildings and improvements	244,544	17,088	-	261,632
Improvements	483,611	45,107	-	528,718
Equipment and machinery	361,093	79,200	-	440,293
Assets under capital lease	68,223	27,840	67,461	28,602
Total accumulated depreciation	1,157,471	169,235	67,461	1,259,245
Total capital assets being depreciated, net	1,197,619	136,491	-	1,334,110
Governmental activities capital assets, net	\$ 1,485,285	\$ 136,491	\$ -	\$ 1,621,776

Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

Business-type Activities	October 1, 2016	Increases	Decreases	September 30, 2017
Capital assets, being depreciated:				
Buildings and improvements	\$ 7,693	\$ -	\$ -	\$ 7,693
Machinery and equipment	280,812	-	-	280,812
Improvements - water system	4,225,775	109,616	-	4,335,391
Total capital assets, being depreciated	4,514,280	109,616	-	4,623,896
Less accumulated depreciation for:				
Buildings and improvements	7,693	-	-	7,693
Machinery and equipment	267,628	5,654	-	273,282
Improvements - water system	1,297,271	144,058	-	1,441,329
Total accumulated depreciation	1,572,592	149,712	-	1,722,304
Business-type activities capital assets, net	\$ 2,941,688	\$ (40,096)	\$ -	\$ 2,901,592

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 10,167
Public safety	81,156
Physical environment	9,797
Transportation	531
Culture and recreation	123

Total depreciation expense - governmental activities **\$ 101,774**

Business-type activities:

Utility	\$ 144,672
Stormwater	5,040

Total depreciation expense - business-type activities **\$ 149,712**

Town of Howey-in-the-Hills, Florida

Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS

Governmental Activities

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017	Due Within One Year
Capital lease obligation	\$ 36,598	\$ 112,543	\$ 52,592	\$ 96,549	\$ 35,448
Compensated absences	19,900	26,614	14,442	32,072	32,072
Net pension liability	215,109	-	68,260	146,849	-
Total	\$ 271,607	\$ 139,157	\$ 135,294	\$ 275,470	\$ 67,520

Capital Lease

The Town has agreements with a financing corporation to acquire vehicles at interest rates of 4.9% to 7.0%. The aggregate historical cost of the vehicles is \$147,797.

The future minimum lease payments and the net present value of the minimum lease payments as of September 30, 2017, are as follows:

Year ending September 30,	Amount
2018	\$ 42,530
2019	32,122
2020	32,122
Less interest	(10,225)
	\$ 96,549

Business-type Activities

	Balance October 1, 2016	Additions	Deductions	Balance September 30, 2017	Due Within One Year
Revenue refunding note	\$ 219,860	\$ -	\$ 20,076	\$ 199,784	\$ 27,057
State revolving loan fund	2,001,037	-	111,660	1,889,377	95,442
Compensated absences	1,500	1,038	700	1,838	1,838
Total	\$ 2,222,397	\$ 1,038	\$ 132,436	\$ 2,090,999	\$ 124,337

Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Refunding Note

\$285,000 Revenue Refunding Note, Series 2013. Interest and principal are payable monthly in the amount of \$2,997. The interest rate is 4.75%.

State Revolving Loan

Payable in semi-annual installments of \$81,270 on April 15 and October 15, including interest ranging from 2.12 - 2.71%. The debt's covenants require pledged revenues adequate to cover the payments due in any fiscal year. The Revenue Refunding Note, Series 2013 is senior to this obligation.

Aggregate Maturities

Year ending September 30,	Revenue Refunding Note		State Revolving Fund Note	
	Principal	Interest	Principal	Interest
2018	\$ 27,057	\$ 8,907	\$ 95,442	\$ 67,098
2019	28,372	7,592	98,833	63,707
2020	29,749	6,215	102,345	60,195
2021	31,193	4,771	105,981	56,559
2022	32,707	3,257	109,747	52,793
2023-2027	50,706	1,860	610,070	202,630
2028-2032	-	-	726,433	86,267
2033	-	-	40,526	1,406
Totals	\$ 199,784	\$ 32,602	\$ 1,889,377	\$ 590,655

Pledged Revenues

The Town has pledged future water customer revenues, net of specified operating expenses, to repay approximately \$220,000 of the water revenue refunding note and \$2,000,000 of the State Revolving Fund Loan. The debt was used to construct and improve the Town's water system and is payable through 2033. The total principal and interest remaining to be paid on the debt secured by pledged revenues is approximately \$2,925,000. For 2017, the Town paid approximately \$199,000 of principal and interest on the water revenue refunding note and State Revolving Fund loan. Pledged net revenues for the water system were approximately \$178,000.

Debt Covenants

For the year ended September 30, 2017, the pledged revenues were sufficient to meet the covenant requirement to exceed 1.15 times the State Revolving Fund Loan debt service due in the fiscal year.

Notes to Financial Statements

NOTE 6 – PENSION PLAN

Plan Description

The Town sponsors a public employee retirement system (the “System”) administered by the Town of Howey-in-the-Hills, Pension Board of Trustees. The System administers the Police Officers’ Retirement Plan (the “Plan”) an employee contributory single-employer defined benefit pension plan. Members of the Plan include all sworn police officers of the Town. The Plan’s basis of accounting is accrual; benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the Plan.

The Town does not issue separate financial statements for the Plan.

Benefits Provided

Officers attaining the age of 55 who have completed 10 or more years of creditable service or attaining the age of 52 who have completed 25 years of creditable service are entitled to monthly benefits of 3 percent of their average final compensation times years of credited service. The plan permits early retirement at the completion of 10 years of contributing service and attaining the age of 50. Active officers who retire disabled with disability that occurs in the line of duty and have 10 years of credited and contributing service shall receive the greater of 42 percent of average financial compensation or the accrued benefit actuarially reduced. Disability benefits are paid for 10 years certain or life or until recovery from disability. If an active officer dies before retirement eligibility, his or her beneficiary receives a refund of the officer’s contributions to the Plan. If the officer dies prior to retirement but has at least 10 years of contributing service, his or her beneficiary is entitled to either early or normal retirement benefits.

Employees Covered by Benefit Terms

At September 30, 2017, the following employees were covered by the benefit terms:

Active employees	5
Inactive employees receiving benefits	3
	<u>8</u>

Contributions

The contribution requirements of plan members and the Town are established and approved by the Town Council in accordance with applicable State statute. In addition, State contributions are also made to the Plan on behalf of the Town.

For the year ended September 30, 2017, the active employee contribution rate was 5.0% of pensionable earnings. The Town’s contribution rate, actuarially determined, was 26.26% of pensionable earnings, and the State’s contribution rate was 4.37%.

Notes to Financial Statements

NOTE 6 – PENSION PLAN (CONTINUED)

Net Pension Liability

The Town's net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of October 1, 2014, rolled forward to September 30, 2017.

Actuarial Assumptions

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

Inflation	2.92%
Salary increases	4.00%
Cost-of-living increases	None assumed
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on sex-distinct rates set forth in the RP-2000 Blue Collar Mortality Table with full generational improvements in mortality using Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment category	Target Allocation	Expected Long-term Real Return
Core bonds	16%	0.58%
Multi-sector	24%	1.08%
U.S. large cap equity	39%	6.08%
U.S. small cap equity	11%	6.83%
Non-U.S. equity	10%	6.83%
Total or weighted arithmetic average	100%	4.08%

Notes to Financial Statements

NOTE 6 – PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%, which was a decrease of 2.08% from the discount rate used to determine the prior year's total pension liability. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the Town and State contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

For the year ended September 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Changes in the Net Pension Liability

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances as of October 1, 2016	\$ 1,511,322	\$ (1,296,213)	\$ 215,109
Changes for the year:			
Service cost	61,873	-	61,873
Expected interest growth	107,490	(90,753)	16,737
Unexpected investment income	-	(82,471)	(82,471)
Demographic experience	(32,313)	-	(32,313)
Employer contributions	-	(81,225)	(81,225)
Employee contributions	-	(13,006)	(13,006)
Benefit payments and refunds	(79,800)	79,800	-
Administrative expenses	-	13,899	13,899
Assumption changes	48,246	-	48,246
Balances as of September 30, 2017	\$ 1,616,818	\$ (1,469,969)	\$ 146,849

Notes to Financial Statements

NOTE 6 – PENSION PLAN (CONTINUED)

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 Town's net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability (asset)	\$ 349,959	\$ 146,849	\$ (23,745)

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

For the year ended September 30, 2017, the Town recognized pension expense of \$152,434.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on pension plan investments	\$ -	\$ 31,855
Differences between expected and actual experience	204,984	28,100
Changes to assumptions	236,444	-
Total	\$ 441,428	\$ 59,955

Amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30,	
2018	\$ 72,931
2019	72,930
2020	51,635
2021	54,457
2022	70,952
Thereafter	58,568
Total	\$ 381,473

Notes to Financial Statements

NOTE 6 – PENSION PLAN (CONTINUED)

The Town also offers a 457 plan that is available to employees who do not qualify for the Police Officers' Retirement Plan. During the year ended September 30, 2017, contributions of approximately \$5,500 were made to the 457 plan.

Required Supplementary Information

Town of Howey-in-the-Hills, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
Year ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
Revenues				
Taxes	\$ 977,926	\$ 967,817	\$ 962,713	\$ (5,104)
Permits, fees and special assessments	134,754	134,754	392,928	258,174
Intergovernmental	128,393	130,955	195,656	64,701
Charges for services	8,565	8,565	9,844	1,279
Judgments, fines and forfeits	8,720	8,720	11,892	3,172
Miscellaneous	46,276	47,276	45,473	(1,803)
Total revenues	1,304,634	1,298,087	1,618,506	320,419
Expenditures				
Current:				
General government	361,814	378,136	444,970	(66,834)
Public safety	625,156	556,220	669,736	(113,516)
Physical environment	85,495	81,220	151,279	(70,059)
Transportation	164,404	164,130	109,956	54,174
Culture and recreation	141,445	120,981	161,063	(40,082)
Debt service:				
Principal retirement	-	-	52,592	(52,592)
Interest	-	-	7,718	(7,718)
Total expenditures	1,378,314	1,300,687	1,597,314	(296,627)
Excess of revenues over (under) expenditures	(73,680)	(2,600)	21,192	23,792
Other financing sources (uses)				
Capital lease	-	-	112,543	(112,543)
Net change in fund balances	(73,680)	(2,600)	133,735	(88,751)
Fund balances - beginning of year	-	-	482,343	482,343
Fund balances - end of year	\$ (73,680)	\$ (2,600)	\$ 616,078	\$ 506,135

Town of Howey-in-the-Hills, Florida
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Impact Fees Fund
Year ended September 30, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	With Final Budget
Revenues				
Permits, fees and special assessments	\$ 79,000	\$ 79,000	\$ 321,645	\$ 242,645
Expenditures				
Current:				
Physical environment	6,200	6,200	22,605	(16,405)
Debt service:				
Interest	-	-	6,598	(6,598)
Total expenditures	6,200	6,200	29,203	(23,003)
Excess of revenues over (under) expenditures	72,800	72,800	292,442	265,648
Fund balances - beginning of year	-	-	79,477	79,477
Fund balances - end of year	\$ 72,800	\$ 72,800	\$ 371,919	\$ 345,125

Notes to Budgetary Comparison Schedules

The budget was prepared on a basis that did not differ materially from generally accepted accounting principles.

The Town's procedures in establishing the budgetary data reflected in the financial statements are generally as follows:

- In July, the Lake County Property Appraiser notifies the Town as to its tentative property tax assessed valuation, from which the Town can estimate the property tax resources available and the limitations thereon.
- During August, budget workshops are held to determine proposed expenditures and the means of financing them. The Council then adopts the proposed property tax millage rate and sets the date, time and place of the first public hearing.
- A public hearing on the tentative budget is held. Within fifteen (15) days of the first public hearing, the Town advertises its intention to finalize its budget and millage rate, and a date, time, and place for a public hearing. The second public hearing is convened several days after the final advertisement, at which time the final budget and millage are adopted.
- Appropriations lapse at year-end.
- The fund is the legal level of control.

Town of Howey-in-the-Hills, Florida
Schedule of Changes in Net Pension Liability and Related Ratios
Police Officers' Plan
Last 10 Fiscal Years

	2017	2016	2015
Total pension liability			
Service cost	\$ 61,873	\$ 43,667	\$ 9,782
Interest	107,490	70,706	86,408
Differences between expected and actual experience	(32,313)	200,034	81,475
Benefit payments, including refunds of employee contributions	(79,800)	(77,149)	(138,134)
Assumption changes	48,246	264,972	-
Net change in total pension liability	105,496	502,230	39,531
Total pension liability - beginning of year	1,511,322	1,009,092	969,561
Total pension liability - end of year	\$ 1,616,818	\$ 1,511,322	\$ 1,009,092
Plan fiduciary net position			
Contributions - employer	\$ 81,225	\$ 82,122	\$ 65,002
Contributions - employee	13,006	12,605	10,401
Net investment income	173,224	95,228	4,532
Benefit payments, including refunds of employee contributions	(79,800)	(77,149)	(138,134)
Administrative expense	(13,899)	(5,549)	(12,076)
Net change in plan fiduciary net position	173,756	107,257	(70,275)
Plan fiduciary net position - beginning of year	1,296,213	1,188,956	1,259,231
Plan fiduciary net position - end of year	\$ 1,469,969	\$ 1,296,213	\$ 1,188,956
Net pension liability (asset) - end of year	\$ 146,849	\$ 215,109	\$ (179,864)
Plan fiduciary net position as a percentage of the total pension liability	90.92%	85.77%	117.82%
Covered-employee payroll	\$ 265,367	\$ 220,740	\$ 220,740
Net pension liability (asset) as a percentage of covered-employee payroll	55.34%	97.45%	-81.48%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Town of Howey-in-the-Hills, Florida
Schedule of Employer Contributions
Police Officers' Plan
Last 10 Fiscal Years

	2017	2016	2015
Actuarially determined contribution	\$ 89,926	\$ 77,216	\$ 57,831
Contributions in relation to the actuarially determined contribution	81,225	82,122	65,002
Contribution deficiency (excess)	\$ 8,701	\$ (4,906)	\$ (7,171)
Covered-employee payroll	\$ 265,367	\$ 220,740	\$ 220,740
Contributions as a percentage of covered-employee payroll	30.61%	37.20%	29.45%

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of October 1 of each fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Market value
Discount rate	7%
Salary increases	4%
Retirement age	Retirement is assumed to occur at the rate of 5% at ages 50 through 54 and 10% at age after 54 if eligible for early retirement. 100% retirement is assumed at age 58 with at least 13 years of service or at age 55 with at least 28 years of service.
Mortality	Sex-distinct rates set forth in the RP-2000 Mortality Table

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Town of Howey-in-the-Hills, Florida
Schedule of Investment Returns
Police Officers' Plan
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	7.04%	8.18%	0.37%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Supplementary Information

Town of Howey-in-the-Hills, Florida

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2017

	Taylor Memorial Cemetery Fund	Law Enforcement Trust Fund	Police Automation Fund	Special Law Enforcement Trust Fund	Tree Fund	Total Nonmajor Govern- mental Funds
Assets						
Cash and equivalents	\$ 4,064	\$ 3,297	\$ 62	\$ 2,434	\$ 990	\$ 10,847
Due from other funds	70	-	-	-	-	70
Total assets	\$ 4,134	\$ 3,297	\$ 62	\$ 2,434	\$ 990	\$ 10,917
Liabilities						
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances						
Restricted:						
Public safety	-	3,297	62	2,434	990	6,783
Physical environment	4,134	-	-	-	-	4,134
Total fund balances	4,134	3,297	62	2,434	990	10,917
Total liabilities and fund balances	\$ 4,134	\$ 3,297	\$ 62	\$ 2,434	\$ 990	\$ 10,917

Town of Howey-in-the-Hills, Florida
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended September 30, 2017

	Taylor Memorial Cemetery Fund	Law Enforcement Trust Fund	Police Automation Fund	Special Law Enforcement Trust Fund	Tree Fund	Total Nonmajor Govern- mental Funds
Revenues						
Judgments, fines and forfeits	\$ -	\$ 2,330	\$ -	\$ -	\$ -	\$ 2,330
Expenditures						
Current:						
Public safety	-	-	-	-	-	-
Excess of revenues over (under) expenditures	-	2,330	-	-	-	2,330
Fund balances - beginning of year	4,134	967	62	2,434	990	8,587
Fund balances - end of year	\$ 4,134	\$ 3,297	\$ 62	\$ 2,434	\$ 990	\$ 10,917

Additional Elements Required by the Rules of the Auditor General

The Honorable Mayor and
Town Council
Town of Howey-in-the-Hills, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Howey-in-the-Hills, Florida (the "Town") as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 29, 2018.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants Report on an examination conducted in accordance with the *AICPA Professional Standards*, 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 June 29, 2018, 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. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. These requirements of the Rules of the Auditor General are addressed in the Schedule of Findings that accompanies this letter.

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 the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town 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 Town. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and 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 Town 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 Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and Town Council, 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.

Gainesville, Florida

June 29, 2018

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

The Honorable Mayor and
Town Council
Town of Howey-in-the-Hills, Florida

We have examined the Town of Howey in the Hills' (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2017. Management of the Town is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town'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 Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town 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 on the Town's compliance with the specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.

This report is intended solely for the information and use of 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.

Gainesville, Florida
June 29, 2018

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 Howey-in-the-Hills, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Howey-in-the-Hills, Florida (the "Town"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 29, 2018. Our opinions on the financial statements of the governmental activities, the business-type activities, and the Utility Fund were qualified because the Town did not implement the accounting and financial reporting requirements of GASB Statement No. 45.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2017-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as item 2017-002.

Town's Response to Findings

The Town's response to the findings identified in our audit is described in its accompanying letter of response. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Car, Riggs & Ingram, L.L.C.

Gainesville, Florida
June 29, 2018

Schedule of Findings

2017-001 (Reported in previous audit reports as items 2016-001 and 2015-001.)

Criteria – Generally accepted auditing standards require that an auditor report a finding when it is necessary for the auditor to assist with the preparation of a government's financial statements.

Condition – It was also necessary for us to assist with the preparation of the Town's financial statements and as part of that process, we proposed material adjustments to the Town's financial statements.

Cause – The Town's finance team is small and does not have the capacity to perform this role.

Effect – The results reported by the Town could be non-compliant with Generally Accepted Accounting Standards if corrections were not made by the auditor.

Recommendation – The Town should consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.

2017-002 (Reported in previous audit report as item 2016-003)

Criteria – The Town's expenditures should not exceed the amount budgeted.

Condition – The budget was over expended by approximately \$297,000.

Cause – Revenue received exceeded budget therefore additional resources were available to be expended.

Effect – Expenditures could be incurred which have not been formally budgeted for which increases the risk of funds being spent inappropriately.

Recommendation – The budget position should be closely monitored to ensure that actual expenditures do not exceed budgeted expenditures and formal budget amendments should be obtained to prevent the Town from exceeding budget.



June 29, 2018

State of Florida Auditor Sherrill Norman, CPA
Claude Pepper Building
111 W. Madison Street
Tallahassee, FL 32399-1450

RE: Town of Howey in the Hills, Florida Schedule of Findings for Year Ended September 30, 2017

Dear Auditor General Norman,

2017-001 (Reported in previous audit reports as items 2016-001 and 2015-001.)

Criteria – Generally accepted auditing standards require that an auditor report a finding when it is necessary for the auditor to assist with the preparation of a government's financial statements.

Condition – It was also necessary for us to assist with the preparation of the Town's financial statements and as part of that process, we proposed material adjustments to the Town's financial statements.

Cause – The Town's finance team is small and does not have the capacity to perform this role.

Effect – The results reported by the Town could be non-compliant with Generally Accepted Accounting Standards if corrections were not made by the auditor.

Recommendation – The Town should consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.

Response- The Town of Howey in the Hills will continue to evaluate the cost versus the benefit of adding additional staff to assist in the preparation of the Town's financial documents.

2017-002 (Reported in previous audit report as item 2016-003)

Criteria – The Town's expenditures should not exceed the amount budgeted.

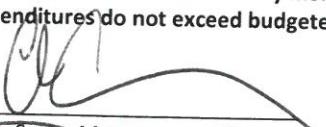
Condition – The budget was over expended by approximately \$297,000.

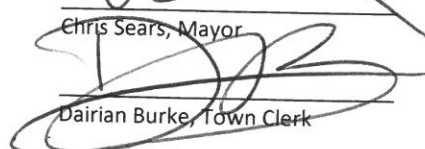
Cause – Revenue received exceeded budget therefore additional resources were available to be expended.

Effect – Expenditures could be incurred which have not been formally budgeted for which increases the risk of funds being spent inappropriately.

Recommendation – The budget position should be closely monitored to ensure that actual expenditures do not exceed budgeted expenditures and formal budget amendments should be obtained to prevent the Town from exceeding budget.

Response- The Town will closely monitor the budget position to ensure budget amendments are posted timely and that actual expenditures do not exceed budgeted expenditures.


Chris Sears, Mayor


Dairian Burke, Town Clerk

Town of Howey-in-the-Hills