Financial Statements

Town of Esto

September 30, 2019

Town of Esto
Esto, Florida
September 30, 2019

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Town of Esto
Esto, Florida
September 30, 2019

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Independent Auditor's Report

Members of the Town Council
Town of Esto
Esto, 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 Esto, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Esto, Florida'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 out 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Esto, Florida as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statement is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2021, on our consideration of the Town of Esto, Florida's internal control over financial reporting 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 solely 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 of Esto, Florida'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 of Esto, Florida's internal control over financial reporting and compliance.

Brunson, Wilkerson, Bowden & Associates, P.C.

October 7, 2021

Brunson, Wilkerson, Bowden & Associates, P.C.
Enterprise, Alabama

Town of Esto
Esto, Florida
Statement of Net Position
September 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	$ 124,638	$ 16	$ 124,654
Investments	96,251	-	96,251
Accounts Receivable	-	2,210	2,210
Grant Receivable	-	17,304	17,304
Due From Other Governments	6,435	-	6,435
Other Receivables	161	-	161
Noncurrent Restricted Assets	-	10,810	10,810
Capital Assets Not Being Depreciated	100,204	1,250	101,454
Other Capital Assets, Net	729,954	1,527,436	2,257,390
Total Assets	$ 1,057,643	$ 1,559,026	$ 2,616,669
LIABILITIES			
Accounts Payable and Accrued Liabilities	$ 23,520	$ 28,557	$ 52,077
Short-Term Obligation	25,000	-	25,000
Customer Deposits	-	10,810	10,810
Bonds, Notes Payable			
Due in One Year	3,347	4,428	7,775
Due in More Than One Year	16,239	38,271	54,510
Total Liabilities	$ 68,106	$ 82,066	$ 150,172
NET POSITION			
Net Investment in Capital Assets	$ 810,572	$ 1,485,987	$ 2,296,559
Unrestricted	178,965	(9,027)	169,938
Total Net Position	$ 989,537	$ 1,476,960	$ 2,466,497

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Statement of Activities
For the Year Ended September 30, 2019

Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business - Type Activities	Total
Governmental							
General Government	$ 87,031	$ 6,630	$ 5,347	$ -	$ (75,054)	$ -	$ (75,054)
Public Safety	51,110	2,250	10,694	54,463	16,297	-	16,297
Highways and Streets	30,024	-	12,379	39,352	21,707	-	21,707
Culture and Recreation	33,061	-	-	-	(33,061)	-	(33,061)
Interest and Fiscal Charges	1,102	-	-	-	(1,102)	-	(1,102)
Total Governmental Activities	$ 202,328	$ 8,880	$ 28,420	$ 93,815	$ (71,213)	$ -	$ (71,213)
Business-Type							
Water	$ 124,943	$ 56,626	$ 17,304	$ -	$ -	$ (51,013)	$ (51,013)
Total Business-Type Activities	$ 124,943	$ 56,626	$ 17,304	$ -	$ -	$ (51,013)	$ (51,013)
Total Primary Government	$ 327,271	$ 65,506	$ 45,724	$ 93,815	$ (71,213)	$ (51,013)	$ (122,226)
General Revenues and Transfers							
Taxes					$ 9,881	$ -	$ 9,881
Property Tax, Levied for General Purposes					17,802	-	17,802
Franchise and Public Service Taxes					61,848	-	61,848
Other					2,136	-	2,136
Earnings on Investments					111,714	-	111,714
Insurance Proceeds					1,243	(1,243)	-
Transfers							
Total General Revenues and Transfers					$ 204,624	$ (1,243)	$ 203,381
Changes in Net Position					$ 133,411	$ (52,256)	$ 81,155
Net Position - Beginning					$ 856,126	$ 1,529,216	$ 2,385,342
Net Position - Ending					$ 989,537	$ 1,476,960	$ 2,466,497

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Balance Sheet
Governmental Funds
September 30, 2019

	General	Volunteer Fire Department	Improvement	Other Governmental Funds	Total
ASSETS					
Cash	$ 17,678	$ 26,722	$ 79,574	$ 664	$ 124,638
Investments	96,251	-	-	-	96,251
Due From Other Governments	6,435	-	-	-	6,435
Other Receivables	-	-	-	161	161
TOTAL ASSETS	$ 120,364	$ 26,722	$ 79,574	$ 825	$ 227,485
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable and Accrued Expenses	$ 4,376	$ 10,806	$ 1,174	$ -	$ 16,356
Payroll Liabilities	7,164	-	-	-	7,164
Short-Term Obligation	-	25,000	-	-	25,000
Total Liabilities	$ 11,540	$ 35,806	$ 1,174	$ -	$ 48,520
Fund Balances					
Nonspendable	$ -	$ -	$ -	$ -	$ -
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	78,400	825	79,225
Unassigned	108,824	(9,084)	-	-	99,740
Total Fund Balances	$ 108,824	$ (9,084)	$ 78,400	$ 825	$ 178,965
TOTAL LIABILITIES AND FUND BALANCES	$ 120,364	$ 26,722	$ 79,574	$ 825	$ 227,485

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
September 30, 2019

Total *fund balances* for governmental funds	$	178,965
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. (See Note 6)		830,158
Long-term liabilities, including bonds payable, and deferred outflows of resources are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.		
Long-Term Debt (See Note 8)	(	19,586)
Total Net Position of Governmental Activities	$	989,537

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2019

	General	Volunteer Fire Department	Improvement	Other Governmental Funds	Total
REVENUES					
Taxes	$ 71,729	$ -	$ -	$ -	$ 71,729
Licenses and Permits	17,802	-	-	-	17,802
Intergovernmental	12,379	10,694	-	-	23,073
Charges for Services	6,456	-	-	-	6,456
Grants	44,699	54,463	-	-	99,162
Interest	2,136	-	-	-	2,136
Miscellaneous	174	2,250	-	-	2,424
Total Revenues	$ 155,375	$ 67,407	$ -	$ -	$ 222,782
EXPENDITURES					
General Government	$ 77,734	$ -	$ 7,338	$ 59	$ 85,131
Public Safety	-	13,440	1,033	-	14,473
Highways and Streets	16,139	-	-	-	16,139
Culture and Recreation	22,373	-	35	2,774	25,182
Capital Outlay	47,639	67,133	15,903	-	130,675
Debt Service					
Principal Retirement	8,034	-	-	-	8,034
Interest	1,102	-	-	-	1,102
Total Expenditures	$ 173,021	$ 80,573	$ 24,309	$ 2,833	$ 280,736
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	$ (17,646)	$ (13,166)	$ (24,309)	$ (2,833)	$ (57,954)
OTHER FINANCING SOURCES (USES)					
Insurance Proceeds	$ 2,762	$ -	$ 108,952	$ -	$ 111,714
Operating Transfers In	12,940	1,500	-	3,424	17,864
Operating Transfers Out	(3,681)	-	(10,475)	(2,465)	(16,621)
Total Other Financing Sources (Uses)	$ 12,021	$ 1,500	$ 98,477	$ 959	$ 112,957
NET CHANGE IN FUND BALANCE	$ (5,625)	$ (11,666)	$ 74,168	$ (1,874)	$ 55,003
FUND BALANCE - BEGINNING	$ 114,449	$ 2,582	$ 4,232	$ 2,699	$ 123,962
FUND BALANCE - ENDING	$ 108,824	$ (9,084)	$ 78,400	$ 825	$ 178,965

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2019

Net change in *fund balances* -- total governmental funds	$	55,003
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.		130,675
Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities.	(	60,301)
Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. The details of these differences in the treatment of long-term debt and related items are as follows:		
Principal Repayment		8,034
Change in net position of governmental activities	$	133,411

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget to Actual - General Fund
For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual Amounts (GAAP Basis)	Variance With Final Budget
REVENUES				
Taxes	$ 60,467	$ 60,467	$ 71,729	$ 11,262
Licenses and Permits	19,110	19,110	17,802	(1,308)
Intergovernmental	12,274	12,274	12,379	105
Charges for Services	4,625	4,625	6,456	1,831
Grants	-	-	44,699	44,699
Interest	-	-	2,136	2,136
Miscellaneous	500	500	174	(326)
Total Operating Revenues	$ 96,976	$ 96,976	$ 155,375	$ 58,399
EXPENDITURES				
General Government	$ 51,300	$ 51,300	$ 77,734	$ (26,434)
Public Safety	9,250	9,250	-	9,250
Highways and Streets	24,534	24,534	16,139	8,395
Culture and Recreation	4,392	4,392	22,373	(17,981)
Capital Outlay	-	-	47,639	(47,639)
Debt Service				
Principal Retirement	7,500	7,500	8,034	(534)
Interest	-	-	1,102	(1,102)
Total Expenditures	$ 96,976	$ 96,976	$ 173,021	$ (76,045)
EXCESS (DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	$ -	$ -	$ (17,646)	$ (17,646)
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	$ -	$ -	$ 2,762	$ 2,762
Operating Transfers In	-	-	12,940	12,940
Operating Transfers Out	-	-	(3,681)	(3,681)
Total Other Financing Sources (Uses)	$ -	$ -	$ 12,021	$ 12,021
NET CHANGE IN FUND BALANCE	$ -	$ -	$ (5,625)	$ (5,625)
FUND BALANCE - BEGINNING	$ -	$ -	$ 114,449	$ 114,449
FUND BALANCE - ENDING	$ -	$ -	$ 108,824	$ 108,824

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Statement of Net Position -
Proprietary Fund
September 30, 2019

ASSETS		
Current Assets		
Cash and Cash Equivalents	$	16
Accounts Receivable		2,210
Grant Receivable		17,304
Total Current Assets	$	19,530
Noncurrent Assets		
Restricted Cash and Cash Equivalents	$	10,810
Capital Assets:		
Land		1,250
Property, Plant and Equipment		2,142,033
Less: Accumulated Depreciation		(614,597)
Total Noncurrent Assets	$	1,539,496
Total Assets	$	1,559,026
LIABILITIES		
Current Liabilities		
Accounts Payable	$	24,473
Payroll Liabilities		4,084
Current Portion of Notes Payable		4,428
Total Current Liabilities	$	32,985
Noncurrent Liabilities		
Notes Payable	$	38,271
Customer Deposits		10,810
Total Noncurrent Liabilities	$	49,081
Total Liabilities	$	82,066
NET POSITION		
Net Investment in Capital Assets	$	1,485,987
Unrestricted (Deficit)		(9,027)
Total Net Position	$	1,476,960

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Statement of Revenues, Expenses and Changes in Net Position -
Proprietary Fund
For the Year Ended September 30, 2019

OPERATING REVENUES		
Charges for Services	$	56,626
Grant		17,304
Total Operating Revenues	$	73,930
OPERATING EXPENSES		
Advertising	$	563
Communication		256
Contracted Services		3,648
Depreciation		44,232
Insurance		893
Maintenance and Repairs		27,039
Miscellaneous		1,684
Office Expenses		1,741
Payroll Taxes		1,864
Professional Fees		2,763
Postage		667
Salaries		24,233
Small Tools and Supplies		2,473
Utility Service		6,036
Water Operator		5,500
Total Operating Expenses	$	123,592
OPERATING INCOME (LOSS)	$ (	49,662)
NON-OPERATING EXPENSE		
Interest Expense	$ (	1,351)
Total Non-Operating (Expenses)	$ (	1,351)
INCOME BEFORE OPERATING TRANSFERS	$ (	51,013)
OPERATING TRANSFERS OUT	(	1,243)
NET LOSS	$ (	52,256)
NET POSITION - BEGINNING	$	1,529,216
NET POSITION - ENDING	$	1,476,960

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Statement of Cash Flows -
Proprietary Fund
For the Year Ended September 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	$	58,501
Cash Paid to Suppliers	(	28,750)
Cash Paid to Employees	(	26,097)
Net Cash Provided By Operating Activities	$	3,654
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers Out	$ (	1,243)
Net Cash Provided By Non-Capital Financing Activities	$ (	1,243)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on Debt	$ (	4,298)
Interest Paid on Debt	(	1,351)
Net Cash Provided By Capital and Related Financing Activities	$ (	5,649)
Net Decrease In Cash and Cash Equivalents	$ (	3,238)
CASH AND CASH EQUIVALENTS - BEGINNING		14,064
CASH AND CASH EQUIVALENTS - ENDING	$	10,826
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUND		
Cash and Cash Equivalents in Current Assets	$	16
Restricted Cash and Cash Equivalents in Noncurrent Assets		10,810
TOTAL CASH AND CASH EQUIVALENTS - ENDING	$	10,826

See accompanying notes to financial statements.

Town of Esto
Esto, Florida
Statement of Cash Flows -
Proprietary Fund
For the Year Ended September 30, 2019

Reconciliation of Operating Loss to Net Cash
Provided by Operating Activities

OPERATING LOSS	$ (	49,662)
ADJUSTMENTS		
Depreciation		44,232
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts and Other Receivables	(	14,531)
Increase (Decrease) in Accounts Payable and Accrued Expenses		24,513
Increase (Decrease) in Customer Deposits	(	898)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$	3,654

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Town of Esto, Florida (the "Town") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the Town are described below.

A. Reporting Entity

The Town of Esto, Florida was incorporated under Chapter 11778 (No. 443) Laws of Florida, Extraordinary Legislative Session in 1963. The Town operates under a Council form of Government. The Town is governed by an elected five-member council. The Town provides such services as are allowed under Florida law, including public safety (fire), culture, recreation, streets, water utilities and general administrative services.

The Town of Esto, Florida Utility Department - The Town of Esto, Florida Utility Department serves citizens of the government and is governed by a board which is the same as the Town's governing body. The rates for user charges and bond issuance authorizations are approved by the Town council and the legal liability for the general obligation portion of the Department's debt remains with the Town. The Department is reported as a proprietary fund. The Town provides water services to approximately 150 customers.

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

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's fire protection, recreation, public works and general administrative services are classified as governmental activities. The Town's water services are classified as business-type activities.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

In the government-wide Statement of Net Position both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b), and are reported on the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts - net investment in capital assets, restricted net position, and unrestricted net position. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's governmental activities and business-type activities (general government, public protection, public works, and utilities). General government revenues (property taxes, retail sales & use taxes, excise taxes, and other taxes) also support the functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues (charges for services, operating and capital grants and contributions). Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

Amounts reported as program revenues include 1) charges to customers for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

For the most part, the effect of interfund activity has been eliminated from the government-wide financial statements. Direct expenses of the functional categories are included in the government-wide statement of activities while indirect expense allocations are eliminated.

The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Fund Financial Statements

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The governmental fund statements are presented on a current financial resource measurement focus and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Fund Financial Statements (Continued)

The following fund types are used by the Town:

Governmental Funds

Governmental Funds are those through which most governments typically are financed. The following is a description of the governmental funds of the Town:

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

Volunteer Fire Department Fund - The Town's Volunteer Fire Department Fund is a Special Revenue Fund and accounts for the providing of fire protection to the Town.

Improvement Fund - The Town's Improvement Fund is a Special Revenue Fund and accounts for the major repairs and improvements conducted by the Town.

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and payments relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of operating income, financial position, changes in net position and cash flows. Operating revenues include charges for services. Operating expenses include costs of services as well as, materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. The following is a description of the proprietary funds of the Town:

Enterprise Fund - The Enterprise Fund accounts for operations that are financed in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Town's Enterprise Fund accounts for the operations of the Town's Water Services.

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Major Funds

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Town reports the following major governmental funds:

The General Fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Volunteer Fire Department Fund accounts for the providing of fire protection to the Town.

The Improvement Fund accounts for the major repairs and improvements conducted by the Town.

The Town reports the sole Enterprise Fund as a major fund.

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities, all proprietary funds, and private purpose trust funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net position or on the statement of fiduciary net position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

Note 1 - Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

The statement of net position, statement of activities and financial statements of the Proprietary Funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash. Real and personal property taxes are recognized in the period for which levied, provided the Town has an enforceable legal claim to the resources. Grants, shared revenues, and contributions are recognized when all eligibility requirements have been met.

Governmental Fund Financial Statements

The fund financial statements of the Governmental Funds are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" means collectible within the current period or within sixty days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred inflows of resources. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

C. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity

Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity date within three months of the date acquired by the government.

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

Investments

The Town's investment policies are designed with the intent of ensuring the Town's funds are invested in a manner that complies with Florida Statutes. Pursuant to Florida Statute 218.415 and the Town's investment policy, the Town may invest surplus funds in:

- The Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally registered rating agency.
- Savings accounts in state-certified qualified public depositories , as defined in Section 280.02, Florida Statutes.
- Certificates of Deposit in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Direct Obligations of the U.S. Territory.
- Federal agencies and instrumentalities.

Accounts Receivable

Governmental Funds - The Town considered all governmental fund receivables collectible and as such, no allowance for uncollectibles is reported.

Proprietary Fund - The Town grants credit to its proprietary fund customers who use its various services, substantially all of whom are local residents or businesses. The Town uses the direct write-off method to account for bad debts. The effect on the financial statements of the departure from accounting principles generally accepted in the United States of America is immaterial. No bad debts were written off during the year ended September 30, 2019.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

Interfund Activity

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Transfers between governmental and business-type activities on the government-wide statement of activities are reported as general revenues. Transfers between funds reported in the governmental activities column are eliminated. Transfers between funds reported in the business-type activities column are eliminated.

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

Restricted Assets

Certain assets of the enterprise funds are required by resolution to be set aside and used for specific purposes; thus, they are not available for general operating purposes. It is the Town's policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

Capital Assets

Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value as of the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred. Interest incurred during the construction phase on loans obtained for long-term construction projects are capitalized into the cost of the asset.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings	33-50
Improvements, other than buildings	2-50
Furniture, machinery, and equipment	3-30

Deferred Outflows/Inflows of Resources

In addition to assets/liabilities, the statement of financial position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a decrease of net position that relates to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an increase of net position that relates to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Town did not report a balance for deferred outflows or deferred inflows for the year ended September 30, 2019.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

Compensated Absences

Vacation pay policies allow an employee to accumulate up to a maximum of three weeks of paid time off, which will not be paid to the employee in the event of termination of employment. Employees accrue one week of paid time off per year after the first year of employment.

The Town did not record a liability for compensated absences for the current period as the balance was deemed immaterial.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

Net Position and Fund Equity

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

Restricted - Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted - Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Town Council.

Fund balances are reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Spendable fund balances are reported based on a hierarchy of spending constraints noted below:

Restricted - Fund balances that are restricted to specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

Net Position and Fund Equity (Continued)

Committed – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.

Assigned – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose.

Unassigned – Fund balances of the general fund that are not constrained for any particular purpose.

When both restricted and unrestricted net position are available, it is the Town's policy to use restricted resources first, then unrestricted as needed. The authority to establish, modify, or rescind a commitment or assigned fund balance rests with the Town Council. The Town's policy is to first apply expenditures toward restricted fund balances and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Tax Revenue

The Town's ad valorem taxes are assessed by the Holmes County Property Appraiser and collected by the Holmes County Tax Collector in accordance with Florida Statutes. The Town retains the right and duty to set millage rates. Property taxes are not recorded as receivables at September 30 because, though legally assessed as of January 1, they are not due and payable until after the close of the fiscal year ended the following September 30.

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

Tax Revenue (Continued)

The current property tax calendar is as follows:

Lien date:	January 1, 2018
Levy date:	November 1, 2018
Due date:	March 31, 2019
Delinquent date:	April 1, 2019

Discounts of 1% for each month taxes are paid prior to March are granted.

Revenue recognition criteria for property taxes recognizes and accrues property taxes expected to be collected within 60 days of the current period. There were no outstanding property taxes accrued and recognized as revenue at year-end.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from estimates used.

Risk Management and Insurance

The Town insures itself against losses from casualty, accident and dishonesty by purchasing municipal insurance through the Florida League of Cities, Inc. The Town believes the level of insurance purchased is adequate to protect against material loss. No significant changes in coverage or claims have been made in the last year.

Note 1 - Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Fund Equity (Continued)

Inventory

The cost of materials and supplies on hand are not material to the financial statements, and the Town has therefore, chosen to report these items and expenditures/expenses at the time of purchase.

Note 2 - Stewardship, Compliance, and Accountability

The Town uses the following procedures in establishing the budgetary data reflected in the financial statements.

1. The Town adopts its budget in accordance with Chapter 166.241 Florida Statutes.
    a. The Town follows an internal hearing process to set the proposed tentative budget and millage.
    b. Public hearings are then held to adopt both a tentative budget and millage, and a final budget and millage, in accordance with Chapter 166.241, Florida Statutes.
    c. Budget amendments are made in accordance with applicable Florida Statutes.
2. Budgets are reported for the General Fund.
3. All budgets are adopted in accordance with Generally Accepted Accounting Principles.
4. Florida Statutes do not require adoption of budgets for Debt Service Funds.
5. Level of Control - Expenditures may not exceed appropriations and are controlled in the following manner:
    a. The budget is controlled according to Chapter 166.241, Florida Statutes, at the total fund level.
    b. Any budget amendments or transfer of funds must be approved by the Town Council.

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Revenues

The General Fund, Volunteer Fire Department, Improvement, Other Governmental, and Enterprise Fund show an excess of expenditures over revenues. These current year shortfalls were covered with funds on hand at the beginning of the year or transfers from other funds.

Deficit Fund Equity

The Volunteer Fire Department Fund has deficit fund equity of $9,084. This deficit will be financed through future revenues of the funds.

Note 3 - Cash, Cash Equivalents, and Investments

Cash and cash equivalents represent cash on hand as well as demand deposits, and certificates of deposit with original maturities of three months or less. Investments are comprised of certificates of deposit with original maturities greater than three months.

Investments

Investments are comprised of the following, at amortized cost.

Investment Type	Fair Value	0 - 1 Years	1 - 2 Years	2 - 3 Years	3 - 5 Years
Certificates of Deposit	$ 96,251	$ 96,251	$ -	$ -	$ -

The Town maintains its deposits with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Town has no formal deposit or investment policy but follows State law as to what deposits and investments are allowed.

Demand and time deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the quantity of the government's investment in a single issuer. Investments in single issuers that equal or exceed 5% have reportable credit risk. The certificates of deposit are with one financial institution. All certificate of deposit balances in excess of FDIC coverage, when applicable, are covered by the multiple financial institutions' collateral pool in accordance with Florida Statutes Chapter 280.

Investment Rate Risk

Investment rate risk is the risk that changes in the interest rate will adversely affect the fair value of an investment. The Town recognizes that the longer a maturity of an investment, the greater its price volatility. The Town follows State law as to what investments are allowed.

Note 4 – Receivables

The Town reported receivables as follows:

General Fund	
Due from Other Governments	$ 6,435
Enterprise Fund	
Water Fees	$ 2,210

No allowances for uncollectible accounts are considered necessary.

Note 5 – Interfund Transfers

The following interfund transfers are reflected in the fund financial statements at September 30, 2019.

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	$ 12,940	$ 3,681
Volunteer Fire Department	1,500	-
Improvement	-	10,475
Other Governmental Funds	3,424	2,465
Total Governmental Funds	$ 17,864	$ 16,621
Proprietary Fund:	-	1,243
Total	$ 17,864	$ 17,864

Note 6 – Capital Assets

Governmental asset activity for the year ending September 30, 2019 was as follows:

	Beginning Balance	Increases	Deletions	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated				
Land Improvements	$ 57,762	$ -	$ -	$ 57,762
Construction in Progress	-	42,442	-	42,442
Total Capital Assets Not Being Depreciated	$ 57,762	$ 42,442	$ -	$ 100,204
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 528,704	$ 21,100	$ -	$ 549,804
Equipment	616,329	67,133	-	683,462
Total Capital Assets, Being Depreciated	$ 1,145,033	$ 88,233	$ -	$ 1,233,266
Less Accumulated Depreciation For:				
Building and Improvements	$ 248,639	$ 20,772	$ -	$ 269,411
Equipment	194,372	39,529	-	233,901
Total Accumulated Depreciation	$ 443,011	$ 60,301	$ -	$ 503,312
Capital Assets, Being Depreciated, Net	$ 702,022	$ 27,932	$ -	$ 729,954
Totals	$ 759,784	$ 70,374	$ -	$ 830,158

Note 6 - Capital Assets (Continued)

Depreciation expense was charged to governmental activities as follows:

General Government	$ 1,900
Public Safety	36,637
Highways and Streets	13,885
Culture and Recreation	7,879
Total Governmental Depreciation Expense	$ 60,301

Business Type asset activity for the year ending September 30, 2019 was as follows:

	Balance	Increases	Deletions	Balances
Business Type Activities				
Capital Assets				
Not Being Depreciated				
Land and Improvements	$ 1,250	$ -	$ -	$ 1,250
Total Capital Assets Not Being Depreciated	$ 1,250	$ -	$ -	$ 1,250
Capital Assets, Being Depreciated				
Water System	$ 2,130,939	$ -	$ -	$ 2,130,939
Equipment	11,094	-	-	11,094
Total Capital Assets, Being Depreciated	$ 2,142,033	$ -	$ -	$ 2,142,033
Less Accumulated Depreciation for:				
Water System	$ 559,571	$ 44,232	$ -	$ 603,803
Equipment	10,794	-	-	10,794
Total Accumulated Depreciation	$ 570,365	$ 44,232	$ -	$ 614,597
Capital Assets, Being Depreciated, Net	$ 1,571,668	$ (44,232)	$ -	$ 1,527,436
Total Business-Type Capital Assets	$ 1,572,918	$ (44,232)	$ -	$ 1,528,686

Note 7 - Short Term Debt

Short-term debt activity for the Volunteer Fire Department Fund for the year ended September 30, 2019, follows:

Description	Interest Rate	Balance September 30, 2018	Additions	Reductions	Balance September 30, 2019
Holmes County Board Of County Commissioners	0.00%	$ -	$ 25,000	$ -	$ 25,000

Short-term debt represent tempory financing obtained from the Holmes County Board of County Commissioners. The Town was awarded a Volunteer Fire Assistance Grant of $25,000 through the Florida Department of Agriculture and Consumer Services. The grant requires the Town to expend the funds before being reimbursed by the grant proceeds. The Town will expend the loan proceeds before applying for grant reimbursement. The Town repaid the obligation in February 2020 after receiving the grant funds.

Note 8 - Long Term Debt

Changes in the long-term liabilities during the fiscal year ended September 30, 2019, are summarized below:

Governmental Activities

Description	Interest Rate	Balance September 30, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
General Obligation						
N/P - PBOG	3.00%	$ 688	$ -	$ 688	$ -	$ -
N/P - Synchrony Bank	0.00%	4,162	-	4,162	-	-
N/P - AGCO Finance	2.99%	22,770	-	3,184	19,586	3,347
Totals		$ 27,620	$ -	$ 8,034	$ 19,586	$ 3,347

Note 8 – Long Term Debt (Continued)

Governmental Activities (Continued)

The annual debt service requirements to maturity, including principal and interest, for governmental activities long-term debt as of September 30, 2019, are as follows:

Year Ending September 30,	Principal	Interest	Total Principal and Interest
2020	$ 3,347	$ 901	$ 4,248
2021	3,517	731	4,248
2022	3,697	551	4,248
2023	3,886	362	4,248
2024	4,084	164	4,248
2025	1,055	7	1,062
Totals	$ 19,586	$ 2,716	$ 22,302

The total interest incurred for the year ended September 30, 2019 was $1,102 and was all charged to expense.

The note with Peoples Bank of Graceville was collateralized by a certificate of deposit held at the same bank. The certificate of deposit is listed on the face of the financial statement as an investment. The note with Synchrony Bank was collateralized by a lawn mower. The lawn mower has a book value of $4,590 at September 30, 2019. The note with AGCO Finance is collateralized by a tractor. The tractor has a book value of $20,757 at September 30, 2019.

Business-Type Activities

Description	Interest Rate	Balance September 30, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
General Obligation						
NRWA Well Rehab	3.00%	$ 46,997	$ -	$ 4,298	$ 42,699	$ 4,428
Totals		$ 46,997	$ -	$ 4,298	$ 42,699	$ 4,428

Note 8 - Long Term Debt (Continued)

Business-Type Activities (Continued)

The following is the debt service requirements for the business type activities note payable at September 30, 2019.

Year Ending September 30,	Principal	Interest	Totals
2020	$ 4,428	$ 1,220	$ 5,648
2021	4,563	1,086	5,649
2022	4,702	947	5,649
2023	4,845	804	5,649
2024	4,992	657	5,649
2025-2028	19,169	1,072	20,241
	$ 42,699	$ 5,786	$ 48,485

The total interest incurred for the year ended September 30, 2019 was $1,351 and was all charged to expense.

The National Rural Water Association note states that the Town grants the NRWA a secured interest in the assets of the Town in the amount of the principal amount owned.

Note 9 - Commitments and Contingencies

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

Note 10 - Net Working Capital - Proprietary Fund

The net working capital (current assets less current liabilities) for the Proprietary Fund was ($13,455).

Note 11 - Subsequent Events

Management has reviewed subsequent events and transactions that occurred after the balance sheet date through October 7, 2021. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with accounting principles generally accepted in the United States of America. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

Note 12 - Recently Issued Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, of which the objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases; enhancing the comparability of financial statements between governments; and also enhancing the relevance, reliability (representational faithfulness), and consistence of information about the leasing activities of governments. Statement No. 87 is effective for fiscal years beginning after June 15, 2021. The effect of adopting GASB Statement No. 87 on the Town's financial position, results of operations, or cash flows has not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, of which the objective is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. Statement No. 89 is effective for fiscal years beginning after December 15, 2020. The effect of adopting GASB Statement No. 89 on the Town's financial position, results of operations, or cash flows has not yet been determined.

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and 61, of which the objective is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. Statement No. 90 is effective for fiscal years beginning after December 15, 2019. The effect of adopting GASB Statement No. 90 on the Town's financial position, results of operations, or cash flows has not yet been determined.

Note 12 – Recently Issued Pronouncements (Continued)

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations, of which the objective is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. Statement No. 91 is effective for fiscal years beginning after December 15, 2021. The effect of adopting GASB Statement No. 91 on the Town's financial position, results of operations, or cash flows has not yet been determined.

Compliance Section

BRUNSON, WILKERSON, BOWDEN & ASSOCIATES, P.C.
Certified Public Accountants ◆ Consultants

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Walter P. Wilkerson, Jr., CPA (Retired)

Independent Accountant's Report on Compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*

Members of the Town Council
Town of Esto
Esto, Florida

We have examined the compliance of the Town of Esto, Florida with Section 218.415, Florida Statutes for the year ended September 30, 2019. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes in all material respects. 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 judgement, 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 specified requirements.

In our opinion, the Town of Esto, Florida complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019.

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.

Brunson, Wilkerson, Bowden & Associates, P.C.

October 7, 2021

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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*

Members of the Town Council
Town of Esto
Esto, 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 Esto, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Esto, Florida's basic financial statements and have issued our report thereon dated October 7, 2021.

Internal Control over Financial Reporting

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

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

Members of the Town Council
Town of Esto
Esto, Florida

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2018-001 (repeat), 2018-002 (repeat), and 2018-004 (repeat) that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Esto, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2018-003 (repeat).

Town of Esto, Florida's Response to Findings

The Town of Esto, Florida's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Esto, Florida'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.

Brunson, Wilkerson, Bowden & Associates, P.C.

October 7, 2021

Brunson, Wilkerson, Bowden & Associates, P.C.
Enterprise, Alabama

Schedule of Findings and Responses

Town of Esto
Esto, Florida
Schedule of Findings and Responses
September 30, 2019

Item 2018-001 (Repeat) - Segregation of Duties

Criteria - Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition - There is a lack of segregation of duties among the Town's personnel.

Effect - Transactions could be mishandled.

Cause - There are a limited number of personnel for certain functions and procedures have not been implemented to create proper segregation of duties.

Recommendation- Procedures should be put in place to ensure that duties are separated as much as possible. Alternative controls should be used to compensate for lack of separation.

Response - The Town agrees with this finding. However, due to the additional expense required to establish proper segregation of duties, a recommendation to correct this weakness is cost prohibitive.

Item 2018-002 (Repeat) - Financial Statement Preparation Knowledge

Criteria - The Town should obtain sufficient knowledge in order to prepare financial statements including full note disclosures in accordance with accounting principles generally accepted in the United States of America.

Condition - The Town lacks sufficient knowledge to effectively prepare financial statements and related notes.

Effect - Financial statement preparation and the review process could be insufficient.

Cause - There are a limited number of training opportunities in order to further the Town's knowledge of preparing financial statements and full note disclosures in accordance with accounting principles generally accepted in the United States of America.

Town of Esto
Esto, Florida
Schedule of Findings and Responses
September 30, 2019

Item 2018-002 (Repeat) - Financial Statement Preparation Knowledge (Continued)

Recommendation - The Town should increase their knowledge of the applicable standards to sufficiently allow them to prepare financial statements including full note disclosures.

Response - The Town agrees with this finding and is currently working to increase their knowledge of the applicable standards in order to prepare financial statements including full note disclosures.

Item 2018-003 (Repeat) - Timeliness of Submission of Audit Report

Criteria - The Town of Esto, Florida is required to deliver their audit report to the Florida Auditor General within nine months after the end of the audit period.

Condition - The Town did not file their audit report with the Florida Auditor General within nine months after the end of the audit period as required by Florida Statute 218.39(1).

Effect - The Town is in violation of Florida Statute 218.39(1).

Cause - The Town's records were not made available in a timely manner in order to facilitate the completion of the audit within nine months after the end of the audit period.

Recommendation - The Town should have controls in place to have their financial records available for audit in a timely manner after the fiscal year end. All reports are due nine months after the end of the audit period. Therefore, time should be allowed for the audit process to occur within the required parameters.

Response - Due to the many changes of staff, recordkeeping has been unorganized and it was difficult for the new clerk to follow what actions had been taken. Policy and procedures are being reviewed by Town Council to help streamline these procedures.

Town of Esto
Esto, Florida
Schedule of Findings and Responses
September 30, 2019

Item 2018-004 (Repeat) - Timeliness, Accuracy, and Approval of Bank Reconciliations

Criteria - The Town's accounting personnel should complete the monthly bank reconciliations in a timely manner, investigate outstanding items, and the council should approve the reconciliations in a timely manner.

Condition - The Town is currently not performing bank reconciliations, investigate outstanding items, nor approving them in a timely manner.

Effect - Reports printed from the accounting software are not providing an accurate reflection of the Town's financial position. Misappropriation of assets could occur without management's knowledge for an extended period.

Cause - The Town's accounting personnel did not understand the importance of the bank reconciliation process.

Recommendation - The Town's accounting personnel should reconcile the bank accounts by the 15th day of the following month and the council should review each reconciliation and bank statement in its entirety by the end of the following month and note approval.

Response - The Town agrees with this finding and will begin performing the bank reconciliations in an accurate and timely manner and the review will be performed by the council in a timely manner.

BRUNSON, WILKERSON, BOWDEN & ASSOCIATES, P.C.
Certified Public Accountants ◆ Consultants

John O. Bowden, CPA*
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Steven G. Smith, CPA
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Walter P. Wilkerson, Jr., CPA (Retired)

Members of the Town Council
Town of Esto
Esto, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Esto, Florida as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated October 7, 2021.

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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings and Responses; and Independent Accountant's Report on an examination conducted in accordance with *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 and schedule, which are dated October 7, 2021, 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 financial audit report except as noted under the heading Prior Year Finding and Recommendations.

Members of the Town Council
Town of Esto
Esto, Florida

The management letter items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2017-18 FY Finding #	
2018-005	2018-005	
2018-006 2019-001	2018-006 2019-001	

The schedule of findings items are as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2017-18 FY Finding #	
2018-001	2018-001	
2018-002	2018-002	
2018-003	2018-003	
2018-004	2018-004	

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in the notes to the financial statements.

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

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

Members of the Town Council
Town of Esto
Esto, Florida

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. See items below under Current Year Findings for our recommendations.

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 warrant 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.

Current Year Findings

2018-005 (Repeat)

It was noted during the audit that the Town's Utility Customer Deposit Listing is not reconciled to the Utility Deposit bank account or the General Ledger. It is recommended that these items be reconciled monthly in order to strengthen internal controls. This item remains.

Response – Town officials are aware of the need to reconcile all accounts on a regular basis. The Town will put forth a policy for regular reconciliations of all necessary accounts.

2018-006 (Repeat)

It was noted that the council reviews monthly disbursements reports at meetings but they are not provided with monthly financial statements. It is recommended that the council review monthly financial statements in order to strengthen internal controls.

Response – The Town has put forth a policy for financial statements to be reviewed.

Members of the Town Council
Town of Esto
Esto, Florida

2019-001

It was noted during the audit that the Town's monthly Account Receivable listing is not reconciled to the General Ledger, nor is it being reviewed by the ouncil. It is recommended that the Accounts Receivable listing be reconciled to the General Ledger and the council review and approve the listing monthly.

Response - The Town has puth forth a policy for the Accounts Receivable listing to be reconciled and reviewed.

October 7, 2021

Brunson, Wilkerson, Bowden & Associates, P.C.
Enterprise, Alabama