

TOWN OF EATONVILLE, FLORIDA

AUDIT PRESENTATION FOR YEAR ENDED SEPTEMBER 30, 2022



AUDITORS' REPORTS AND LETTER



- Independent Auditors' Report on basic financial statements
 - Governmental Activities – Unqualified
 - Business Type Activities – Unqualified
- Government Auditing Standards Report
 - Material weakness on financial reporting due to adjustments
 - Noncompliance on debt (pledged revenue)

AUDITORS' REPORTS AND LETTER (CONT)

- Audit adjustments
 - Correct unbilled accounts receivable and revenue-Enterprise
 - Correct accounts receivable allowance for bad debt –Enterprise
 - Correct accounts receivable for funds received –General
 - Correct depreciation on capital assets-Enterprise
 - Correct System Revenue Bonds-Enterprise
 - Recognize expended ARPA funds as revenue-Enterprise
 - Correct payments made to CRA for TIF payment and due to CRA-General
 - Record lessor lease balances under GASB 87 implementation-General
 - Correct due to/from accounts-General/Enterprise
 - Record administrative services expenses between governmental funds/enterprise

MANAGEMENT LETTER



- Management Letter
 - Prior findings not corrected (Financial reporting and debt compliance)
 - Financial Management :
 - Financial Close recommendation—reconciliations of financial records
 - Additional Matters (compliance related):
 - Audit report not completed within 9 months of fiscal year per SRF loan agreements

OTHER COMMUNICATIONS

- **Significant accounting policies** – GASB 87 Leases implemented, policies can be seen in the footnotes (Note 1).
Leases receivable/deferred inflows
- **Accounting estimates** – receivables allowance, fair value of investments, risk management accruals, pension plan, leases receivable, estimated useful lives of capital assets
- **Disagreements with management** – none
- **Consultations with Other Accountants** – none
- **Issues Discussed Prior to Retention** – none
- **Difficulties Encountered During the Audit** – none

QUESTIONS?



CARR, RIGGS & INGRAM, LLC

Town of Eatonville, Florida Management's Corrective Action Plan

Management's Corrective Action Plan



TOWN OF EATONVILLE

"THE OLDEST BLACK INCORPORATED MUNICIPALITY IN AMERICA"

2022-001 Financial Reporting (Repeat material weakness finding)

Criteria: All transactions should be recorded in accordance with GAAP. The financial close process should include evaluation and adjustments to ensure accrual of respective accounts.

Condition: Multiple transactions were not recorded consistently with accounting principles generally accepted in the United States of America (GAAP).

Cause of Condition: Transactions inconsistent with GAAP were recorded improperly due to lack of oversight or insufficient knowledge. Transactions were not recorded appropriately as part of the financial close and reconciliation process.

Effect of Condition: The Town's financial statements were materially misstated prior to audit adjustments. The following adjustments were made:

- \$92,000 to correct unbilled accounts receivable and revenue-Enterprise
- \$47,000 to correct accounts receivable allowance for bad debt-Enterprise
- \$168,000 to correct accounts receivable for funds received-General
- \$329,000 to adjust depreciation on capital assets-Enterprise
- \$265,000 to record System Revenue Bonds-Enterprise
- \$73,000 to recognize expended ARPA funds as revenue-Enterprise
- \$19,000 to correct payments made to the CRA for TIF payments
- \$128,000 to agree TIF payments and due from town for amount not rebated-CRA/General
- \$1,500,000 to record lessor lease balances under GASB 87 implementation-General
- \$385,000 to properly account for the balances between the due to/from other funds-General/Enterprise
- \$55,000 of administrative expense between governmental funds and enterprise

Recommendations: We recommend the Finance Department ensure adjustments are made to reflect all activity on the GAAP basis and all filings are timely made as part of the financial close process.

Views of Responsible Officials:

In response to the financial reporting repeat material weakness findings, please note several of the findings were attributed to the misstated trial balance, which had to be adjusted (\$265,000, \$385,000 and \$329,00) due to the old financial system closing error.

During Fiscal Year 2022, the Town of Eatonville purchased a new financial software system to help alleviate future recording errors and this will allow us to operate more efficiently and effectively. The Finance Department is working diligently to ensure we are in compliance with the United States of America (GAAP) accounting principles.

Town of Eatonville, Florida Management's Corrective Action Plan

Management's Corrective Action Plan (Continued)



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2022-002 Debt Covenant Compliance (Repeat compliance finding)

Criteria: The Town's State Revolving Fund Loan (SRF) agreements require the Town maintain rates and charges for services furnished by the water and sewer systems, which will be sufficient to provide pledged revenues equal to or exceeding 1.15 times the sum of the Town's semiannual loan payments due in such fiscal year. Pledged revenues are derived from the operation of the water and sewer systems after payment of the operation and maintenance expenses of the system.

Condition: The Town did not meet the pledged revenue coverage covenant required by its SRF loan agreements.

Cause of Condition: The Town has not maintained sufficient water and sewer rates to cover the costs of operating the water and sewer systems.

Effect of Condition: Not meeting compliance requirements is an event of default on the loan, which provides certain remedies allowed to the lender in the loan agreement. Among such remedies are calling the loan, increasing the financing rate, intercepting delinquent amounts from unobligated funds due to the Town through the State, or applying for a court to appoint a receiver to manage the water and sewer systems, including setting rates, collecting revenues and applying those revenues to the loan balance.

Recommendations: We recommend that a rate study be completed and implemented to increase revenue generated from water and sewer charges for services to ensure the pledged revenue coverage covenant is met.

Views of Responsible Officials:

The Town of Eatonville is currently and over the past years been in the process of adhering to the requirements of the SRF loan agreements; we are still working with Florida Rural Water Association. Please note, we are diligently working to resolve this issue in lieu of the transitioning of management staff. Upon finalizing the study, we will then implement the new rate structure. Once the new rate structure is implemented, this will allow us to increase and maintain the rates and charges for services furnished by the water and sewer systems.