

TOWN OF SEWALL'S POINT, FLORIDA
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON
SEPTEMBER 30, 2017

TOWN OF SEWALL'S POINT, FLORIDA
SEPTEMBER 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the Town Commission
Town of Sewall's Point, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Sewall's Point, Florida, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund, and of the Town of Sewall's Point, Florida, as of September 30, 2017, and the respective changes in financial position 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 the management's discussion and analysis and budgetary comparison information on pages 4 - 9 and 29 - 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Sewall's Point, Florida's basic financial statements. The accompanying information is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying information, budgetary comparison information, are the responsibility of management and were derived from and relate 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2018, on our consideration of the Town of Sewall's Point, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Sewall's Point, Florida's internal control over financial reporting and compliance.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
January 10, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Town of Sewall's Point's discussion and analysis is designed to assist the reader by providing a narrative overview and analysis of the financial activities of the Town of the years ended September 30, 2017. Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

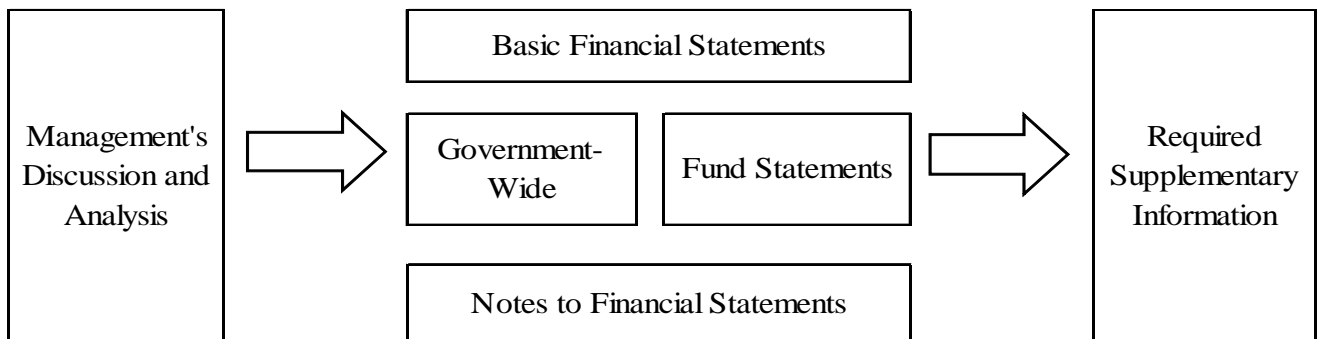
The following are the highlights of financial activity for the fiscal year ended September 30, 2017.

- The Town's total assets exceed its liabilities at September 30, 2017 and 2016 by \$5,104,799 and \$4,982,811 (net position), respectively. Of this amount, \$2,984,575 and \$2,783,796 were from unrestricted funds and \$2,120,224 and \$2,199,015 were from fixed assets, respectively.
- The Town's net position increased by \$121,988. Licenses and permits were \$378,174 in 2017 compared to \$290,974 in 2016.
- The General Fund balances at September 30, 2017 and 2016 were \$2,848,643 and \$2,883,394, respectively.

OVERVIEW OF FINANCIAL STATEMENTS

The Town is reporting under the GASB 34 reporting model. Management's Discussion and Analysis is only a portion of the new features of this format.

The basic financial statements are comprised of government-wide statements that offer a summary of financial activity and more specific fund statements that present more detailed information.



GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (pages 10 and 11) are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to private-sector business. The statements include the Statement of Net Position and the Statement of Activities. They are new to government reporting and are designated to provide a broad overview of the Town as a whole. The *Statement of Net Position* shows the total assets and liabilities for the Town with the difference being net position. The change in net position over time may be an indicator of the Town's financial health. The *Statement of Activities* provides a breakdown of revenues and expenditures by function. The functions primarily supported by taxes and intergovernmental revenues, such as police, fire and other public services are considered governmental activities.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than the previous reporting model's fund types. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal obligations.

Governmental Funds (beginning on page 12) are used for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirement. The Town's basic services are reported in the governmental funds.

Notes to the Financial Statements (beginning on page 16) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$5,104,799 and \$4,982,811 as of September 30, 2017 and 2016, respectively.

| <u>Net Position</u> | | |
|------------------------------|---------------------|---------------------|
| | <u>2017</u> | <u>2016</u> |
| Cash and cash equivalents | \$ 2,981,386 | \$ 2,780,011 |
| Other assets | 94,496 | 185,201 |
| Restricted assets | 163,000 | 66,129 |
| Capital assets | 2,120,224 | 2,199,015 |
| Total assets | <u>\$ 5,359,106</u> | <u>\$ 5,230,356</u> |
| | | |
| Liabilities: | | |
| Accounts payable | \$ 192,488 | \$ 116,579 |
| Restricted liabilities | - | 66,129 |
| Non-current liabilities | | |
| Due within one year | 24,728 | 25,935 |
| Due in more than one year | 37,091 | 38,902 |
| Total liabilities | <u>254,307</u> | <u>247,545</u> |
| | | |
| Investment in capital assets | 2,120,224 | 2,199,015 |
| Unrestricted | 2,984,575 | 2,783,796 |
| Total net position | <u>\$ 5,104,799</u> | <u>\$ 4,982,811</u> |

The largest portions of the Town's net position are in capital assets and cash and investments.

Governmental Activities

Governmental activities increased the Town's net position by \$121,988 and \$306,554 in 2017 and 2016, respectively. Key elements of this increase are as follows:

| | 2017 | 2016 |
|-------------------------------------|--------------|--------------|
| <u>Changes in Net Position</u> | | |
| Program revenues: | | |
| Charges for services | \$ 395,675 | \$ 311,460 |
| Operating grants | 1,351 | 21,908 |
| General revenues | | |
| Property taxes | 1,720,204 | 1,659,093 |
| Franchise fees | 232,719 | 248,820 |
| Sales and use taxes | 219,571 | 214,932 |
| State revenue sharing | 135,758 | 129,978 |
| Investment earnings | 24,486 | 12,413 |
| Miscellaneous | 1) 598,829 | 256,117 |
| Total revenues | 3,328,593 | 2,854,721 |
| Program expenses: | | |
| General government | 449,793 | 452,031 |
| Public safety | 1,187,091 | 1,217,511 |
| Public works | 2) 1,490,337 | 878,625 |
| Hurricane expenditures (Reserve) | 79,384 | - |
| Total expenses | 3,206,605 | 2,548,167 |
| Increase (decrease) in net position | 121,988 | 306,554 |
| Beginning net position | 4,982,811 | 4,676,257 |
| Ending net position | \$ 5,104,799 | \$ 4,982,811 |

Property taxes are the main source of revenues and represent approximately 52% and 58%, respectively, of the revenue for governmental activities. Expenditures for Public Safety (Police and Building Inspection) represent approximately 37% and 48%, respectively, of governmental activity expenditures. During 2017, public works expenditures increased by 70% over 2016 due to an increase in FEMA expenditures.

- 1) Includes \$566,761 (\$403,761 from home elevation grant and \$163,000 from hurricane Matthew and Irma revenue) and \$196,763 (home elevation grant) of FEMA dollars for 2017 and 2016, respectively.
- 2) Includes \$588,364 (\$403,761 from home elevation grant and \$184,603 from hurricane Matthew expenses) and \$196,473 (home elevation grant) of FEMA dollars for 2017 and 2016, respectively.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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

At September 30, 2017 and 2016, the Town’s governmental fund reported respective ending fund balances of \$2,883,394 and \$2,848,633, an increase of \$34,761 and 280,646, in comparison with prior years.

Budgetary Highlights - The budget to actual comparison statement is presented on pages 29 to 31. The budget and actual schedules show the original budgets, the final budget, actual results, and variance between the final budget and actual results for the General Fund.

CAPITAL ASSETS

The Town’s investment in capital assets for its governmental activities as of September 30, 2017 and 2016 amounted to \$2,120,224 and \$2,199,015, respectively. This investment in capital assets includes land, buildings, improvements, machinery and equipment.

The total change in the Town’s investment in capital assets for the fiscal years 2017 and 2016 were (\$78,791) and \$18,100, respectively.

Capital assets were comprised of the following:

| | 2017 | 2016 |
|--|--------------|--------------|
| Land | \$ 604,382 | \$ 604,382 |
| Construction in process | 28,690 | 136,131 |
| Buildings | 411,010 | 411,010 |
| Other improvements | 148,077 | 133,475 |
| Transportation and police equipment | 485,583 | 411,280 |
| Furniture, fixtures, and other equipment | 86,074 | 86,074 |
| Roads and walkways | 1,624,183 | 1,624,183 |
| Street lights | 140,590 | 140,590 |
| Total capital assets | 3,528,589 | 3,547,125 |
| Less accumulated depreciation | (1,408,365) | (1,348,110) |
| Total | \$ 2,120,224 | \$ 2,199,015 |

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The Town's 2017 budget reflected no millage rate increase. Through the use of grant funding, the Town continues to address flooding and water quality concerns through system improvements. The Town continues to improve efficiencies that will allow continued high levels of service at the least possible cost.

Property Taxes are the main source of revenue for governmental activities and represent approximately 52% of the General Fund budgeted revenues. The Town's property tax millage rate is 2.87 mills.

Our total assessed property value for 2017 is \$652,744,238 (\$620,449,288 in 2016). This is an increase of approximately 5% in the total assessed value from the prior year.

REQUESTS FOR INFORMATION

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 the report or need additional financial information, contact the Town Manager at the Town of Sewall's Point, 1 South Sewall's Point Road, Sewall's Point, Florida 34996.

TOWN OF SEWALL'S POINT, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

| | <u>Governmental Activities</u> |
|-----------------------------------|------------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 2,981,386 |
| Due from other governmental units | 71,910 |
| Prepaid expenses | 22,586 |
| Restricted assets | |
| Grant Receivable | 163,000 |
| Capital assets | |
| Nondepreciable | 633,072 |
| Depreciable, net of depreciation | <u>1,487,152</u> |
| Total assets | <u><u>\$ 5,359,106</u></u> |
| Liabilities | |
| Accounts payable | \$ 142,454 |
| Other liabilities | 50,034 |
| Non-current liabilities | |
| Due within one year | 24,728 |
| Due in more than one year | <u>37,091</u> |
| Total liabilities | <u>254,307</u> |
| Net Position | |
| Invested in capital assets | 2,120,224 |
| Unrestricted | <u>2,984,575</u> |
| Total net position | <u><u>\$ 5,104,799</u></u> |

The accompanying notes are an integral part of this financial statement

TOWN OF SEWALL'S POINT, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| Function/Program Activities | Expenses | Program Revenues | | Total Governmental Activities |
|----------------------------------|------------|----------------------------|--|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | |
| Government Activities | | | | |
| General government | \$ 449,793 | \$ 378,214 | \$ - | \$ (71,579) |
| Public safety | 1,187,091 | 17,461 | 1,351 | (1,168,279) |
| 2) Public works | 1,490,337 | - | - | (1,490,337) |
| Hurricane expenditures (Reserve) | 79,384 | - | - | (79,384) |
| Total governmental activities | 3,206,605 | 395,675 | 1,351 | (2,809,579) |
| General revenues | | | | |
| Property taxes | | | | 1,720,204 |
| Franchise taxes | | | | 232,719 |
| Sales and use taxes | | | | 219,571 |
| State revenue sharing | | | | 135,758 |
| Investment earnings | | | | 24,486 |
| 1) Miscellaneous | | | | 598,829 |
| Total general revenues | | | | 2,931,567 |
| Change in net position | | | | 121,988 |
| Net position, beginning of year | | | | 4,982,811 |
| Net position, end of year | | | | \$ 5,104,799 |

- 1) Includes FEMA dollars from home elevation grant and hurricane Matthew and Irma revenue in the amount of \$403,761 and \$163,000, respectively.
- 2) Includes FEMA dollars from home elevation grant and hurricane Matthew expenses in the amount of \$403,761 and \$184,603, respectively.

The accompanying notes are an integral part of this financial statement

TOWN OF SEWALL'S POINT, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

| | General |
|--|--------------|
| Assets | |
| Cash and cash equivalents | \$ 2,981,386 |
| Due from other governmental units | 71,910 |
| Prepaid expenses | 22,586 |
| Restricted | |
| Grant receivable | 163,000 |
| Total assets | \$ 3,238,882 |
| Liabilities and fund balances | |
| Liabilities | |
| Accounts payable | \$ 142,454 |
| Accrued liabilities | 50,034 |
| Total liabilities | 192,488 |
| Deferred inflows of resources | |
| Unavailable revenue | 163,000 |
| Total deferred inflows of revenues | 163,000 |
| Fund balances | |
| Non-spendable | 22,586 |
| Spendable | |
| Assigned | 1,420,616 |
| Unassigned | 1,440,192 |
| Total fund balances | 2,883,394 |
| Total liabilities and fund balances | \$ 3,238,882 |

The accompanying notes are an integral part of this financial statement

TOWN OF SEWALL'S POINT, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

Fund balance - total governmental funds, page 12 \$ 2,883,394

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

| | | |
|-------------------------------|--------------------|-----------|
| Governmental capital assets | 3,528,589 | |
| Less accumulated depreciation | <u>(1,408,365)</u> | |
| | | 2,120,224 |

| | | |
|--|----------------|---------|
| Assets that are not available to pay for current-period expenditures are unavailable in the fund statements. | <u>163,000</u> | |
| | | 163,000 |

Long-term liabilities, including compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities at year end consist of:

| | | |
|----------------------|-----------------|-----------------|
| Compensated absences | <u>(61,819)</u> | |
| | | <u>(61,819)</u> |

| | | |
|--|--|----------------------------|
| Net position of governmental activities, page 10 | | <u><u>\$ 5,104,799</u></u> |
|--|--|----------------------------|

The accompanying notes are an integral part of this financial statement

TOWN OF SEWALL'S POINT, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | <u>General Fund</u> |
|--------------------------------------|---------------------|
| Revenues: | |
| Taxes | \$ 1,720,204 |
| Franchise fees/taxes | 176,370 |
| Licenses and permits | 378,214 |
| Intergovernmental | 413,029 |
| Fines and forfeitures | 17,461 |
| Investment earnings | 24,486 |
| 1) Miscellaneous | 435,829 |
| Total revenues | 3,165,593 |
| Expenditures: | |
| General government | 429,992 |
| Public safety | 1,226,460 |
| Finance and administrative | 18,500 |
| 2) Physical environment | 1,376,496 |
| Total expenditures | 3,051,448 |
| Excess of revenues over expenditures | 114,145 |
| Hurricane expenditures (Reserve) | (79,384) |
| Net change in fund balances | 34,761 |
| Fund balance, beginning of year | 2,848,633 |
| Fund balance, end of year | \$ 2,883,394 |

- 1) Includes FEMA dollars from home elevation grant revenue in the amount of \$403,761.
- 2) Includes FEMA dollars from home elevation grant and hurricane Matthew expenses in the amount of \$403,761 and \$184,603, respectively.

The accompanying notes are an integral part of this financial statement

TOWN OF SEWALL'S POINT, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds, page 14 \$ 34,761

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 capital assets is allocated over their estimated useful lives and reported as depreciation expense:

| | | |
|---------------------------------|------------------|----------|
| Expenditures for capital assets | 43,265 | |
| Less: current year depreciation | <u>(122,056)</u> | |
| | | (78,791) |

| | | |
|--|----------------|---------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. | <u>163,000</u> | |
| | | 163,000 |

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.

| | | |
|--|--------------|--------------|
| Change in long-term compensated absences | <u>3,018</u> | |
| | | <u>3,018</u> |

| | | |
|---------------------------------|--|--------------------------|
| Change in net position, page 11 | | <u><u>\$ 121,988</u></u> |
|---------------------------------|--|--------------------------|

The accompanying notes are an integral part of this financial statement

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Sewall's Point, Florida (the "Town") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

Reporting Entity

The Town of Sewall's Point, Florida, was incorporated in 1957 pursuant to Chapter 57-1478, Laws of Florida. The Town is governed by an elected Mayor, Vice Mayor, President Pro-Tem, and the Town Commission, which appoints a Town Administrator. The Town's major operations include public safety (police and building inspection), public works and general administrative services.

As required by generally accepted accounting principles, these general purpose financial statements present the government and its component units. Component units are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the Town's financial statements to be misleading or incomplete. The primary government is considered financially accountable if it appoints a voting majority of an organization's governing body and imposes its will on that organization. The primary government may also be financially accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that no component units exist which would require inclusion in this report. Further, the Town is not aware of any entity which would consider the Town to be a component unit.

Government-wide and Fund Financial Statements - GASB Statement #34

The basic financial statements include both government-wide and fund financial statements. The previous financial reporting model emphasized fund types. The new reporting model focuses on either the Town as a whole, or major individual funds (within the fund financial statements).

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 on fees and charges for support.

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements - GASB Statement #34 (Continued)

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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which they are levied, and since the Town consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The effect of inter-fund activity has been eliminated from the government-wide financial statements.

Governmental Funds

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. The Town considers revenues collected within 60 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments are recorded only

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Funds (Continued)

when payment is due. Fines and permit revenues are not susceptible to accrual because, generally, they are not measurable until received in cash. Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Town. It is used for all financial resources.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts and money market accounts.

Investments

Investments are reported at fair value, which is determined by using various third party pricing sources. The Local Government Surplus Funds Trust Fund, administered by the Florida State Board of Administration is a "2A-7 like" pool and, thus, these investments are valued using the pooled share price.

Accounts Receivable

Accounts receivable of the General Fund usually consists of miscellaneous services. The Town had no accounts receivable for the year ended September 30, 2017.

Prepaid Items

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

Capital Assets

Capital assets, which include plant, property, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks), are reported in the governmental column in the governmental-wide

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000. Such assets are recorded at cost or the fair market value of the assets at the time of purchase or contribution. The Town is a Phase 3 government under GASB 34, and the Town has elected not to report major general infrastructure assets retroactively. Depreciation has been provided over the useful lives using the straight line method. The estimated useful lives are as follows:

| | |
|-----------------------------------|-------------|
| Buildings | 40 years |
| Improvements other than buildings | 10-30 years |
| Infrastructure | 25-40 years |
| Equipment | 5-26 years |
| Software | 3 years |

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

Compensated Absences

Vacation and sick leave hours are accrued when incurred. A dollar amount for this liability for these amounts is estimated each year. Town leave policies are summarized in Note D.

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Deferred Outflows/Inflows of Resources

The statement of net position reports, as applicable, a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For example, the Town would record deferred outflows of resources related to debit amounts resulting from current and advance refundings resulting in the defeasance of debt (i.e. when there are differences between the reacquisition price and the net carrying amount of the old debt).

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources (continued)

The statement of net position reports, as applicable, a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For example, when an asset is recorded in the governmental fund financial statements, but the revenue is not available, the Town reports a deferred inflow of resources until such times as the revenue becomes available.

Net Position

Equity in the government-wide statement of net position is displayed in three categories: 1) invested in capital assets net of related debt, 2) restricted, 3) unrestricted. Net position invested in capital assets net of related debt consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net position are reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net position consists of all net position that do not meet the definition of either of the other two components.

Categories and Classification of Fund Equity

The Town has implemented GASB 54. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB 54, are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure, of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates (continued)

receivable, the use and recoverability of inventory, and useful lives and impairment of tangible and intangible assets. Accordingly, actual results could differ from those estimates.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent September 30, 2017, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2017. Management has performed their analysis through January 10, 2018.

Other Postemployment Benefits

The Town is required to implement Governmental Accounting Standards Board Statement 45 (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. However, the Town does not participate in any programs that would constitute Other Postemployment Benefits (OPEB) under GASB 45. Accordingly, there has been no adjustment recorded in the accompanying financial statements in regards to the implementation of GASB 45.

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

State of Florida statutes require that all municipal governments establish budgetary systems and approve balanced annual operating budgets. The Town Commission annually adopts an operating budget and appropriates funds for the general fund. The procedures for establishing budgetary data are as follows:

- Prior to August 1, the Town Administrator submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Upon completion of the public hearings, and prior to October 1, a final operating budget is legally enacted through passage of a resolution. Estimated beginning fund balances are considered in the budgetary process.
- Revisions to budgeted totals in any department require approval of the Town Commission prior to September 30th of the fiscal year currently ended.

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Budgetary Data (continued)

- Formal budgetary integration is employed as a management control device during the year for the general fund.
- Appropriations along with encumbrances lapse on September 30.

The adopted budgets are prepared in accordance with generally accepted accounting principles. The budget presented herein is the final budget, as amended.

Fund Balance Disclosure

In accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

Nonspendable

Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. This would include inventories, deposits, and prepaid items.

Spendable Fund Balance

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action of the government's highest level of decision making authority. Commitments may be charged by the government taking the same action that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund. Fund balance may be assigned by the Town Council or the Town Manager, as

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE B - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue. The assessment roll meets all of the appropriate requirements of State law. The assessed value of property within the corporate limits of the Town at January 1, 2016 upon which the 2016-2017 levy was based, was approximately \$652,744,238 million. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills.

The tax levy of the Town is established by the Town Commission prior to October 1 of each year during the budget process. The Martin County Property Appraiser incorporates the Town's millage into the total tax levy, which includes the County, County School Board and Special District tax requirements. The millage rate assessed by the Town for the year ended September 30, 2017, was 2.87 (\$2.87 for each \$1,000 of assessed valuation).

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are offered for sale, for all delinquent taxes on real property.

After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% (or the bid rate) per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations. At September 30, 2017, unpaid delinquent taxes are not material and have not been recorded by the Town.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2017, the carrying amount of the Town's deposits in "Qualified Public Depositories" was \$720,530 and the bank balance was \$998,300.

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Town's deposits at year end are considered insured for custodial credit risk purposes.

Investments

The Town's investment policy authorizes investments in savings accounts, certificates of deposits, money market funds, bonds, notes or other obligations of the U.S. Government, repurchase agreements, securities issued or guaranteed by certain federal agencies and instrumentalities, Local Government Surplus Trust Fund or any intergovernmental investment fund authorized pursuant to the Florida Interlocal Cooperation Act, commercial paper, securities issued by the Town, any guaranteed investment contract within the limitations established by Florida Statutes, and any other investment vehicle authorized by Florida law and determined by the investment officer and the Town Commission to be a prudent investment.

In accordance with GASB 31 investments are stated at fair value based on per share prices. The Florida PRIME Investment Pool (LGIP) is considered to be a "2a-7 like" investment, and is accounted for at fair value for financial reporting. Florida PRIME has a current rating by Standard and Poor's of AAAM. There is a risk of loss on these investments based upon the fluctuation of interest rates and lengths of maturity.

As of September 30, 2017, the Town had the following investments:

| | <u>Weighted Average Maturity</u> | <u>Fair Value</u> |
|---------------------------------------|--|---------------------|
| State Board of Administration- Pool A | 51 Days | \$ 2,260,856 |
| | | <u>\$ 2,260,856</u> |

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE C - DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Cash and cash equivalents were comprised of the following as of September 30, 2017:

| | |
|---------------------------------------|----------------------------|
| Deposits and investments | <u>\$ 2,981,386</u> |
| Total cash, deposits, and investments | <u><u>\$ 2,981,386</u></u> |

Cash and cash equivalents are presented in the balance sheet as of September 30, 2017, as follows:

| | |
|--------------------------------------|----------------------------|
| Current cash and cash equivalents | \$ 2,981,386 |
| Restricted cash and cash equivalents | <u>-</u> |
| Total cash and cash equivalents | <u><u>\$ 2,981,386</u></u> |

Fair Value Measurement - When applicable, the Town measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- Level 1: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Town has the ability to access;
- Level 2: Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- Level 3: Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE D - LONG-TERM DEBT AND COMMITMENTS

Compensated Absences

Town employees are granted a specific amount of vacation and sick leave time off with pay. Eligible employees can accumulate up to 120 hours of vacation time (unless a greater balance is approved by the Town Commission) and unlimited hours of sick leave.

Vacation leave may be paid in full upon separation. Employees with 15 or more years of continuous service to the Town may be paid ½ of accrued sick leave up to a maximum of 240 hours upon retirement, resignation in good standing, or death. Any exceptions to the sick leave policy must be pre-approved by the Town Commission. Quarterly, at the employee's discretion, the Town will compensate an employee in good standing who has accrued a minimum of 120 hours sick leave with ten hours of pay at his or her normal rate of pay in exchange for twenty hours of sick leave, which shall be deducted from the employee's present sick leave balance.

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|----------------------|----------------------|-----------|-------------|-------------------|------------------------|
| General Fund | | | | | |
| Compensated Absences | \$ 64,837 | \$ 53,775 | \$ (56,793) | \$ 61,819 | \$ 24,728 |

NOTE E - DEFINED CONTRIBUTION/ DEFERRED PENSION PLAN

General

The Town contributes to a defined contribution pension plan. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits that a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. ICMA Retirement Trust, the Plan's custodian, held no securities of the Town or other related parties during the year or as of the close of the fiscal year.

Eligibility, Vesting, and Contributions

Full time municipal employees of the Town may participate in the plan upon employment. Contributions made by the Town vest 20% after two years of credited service, plus 20% for each of the next four years of credited service. Contributions made by an employee vest immediately and an employee who leaves the employment of the Town is entitled to the Town's contributions after two years of credited service or their account may remain open until retirement. The employee is also entitled to the Town's contributions if vesting requirements are satisfied, plus interest earned on their individual account. The Town is required to contribute 15% of the employee's annual earnings.

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE E - DEFINED CONTRIBUTION/ DEFERRED PENSION PLAN (CONTINUED)

For the year ended September 30, 2017, the total pension expense was \$132,353, which was 15% of the current year covered payroll totaling \$882,354.

Forfeited Accounts

At separation of service, a participant's non-vested portion of his or her account is forfeited. These forfeitures are then allocated to a suspense account and used to reduce, dollar for dollar, future employer contributions. There was no balance in the forfeiture accounts at September 30, 2017.

Deferred Compensation Plan

Employees may also voluntarily contribute to a 457 Deferred Compensation Plan. The contribution is based on various withholding percentages of those individuals' current year covered payroll. Employee contributions are made each pay period and the Town remits the contributions on their behalf.

NOTE F - CAPITAL ASSETS

The following is a summary of changes in the entity-wide financial statements during the fiscal year.

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|----------------------|------------------|-------------------|---------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 604,382 | \$ - | \$ - | \$ 604,382 |
| Construction in process | 136,131 | - | 107,441 | 28,690 |
| Total capital assets not being depreciated | 740,513 | - | 107,441 | 633,072 |
| Capital assets being depreciated | | | | |
| Buildings | 411,010 | - | - | 411,010 |
| Other improvements | 133,475 | 24,237 | 9,634 | 148,078 |
| Transportation and police equipment | 411,280 | 126,469 | 52,167 | 485,582 |
| Furniture, fixtures, and other equipment | 86,074 | - | - | 86,074 |
| Roads and walkways | 1,624,183 | - | - | 1,624,183 |
| Street lights | 140,590 | - | - | 140,590 |
| Total capital assets being depreciated | 2,806,612 | 150,706 | 61,801 | 2,895,517 |
| Less accumulated depreciation for | | | | |
| Buildings | 268,965 | 10,222 | - | 279,187 |
| Other improvements | 103,780 | 7,478 | 9,634 | 101,624 |
| Transportation and police equipment | 392,861 | 16,229 | 52,167 | 356,923 |
| Furniture, fixtures, and other equipment | 80,965 | 3,403 | - | 84,368 |
| Roads and walkways | 447,729 | 81,209 | - | 528,938 |
| Street lights | 53,810 | 3,515 | - | 57,325 |
| Total accumulated depreciation | 1,348,110 | 122,056 | 61,801 | 1,408,365 |
| Capital assets being depreciated, net | 1,458,502 | 28,650 | - | 1,487,152 |
| Capital assets, net | <u>\$ 2,199,015</u> | <u>\$ 28,650</u> | <u>\$ 107,441</u> | <u>\$ 2,120,224</u> |

TOWN OF SEWALL'S POINT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

NOTE F - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions and programs of the primary government as follows:

| | | |
|--|----|---------|
| General government | \$ | 3,403 |
| Public safety | | 16,229 |
| Public works | | 102,424 |
| Total depreciation expense for governmental activities | \$ | 122,056 |

NOTE G - LITIGATION, CLAIMS, AND ASSESSMENT

The Town is a defendant from time to time in various lawsuits arising in the normal course of business, including claims for property damages, personal injuries, and personnel practices. In the opinion of management, the ultimate outcome of these lawsuits, some of which are covered by insurance, will not have a material adverse effect on the Town's financial position.

NOTE H – REPETITIVE FLOOD CLAIMS

The Town entered into an agreement with the State of Florida, Division of Emergency Management to monitor project sub-grants that were approved through the Repetitive Flood Claims (RFC) competitive grant program. As of September 30, 2017, the funds expended totaled \$403,761.

NOTE I – COMMITMENTS

The Town has an inter-local with the City of Stuart for twenty-four hour fire-rescue protection, fire inspections and emergency medical services. Fire and rescue services totaled \$360,700 for the year ended September 30, 2017. The annual payment will increase by the Consumer Price Index as published by the federal Bureau of Labor Statistics each year. The following is a summary of future service payments under the inter-local agreement as of September 30, 2017:

| | | |
|-----------|----|-----------|
| 9/30/2018 | \$ | 360,700 |
| 9/30/2019 | | 360,700 |
| 9/29/2020 | | 360,700 |
| 9/29/2021 | | 360,700 |
| 9/29/2022 | | - |
| | \$ | 1,442,800 |

TOWN OF SEWALL'S POINT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Original Adopted Budget | Final Revised Budget | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------------------|-------------------------------|----------------------------|---------------------|---|
| Revenues: | | | | |
| Ad valorem taxes | \$ 1,690,000 | \$ 1,690,000 | \$ 1,720,204 | \$ 30,204 |
| Intergovernmental | 406,000 | 406,000 | 413,029 | 7,029 |
| Licenses and permits | 261,000 | 261,000 | 378,214 | 117,214 |
| Fines and forfeitures | 26,000 | 26,000 | 17,461 | (8,539) |
| Franchise fees/taxes | 175,000 | 175,000 | 176,370 | 1,370 |
| Investment earnings | 10,600 | 10,600 | 24,486 | 13,886 |
| Miscellaneous | 47,600 | 47,600 | 32,068 | (15,532) |
| Total revenues | <u>2,616,200</u> | <u>2,616,200</u> | <u>2,761,832</u> | <u>145,632</u> |
| Expenditures: | | | | |
| General government | 445,151 | 432,151 | 429,992 | 2,159 |
| Public safety | 1,288,660 | 1,299,660 | 1,226,460 | 73,200 |
| Financial and administrative | 18,500 | 18,500 | 18,500 | - |
| Physical environment | 863,889 | 939,718 | 972,735 | (33,017) |
| Total expenditures | <u>2,616,200</u> | <u>2,690,029</u> | <u>2,647,687</u> | <u>42,342</u> |
| Excess of revenues over expenditures | - | (73,829) | 114,145 | 187,974 |
| Hurricane expenditures (Reserve) | - | - | (79,384) | (79,384) |
| Budget transfers | <u>11,300</u> | <u>11,300</u> | <u>-</u> | <u>(11,300)</u> |
| Net change in fund balances | <u>\$ 11,300</u> | <u>\$ (62,529)</u> | 34,761 | <u>\$ 97,290</u> |
| Fund balance, beginning of year | | | <u>2,848,633</u> | |
| Fund balance, end of year | | | <u>\$ 2,883,394</u> | |

Note: For budget presentation home elevation FEMA dollars are excluded. (\$403,761)

The accompanying notes are an integral part of this financial statement

TOWN OF SEWALL'S POINT
NOTES TO THE BUDGETARY – REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2017

NOTE A – BUDGET AND ACTUAL COMPARISONS

Generally Accepted Accounting Principles (GAAP) requires that the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual be prepared under the basis of accounting used in preparing the budget. As indicated in Note B to the financial statements, the accrual basis of accounting is used for budgetary purposes. As a result, revenue and expenditures reported in the budget and actual schedule do not differ from those reported on the GAAP basis.

TOWN OF SEWALL'S POINT
SCHEDULE OF DEPARTMENTAL EXPENDITURES BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Final Budget | Actual | Variance With Final Budget Positive (Negative) |
|--------------------------|---------------------|---------------------|---|
| Expenditures: | | | |
| Town manager/assistant | \$ 172,816 | \$ 176,015 | \$ (3,199) |
| Town clerk | 84,070 | 83,169 | 901 |
| Building department | 119,265 | 127,640 | (8,375) |
| Public works department | 523,389 | 679,318 | (155,929) |
| Public safety department | 1,299,660 | 1,226,460 | 73,200 |
| Capital improvements | 416,329 | 293,417 | 122,912 |
| General administration | 18,500 | 18,500 | - |
| Town boards | 56,000 | 43,168 | 12,832 |
| | <u>\$ 2,690,029</u> | <u>\$ 2,647,687</u> | <u>\$ 42,342</u> |

Note: For budget presentation home elevation FEMA dollars are excluded.
(\$403,761)

The accompanying notes are an integral part of this financial statement

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the Town Commission
Town of Sewall's Point, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Town of Sewall's Point, Florida, as of September 30, 2017 and for the year ended September 30, 2017, which collectively comprise the Town of Sewall's Point, Florida's basic financial statements and have issued our report thereon dated January 10, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Sewall's Point, Florida's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Town of Sewall's Point, Florida, in a separate letter dated January 10, 2018.

Purpose of this Report

This report is intended 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 purpose.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
January 10, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS
OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556 (10) OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Honorable Mayor and Members of the Town Commission
Town of Sewall's Point, Florida

We have examined the Town's compliance with the requirements of Section 218.415, Florida Statutes with regards to the Town's investments during the year ended September 30, 2017. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

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

This report 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 Members of the Board of Town Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee Hartley & Barnes, P.A.
Fort Pierce, Florida
January 10, 2018

MANAGEMENT LETTER IN ACCORDANCE WITH
THE RULES OF THE AUDITOR GENERAL
OF THE STATE OF FLORIDA

To the Honorable Mayor and Members of the Town Commission
Town of Sewall's Point, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Sewall's Point, Florida, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated January 10, 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 Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated January 10, 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 annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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. Refer to Note A in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., and 10.556(7) Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Town of Sewall's Point has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Town of Sewall's Point 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. It is management's responsibility to monitor the Town of Sewall's Point'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.

Annual Financial Report

Section 10.554(1)(i)5.b., and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Town of Sewall's Point 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.


Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted the following recommendations:

None.

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 Members of the Board of Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.


DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
January 10, 2018