

Town of Howey-in-the-Hills,
Florida

Audit Report

September 30, 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Howey-in-the-Hills, Florida (the "Town") as of and for the year ended September 30, 2014, 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, the business-type activities, each

major fund, and the aggregate remaining fund information of the Town, as of September 30, 2014, 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.

Emphasis of Matter

As discussed in Note 6, the Town did not implement the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our opinions are not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule 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.

Management has omitted the pension trend information 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 opinions on the basic financial statements are not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 04, 2015, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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's internal control over financial reporting and compliance.

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

Gainesville, Florida
June 04, 2015

Town of Howey-in-the-Hills, Florida

Management's Discussion and Analysis

This discussion and analysis of the Town of Howey-in-the-Hill's financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2014. Please read it in conjunction with the Town's financial statements, which follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

Town of Howey-in-the-Hills, Florida

Management's Discussion and Analysis

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets						
Non-capital assets	\$ 678,254	\$ 643,314	\$ 928,138	\$ 534,979	\$ 1,606,392	\$ 1,178,293
Capital assets	1,311,675	1,283,999	3,137,667	3,266,526	4,449,342	4,550,525
Total assets	1,989,929	1,927,313	4,065,805	3,801,505	6,055,734	5,728,818
Liabilities						
Current liabilities	51,229	61,532	67,255	222,831	118,484	284,363
Long-term liabilities	67,313	21,100	2,491,168	2,121,717	2,558,481	2,142,817
Total liabilities	118,542	82,632	2,558,423	2,344,548	2,676,965	2,427,180
Net position						
Net investment in capital assets	1,264,362	1,283,999	647,999	1,147,109	1,912,361	2,431,108
Restricted	37,744	26,257	-	33,081	37,744	59,338
Unrestricted	569,281	534,425	859,383	276,767	1,428,664	811,192
Total net position	\$ 1,871,387	\$ 1,844,681	\$ 1,507,382	\$ 1,456,957	\$ 3,378,769	\$ 3,301,638

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues						
Charges for services	\$ 54,376	\$ 35,536	\$ 523,402	\$ 500,197	\$ 577,778	\$ 535,733
Operating grants & contributions	173,674	290,658	-	-	173,674	290,658
Capital grants & contributions	-	-	-	-	-	-
General revenues						
Property taxes	631,071	582,771	-	-	631,071	582,771
Franchise fees and utility taxes	198,295	184,521	22,939	23,747	221,234	208,268
Shared revenues	118,779	117,500	-	-	118,779	117,500
Other	48,009	41,481	-	-	48,009	41,481
Total revenues	1,224,204	1,252,467	546,341	523,944	1,770,545	1,776,411
Program expenses						
General government	339,177	295,337	-	-	339,177	295,337
Public safety	574,829	560,113	-	-	574,829	560,113
Physical environment	99,994	92,347	-	-	99,994	92,347
Transportation	72,049	199,613	-	-	72,049	199,613
Culture and recreation	111,449	102,779	-	-	111,449	102,779
Interest on long-term debt	-	527	-	-	-	527
Utility	-	-	492,374	368,373	492,374	368,373
Stormwater	-	-	3,542	3,542	3,542	3,542
Total expenses	1,197,498	1,250,716	495,916	371,915	1,693,414	1,622,631
Change in net position	26,706	1,751	50,425	152,029	77,131	153,780
Beginning net position	1,844,681	1,842,930	1,456,957	1,304,928	3,301,638	3,147,858
Ending net position	\$ 1,871,387	\$ 1,844,681	\$ 1,507,382	\$ 1,456,957	\$ 3,378,769	\$ 3,301,638

Town of Howey-in-the-Hills, Florida
Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$228,050 in program revenues and \$996,154 of general revenues, and incurred \$1,197,498 of program expenses. This resulted in a \$26,706 increase in net position.

Business-type Activities

Program revenues of the business-type activities were \$523,402 and general revenues were \$22,939 compared to expenses of \$495,916. This resulted in a \$50,425 increase in net position.

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$39,728, from \$558,543 to \$598,271.

Utility

The Utility Fund's net position increased by \$53,967, from \$1,335,670 to \$1,389,637.

BUDGETARY HIGHLIGHTS

The General Fund budget was increased by about 7% during the year. Total revenues exceeded the budget, and total expenditures were kept within the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

Debt Administration

The Town incurred new long-term debt of \$462,672 and a capital lease obligation of \$67,461 during the year and refunded its outstanding water revenue bonds. Please refer to a note to the accompanying financial statements entitled *Long-term Obligations* for more detailed information about the Town's long-term debt activity.

ECONOMIC FACTORS

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

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

Town of Howey-in-the-Hills, Florida

Statement of Net Position
September 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 648,250	\$ 790,539	\$ 1,438,789
Investment in state pool	12,733	4,225	16,958
Due from other governments	17,271	-	17,271
Accounts receivable	-	46,563	46,563
Inventory	-	3,589	3,589
Restricted assets:			
Cash and equivalents	-	83,222	83,222
Capital assets:			
Non-depreciable	351,808	-	351,808
Depreciable, net	959,867	3,137,667	4,097,534
Total assets	1,989,929	4,065,805	6,055,734
Liabilities			
Accounts payable and accrued liabilities	29,990	42,945	72,935
Due to pension trust fund	21,239	-	21,239
Customer deposits	-	24,310	24,310
Noncurrent liabilities:			
Due within one year	33,844	112,120	145,964
Due in more than one year	33,469	2,379,048	2,412,517
Total liabilities	118,542	2,558,423	2,676,965
Net position			
Net investment in capital assets	1,264,362	647,999	1,912,361
Restricted:			
Public safety	15,063	-	15,063
Physical environment	20,263	-	20,263
Culture and recreation	2,418	-	2,418
Unrestricted	569,281	859,383	1,428,664
Total net position	\$ 1,871,387	\$ 1,507,382	\$ 3,378,769

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Statement of Activities
Year ended September 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities							
General government	\$ 339,177	\$ 6,293	\$ -	\$ -	\$ (332,884)	\$ -	\$ (332,884)
Public safety	574,829	33,786	13,501	-	(527,542)	-	(527,542)
Physical environment	99,994	8,722	-	-	(91,272)	-	(91,272)
Transportation	72,049	-	130,877	-	58,828	-	58,828
Culture and recreation	111,449	5,575	29,296	-	(76,578)	-	(76,578)
Total governmental activities	1,197,498	54,376	173,674	-	(969,448)	-	(969,448)
Business-type activities							
Utility	492,374	523,402	-	-	-	31,028	31,028
Stormwater	3,542	-	-	-	-	(3,542)	(3,542)
Total business-type activities	495,916	523,402	-	-	-	27,486	27,486
Total	\$ 1,693,414	\$ 577,778	\$ 173,674	\$ -	(969,448)	27,486	(941,962)
General revenues							
Property taxes					631,071	-	631,071
Franchise fees and utility taxes					198,295	22,939	221,234
Impact and developer fees					13,736	-	13,736
Shared revenues - unrestricted					118,779	-	118,779
Miscellaneous					34,273	-	34,273
Total general revenues					996,154	22,939	1,019,093
Change in net position					26,706	50,425	77,131
Net position - beginning of year					1,844,681	1,456,957	3,301,638
Net position - end of year					\$ 1,871,387	\$ 1,507,382	\$ 3,378,769

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Balance Sheet
Governmental Funds
September 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and equivalents	\$ 610,506	\$ 37,744	\$ 648,250
Investment in state pool	12,733	-	12,733
Due from other funds	8,990	-	8,990
Due from other governments	17,271	-	17,271
Total assets	\$ 649,500	\$ 37,744	\$ 687,244
Liabilities			
Accounts payable and accrued liabilities	\$ 29,990	\$ -	\$ 29,990
Due to other funds	21,239	8,990	30,229
Total liabilities	51,229	8,990	60,219
Fund balances			
Restricted:			
Public safety	-	15,063	15,063
Physical environment	-	20,263	20,263
Culture and recreation	-	2,418	2,418
Unassigned	598,271	(8,990)	589,281
Total fund balances	598,271	28,754	627,025
Total liabilities and fund balances	\$ 649,500	\$ 37,744	\$ 687,244

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
September 30, 2014

Fund balances - total governmental funds	\$ 627,025
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Amounts reported for governmental activities in the statement of net position
are different because:

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

Capital assets – net	1,311,675
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Long-term liabilities are not reported in the governmental funds.

Capital lease	(47,313)
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Compensated absences	(20,000)
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Net position of governmental activities	\$ 1,871,387
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See accompanying notes.

Town of Howey-in-the-Hills, Florida

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended September 30, 2014

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 869,779	\$ -	\$ 869,779
Permits, fees and special assessments	146,360	11,420	157,780
Intergovernmental	137,009	-	137,009
Charges for services	6,758	-	6,758
Judgments, fines and forfeits	9,290	1,073	10,363
Miscellaneous	34,168	8,347	42,515
Total revenues	1,203,364	20,840	1,224,204
Expenditures			
Current:			
General government	356,056	-	356,056
Public safety	578,179	12,320	590,499
Physical environment	93,635	3,005	96,640
Transportation	71,659	-	71,659
Culture and recreation	111,420	-	111,420
Debt service:			
Principal retirement	20,148	-	20,148
Total expenditures	1,231,097	15,325	1,246,422
Excess of revenues over (under) expenditures	(27,733)	5,515	(22,218)
Other financing sources (uses)			
Capital lease	67,461	-	67,461
Net change in fund balances	39,728	5,515	45,243
Fund balances - beginning of year	558,543	23,239	581,782
Fund balances - end of year	\$ 598,271	\$ 28,754	\$ 627,025

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances to the Statement of Activities
Governmental Funds
Year ended September 30, 2014

Net change in fund balances	\$ 45,243
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated over their estimated useful lives.

Acquisitions of capital assets	102,457
Current year depreciation expense	(74,781)

The issuance of long-term debt provides current financial resources for governmental funds, but does not effect net position of government activities.

Capital lease	(67,461)
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The repayment of debt principal is an expenditure in the governmental funds but has no effect on net position of governmental activities.

Principal payments	20,148
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	1,100
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Change in net position of governmental activities	\$ 26,706
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See accompanying notes.

Town of Howey-in-the-Hills, Florida
Statement of Net Position
Proprietary Funds
September 30, 2014

	Business-Type Activities Enterprise Funds		
	Utility Fund	Other Enterprise Fund	Total Enterprise Funds
Current assets			
Cash and equivalents	\$ 761,817	\$ 28,722	\$ 790,539
Investment in state pool	4,225	-	4,225
Accounts receivable	46,563	-	46,563
Inventory	3,589	-	3,589
Total current assets	816,194	28,722	844,916
Noncurrent assets			
Restricted cash and equivalents	83,222	-	83,222
Capital assets, net	3,048,644	89,023	3,137,667
Total noncurrent assets	3,131,866	89,023	3,220,889
Total assets	3,948,060	117,745	4,065,805
Current liabilities			
Accounts payable and accrued liabilities	42,945	-	42,945
Customer deposits	24,310	-	24,310
Current portion of long-term liabilities	112,120	-	112,120
Total current liabilities	179,375	-	179,375
Noncurrent liabilities	2,379,048	-	2,379,048
Total liabilities	2,558,423	-	2,558,423
Net position			
Net investment in capital assets	558,976	89,023	647,999
Unrestricted	830,661	28,722	859,383
Total net position	\$ 1,389,637	\$ 117,745	\$ 1,507,382

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Statement of Revenues, Expenses and Changes in Fund Net Position
 Proprietary Funds
 Year ended September 30, 2014

	Business-Type Activities Enterprise Funds		
	Utility Fund	Other Enterprise Fund	Total Enterprise Funds
Operating revenues			
User fees - water	\$ 362,365	\$ -	\$ 362,365
User fees - sanitation	161,037	-	161,037
Total operating revenues	523,402	-	523,402
Operating expenses			
Personal services	47,636	-	47,636
Operating expenses	268,080	-	268,080
Depreciation	128,896	3,542	132,438
Total operating expenses	444,612	3,542	448,154
Operating income (loss)	78,790	(3,542)	75,248
Nonoperating revenues (expenses)			
Utility service taxes	22,939	-	22,939
Interest expense	(47,762)	-	(47,762)
Total nonoperating revenues (expenses)	(24,823)	-	(24,823)
Change in net position	53,967	(3,542)	50,425
Net position - beginning of year	1,335,670	121,287	1,456,957
Net position - end of year	\$ 1,389,637	\$ 117,745	\$ 1,507,382

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2014

	Business-Type Activities Enterprise Funds		
	Utility Fund	Other Enterprise Fund	Total Enterprise Funds
Operating activities			
Receipts from customers	\$ 521,509	\$ 26	\$ 521,535
Payments to suppliers	(227,060)	-	(227,060)
Payments to employees	(48,436)	-	(48,436)
Net cash provided by operating activities	246,013	26	246,039
Noncapital financing activities			
Utility service taxes	23,747	-	23,747
Capital and related financing activities			
Proceeds from debt issuance	462,672	-	462,672
Principal paid on debt	(93,284)	-	(93,284)
Interest paid on debt	(71,964)	-	(71,964)
Liquidation of accounts payable used to acquire capital assets in prior year	(173,663)	-	(173,663)
Acquisition of capital assets	(3,579)	-	(3,579)
Net cash provided by capital and related financing activities	120,182	-	120,182
Change in cash and equivalents	389,942	26	389,968
Cash and equivalents - beginning of year	455,097	28,696	483,793
Cash and equivalents - end of year	\$ 845,039	\$ 28,722	\$ 873,761
Operating income (loss)	\$ 78,790	\$ (3,542)	\$ 75,248
Depreciation	128,896	3,542	132,438
Change in:			
Receivables	(3,218)	26	(3,192)
Inventory	2	-	2
Operating payables	41,018	-	41,018
Customer deposits	1,325	-	1,325
Compensated absences	(800)	-	(800)
Net cash provided by operating activities	\$ 246,013	\$ 26	\$ 246,039
Noncash capital and related financing activities			
Refunding note issued	\$ 285,000	\$ -	\$ 285,000
Refunding note proceeds applied to refund bonds	\$ (284,137)	\$ -	\$ (284,137)

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Statement of Fiduciary Net Position
September 30, 2014

	Pension Trust Fund
Assets	
Investment in FMIvT	\$ 1,259,230
Due from other funds	21,239
Total assets	1,280,469
Liabilities	-
Net position	
Restricted for pension benefits	\$ 1,280,469

See accompanying notes.

Town of Howey-in-the-Hills, Florida

Statement of Changes in Fiduciary Net Position
Year ended September 30, 2014

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 76,310
Member	11,104
State	10,022
Total contributions	97,436
Investment income:	
Investment income	98,019
Less, investment management fee	(2,411)
Net investment income	95,608
Total additions	193,044
Deductions	
Member benefits	72,459
Administrative expense	13,614
Total deductions	86,073
Change in net position	106,971
Net position restricted for pension benefits	
Beginning of year	1,173,498
Net position restricted for pension benefits	
End of year	\$ 1,280,469

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

The Town did not participate in any joint ventures during the 2013 – 2014 fiscal year.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees charged to external parties.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

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

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise fund:

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

Additionally, the Town reports the following fiduciary fund:

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

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Investment in State Pool

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

The State Pool has adopted operating procedures consistent with the requirements for a 2a7-like fund. The Town's investment in the State Pool is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

Pension Investments

Investments of the pension plan are stated at fair value.

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectible accounts of \$111,069 in the Utility Fund.

Inventory

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

Capital Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

For its business-type activities, the Town's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. No interest costs were capitalized during 2014.

Compensated Absences

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

Property Taxes

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

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

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

Operating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted Net Position

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of net position reports \$25,382 of net position restricted by enabling legislation relating to impact fees.

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

Fund Balance

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

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

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

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

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

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

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

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

Use of Estimates

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

NOTE 2 – DEPOSITS AND INVESTMENTS***Deposits***

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

Investments – Other than Pension

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

The Town's investment in the State Pool exposes it to credit risk. The Town does not have a formal investment policy relating to that risk, which is described as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Pool is rated by Standard & Poors and has a rating at September 30, 2014, of AAAm.

Pension Investments

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

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

Cash and Money Market	\$ 7,555
FMIvT Broad Market High Quality Bond Portfolio	201,477
FMIvT Core Plus	294,660
FMIvT High Quality Growth Portfolio	100,738
FMIvT Large Cap Diversified Value Portfolio	103,257
FMIvT Russell 1000 Enhanced Index Portfolio	294,660
FMIvT Diversified Small to Mid Cap Equity Portfolio	137,256
FMIvT International Equity Portfolio	119,627
Total	\$ 1,259,230

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policies limit investments in bonds to those rated in the top four quality grades by a major rating service. The Bond Portfolio is rated by Fitch and has a rating at September 30, 2014, of AA/V4.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Town's investment policies do not provide specific restrictions as to maturity length of investments. The weighted average maturity of the Bond Portfolio is 6.47 years.

Foreign Currency Risk

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

NOTE 3 – INTERFUND BALANCES

At September 30, 2014, interfund balances were as follows:

	Interfund Receivables	Interfund Payables
General Fund	\$ 8,990	\$ 21,239
Law Enforcement Trust Fund	-	8,990
Pension Trust	21,239	-
Total	\$ 30,229	\$ 30,229

Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2014, the following changes in capital assets occurred:

Governmental Activities	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Capital assets, not being depreciated:				
Construction in process	\$ 88,320	\$ -	\$ -	\$ 88,320
Land and improvements	263,488	-	-	263,488
Total capital assets, not being depreciated	351,808	-	-	351,808
Capital assets, being depreciated:				
Buildings and improvements	472,827	24,116	-	496,943
Improvements	1,020,351	-	-	1,020,351
Equipment and machinery	390,384	10,880	21,999	379,265
Assets under capital lease	-	67,461	-	67,461
Total capital assets, being depreciated	1,883,562	102,457	21,999	1,964,020
Less accumulated depreciation for:				
Buildings and improvements	186,653	19,332	-	205,985
Improvements	395,861	22,778	-	418,639
Equipment and machinery	368,857	15,806	21,999	362,664
Assets under capital lease	-	16,865	-	16,865
Total accumulated depreciation	951,371	74,781	21,999	1,004,153
Total capital assets being depreciated, net	932,191	27,676	-	959,867
Governmental activities capital assets, net	\$ 1,283,999	\$ 27,676	\$ -	\$ 1,311,675

Town of Howey-in-the-Hills, Florida

Notes to Financial Statements

NOTE 4 – CAPITAL ASSET ACTIVITY (CONTINUED)

Business-type Activities	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Capital assets, not being depreciated:				
Construction in process	\$ 2,613,754	\$ (2,613,754)	\$ -	\$ -
Capital assets, being depreciated:				
Buildings and improvements	7,693	-	-	7,693
Machinery and equipment	305,955	3,579	3,450	306,084
Improvements - water system	1,549,881	2,613,754	-	4,163,635
Total capital assets, being depreciated	1,863,529	2,617,333	3,450	4,477,412
Less accumulated depreciation for:				
Building and improvements	7,693	-	-	7,693
Machinery and equipment	269,523	12,549	3,450	278,622
Improvements - water system	933,541	119,889	-	1,053,430
Total accumulated depreciation	1,210,757	132,438	3,450	1,339,745
Total capital assets being depreciated, net	652,772	2,484,895	-	3,137,667
Business-type activities capital assets, net	\$ 3,266,526	\$ (128,859)	\$ -	\$ 3,137,667

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 7,471
Public safety	59,630
Physical environment	7,199
Transportation	390
Culture and recreation	91

Total depreciation expense – governmental activities	\$ 74,781
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Business-type activities:

Utility	\$ 128,896
Stormwater	3,542

Total depreciation expense – business-type activities	\$ 132,438
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Town of Howey-in-the-Hills, Florida

Notes to Financial Statements

NOTE 5 – LONG-TERM OBLIGATIONS

Governmental Activities

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014	Due Within One Year
Capital lease obligation	\$ -	\$ 67,461	\$ 20,148	\$ 47,313	\$ 13,844
Compensated absences	21,100	26,300	27,400	20,000	20,000
Total	\$ 21,100	\$ 93,761	\$ 47,548	\$ 67,313	\$ 33,844

Capital Lease

The Town has agreements with a financing corporation to acquire vehicles at an interest rate of 13.2%. The aggregate historical cost of the vehicles is \$67,461.

The future minimum lease payments and the net present value of the minimum lease payments as of September 30, 2014, are as follows:

Year ending September 30,	Amount
2015	\$ 20,148
2016	20,148
2017	20,148
Less interest	(13,131)
	\$ 47,313

Business-type Activities

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014	Due Within One Year
Revenue bonds	\$ 284,137	\$ -	\$ 284,137	\$ -	\$ -
Revenue refunding note	-	285,000	11,325	273,675	23,472
State revolving fund loan	1,835,280	462,672	81,959	2,215,993	87,648
Compensated absences	2,300	900	1,700	1,500	1,000
Total	\$2,121,717	\$748,572	\$ 379,121	\$ 2,491,168	\$112,120

Revenue Refunding Note

The revenue refunding note was issued in the amount of \$285,000 to currently refund the Town's outstanding revenue bonds. The aggregate difference in debt service between the refunding and refunded debt was \$115,000, resulting in an economic gain of \$65,000.

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Interest and principal are payable monthly in the amount of \$2,997. The interest rate is 4.75%.

State Revolving Fund Loan

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

Aggregate Maturities

Year Ending September 30,	Revenue Refunding Note		State Revolving Fund Note	
	Principal	Interest	Principal	Interest
2015	\$ 23,472	\$ 12,492	\$ 87,648	\$ 74,892
2016	24,613	11,351	90,665	71,875
2017	25,806	10,158	93,786	68,754
2018	27,057	8,907	97,014	65,526
2019	28,372	7,592	100,353	62,187
2020-2024	144,355	16,127	556,024	256,676
2025-2029	-	-	658,542	154,158
2030-2033	-	-	531,961	36,929
Totals	\$ 273,675	\$ 66,627	\$ 2,215,993	\$ 790,997

Pledged Revenues

The Town has pledged future water customer revenues, net of specified operating expenses, to repay approximately \$274,000 of the water revenue refunding note and \$2,216,000 of the State Revolving Fund Loan. The debt was used to construct and improve the Town's water system and is payable through 2033. The total principal and interest remaining to be paid on the debt secured by pledged revenues is approximately \$3,347,000. For 2014, the Town paid approximately \$204,000 of principal and interest on the water revenue refunding note and State Revolving Fund loan. Pledged net revenues for the water system were approximately \$180,000.

NOTE 6 – PENSION PLAN***Plan Description***

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

NOTE 6 – PENSION PLAN (CONTINUED)

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

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

Membership in the Plan as of September 30, 2014, is as follows:

Active employees	5
Service retirees and beneficiaries	2
<hr/>	
Total	7
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Implementation of GASB Statement No. 67

GASB Statement No. 67, *Financial Reporting for Pension Plans*, became effective for the Town's 2014 fiscal year, however, the Town did not implement the provisions of that statement. Consequently, the disclosures required by Statement No. 67 are not presented as part of the basic financial statements and the required supplementary information required by Statement No. 67 is not presented to supplement the basic financial statements.

Funding Policy

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

NOTE 6 – PENSION PLAN (CONTINUED)

Contribution rates:	
Town	30.4%
Plan members	5.0%
Annual pension cost	\$ 76,310
Contributions made	\$ 76,310
Actuarial valuation date	10/1/2010
Actuarial cost method	Aggregate
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	7.5%

Three Year Trend Information

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
09/30/14	\$ 76,310	100%	\$ -
09/30/13	72,549	100%	-
09/30/12	68,866	100%	-

Annual Pension Cost and Net Pension Obligation

The development of the most recent net pension obligation (NPO) is as follows:

Annual required contribution (ARC)	\$ 76,310
Adjustment to ARC	-
Annual pension cost	76,310
Contributions made	76,310
Increase in NPO	-
NPO beginning of year	-
NPO end of year	\$ -

Fund Status and Funding Progress

The funded status of the Plan as of October 1, 2010, the most recent actuarial valuation date, was as follows:

Town of Howey-in-the-Hills, Florida

Notes to Financial Statements

NOTE 6 – PENSION PLAN (CONTINUED)

Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b) - (a)) / (c)
\$ 787,999	\$ 1,087,249	\$ 299,250	72%	\$ 264,138	113%

NOTE 7 – DEFICIT FUND BALANCE

The Law Enforcement Trust fund had a deficit fund balance of \$8,990 at year end.

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of employees. These risks are primarily covered by participation in public entity risk pools operating as common risk management and insurance programs for members.

NOTE 9 – CONTINGENCIES

The Town is sometimes a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the Town cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the Town.

NOTE 10 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will become effective in 2015. The Town is currently evaluating the effects that this statement will have on its 2015 financial statements.

Required Supplementary Information

Town of Howey-in-the-Hills, Florida

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year ended September 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final	Amount	With Final Budget
Revenues				
Taxes	\$ 873,717	\$ 873,717	\$ 869,779	\$ (3,938)
Permits, fees and special assessments	127,953	127,953	146,360	18,407
Intergovernmental	118,322	128,344	137,009	8,665
Charges for services	3,400	3,400	6,758	3,358
Judgments, fines and forfeits	14,200	14,200	9,290	(4,910)
Miscellaneous	7,000	17,796	34,168	16,372
Total revenues	1,144,592	1,165,410	1,203,364	37,954
Expenditures				
Current:				
General government	454,961	385,424	356,056	29,368
Public safety	426,454	529,925	578,179	(48,254)
Physical environment	83,261	85,051	93,635	(8,584)
Transportation	99,930	99,930	71,659	28,271
Culture and recreation	79,986	112,346	111,420	926
Debt service:				
Principal retirement	-	20,195	20,148	47
Total expenditures	1,144,592	1,232,871	1,231,097	1,774
Excess of revenues over (under) expenditures	-	(67,461)	(27,733)	39,728
Other financing sources (uses)				
Capital lease	-	67,461	67,461	-
Net change in fund balances	-	-	39,728	39,728
Fund balances - beginning of year	-	-	558,543	558,543
Fund balances - end of year	\$ -	\$ -	\$ 598,271	\$ 598,271

Notes to Required Supplementary Information

BUDGETARY INFORMATION

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

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

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

Supplementary Information

Town of Howey-in-the-Hills, Florida

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014

	Taylor Memorial Cemetery Fund	Law Enforcement Trust Fund	Police Automation Fund	Special Law Enforcement Trust Fund
Assets				
Cash and equivalents	\$ 2,449	\$ -	\$ 4,804	\$ 4,119
Liabilities				
Due to other funds	\$ -	\$ 8,990	\$ -	\$ -
Fund balances				
Restricted:				
Public safety	-	-	4,804	4,119
Physical environment	2,449	-	-	-
Culture and recreation	-	-	-	-
Unassigned	-	(8,990)	-	-
Total fund balances	2,449	(8,990)	4,804	4,119
Total liabilities and fund balances	\$ 2,449	\$ -	\$ 4,804	\$ 4,119

(Continued)

Town of Howey-in-the-Hills, Florida

Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2014

	Tree Fund	Impact Fees Fund	Total Nonmajor Govern- mental Funds
Assets			
Cash and equivalents	\$ 990	\$ 25,382	\$ 37,744
Liabilities			
Due to other funds	\$ -	\$ -	\$ 8,990
Fund balances			
Restricted:			
Public safety	-	6,140	15,063
Physical environment	990	16,824	20,263
Culture and recreation	-	2,418	2,418
Unassigned	-	-	(8,990)
Total fund balances	990	25,382	28,754
Total liabilities and fund balances	\$ 990	\$ 25,382	\$ 37,744

Town of Howey-in-the-Hills, Florida

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended September 30, 2014

	Taylor Memorial Cemetery Fund	Law Enforcement Trust Fund	Police Automation Fund	Special Law Enforcement Trust Fund
Revenues				
Permits, fees and special assessments	\$ 125	\$ -	\$ -	\$ -
Judgments, fines and forfeits	-	1,073	-	-
Miscellaneous	8,347	-	-	-
Total revenues	8,472	1,073	-	-
Expenditures				
Public safety	-	12,320	-	-
Physical environment	3,005	-	-	-
Total expenditures	3,005	12,320	-	-
Excess of revenues over (under) expenditures	5,467	(11,247)	-	-
Fund balances - beginning of year	(3,018)	2,257	4,804	4,119
Fund balances - end of year	\$ 2,449	\$ (8,990)	\$ 4,804	\$ 4,119

(Continued)

Town of Howey-in-the-Hills, Florida

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
Year ended September 30, 2014

	Tree Fund	Impact Fees Fund	Total Nonmajor Govern- mental Funds
Revenues			
Permits, fees and special assessments	\$ -	\$ 11,295	\$ 11,420
Judgments, fines and forfeits	-	-	1,073
Miscellaneous	-	-	8,347
Total revenues	-	11,295	20,840
Expenditures			
Public safety	-	-	12,320
Physical environment	-	-	3,005
Total expenditures	-	-	15,325
Excess of revenues over (under) expenditures	-	11,295	5,515
Fund balances - beginning of year	990	14,087	23,239
Fund balances - end of year	\$ 990	\$ 25,382	\$ 28,754

(Concluded)

Town of Howey-in-the-Hills, Florida

Schedule of Expenditures of Federal Awards
Year ended September 30, 2014

	Contract Number	CFDA Number	Expenditures
<hr/>			
United States of America Department of Environmental Protection			
Passed through the State of Florida Department of Environmental			
Protection:			
Capitalization grants for drinking water			
state revolving funds	DW350401	66.468	\$ 462,672

NOTE 1 – BASIS OF PRESENTATION

In the accompanying schedule of expenditures of federal awards, expenditures represent allowable costs, determined in accordance with generally accepted accounting principles, using the modified accrual basis of accounting.

NOTE 2 – SUBRECIPIENTS

The Town did not provide federal awards to subrecipients.

Additional Elements Required by the Rules of the Auditor General

MANAGEMENT LETTER

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

We have audited the financial statements of the Town of Howey-in-the-Hills, Florida (the "Town") as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 04, 2015. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

Prior Audit Findings

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. These requirements of the Rules of the Auditor General are addressed in the Schedule of Findings that accompanies this letter.

Financial Condition

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Town has not met one or more of the conditions described in Section 218.503(1), Florida Statutes.

Also, as required by the Rules of the Auditor General, we applied financial condition assessment procedures, as of the end of the fiscal year, pursuant to Rule 10.556(8). It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by management. The application of such procedures did not reveal evidence of "deteriorating financial condition" as that term is defined in Rule 10.554.

Annual Financial Report

As required by the Rules of the Auditor General, we determined that the 2013-2014 annual financial report was filed with the Department of Financial Services pursuant to Section 218.32, Florida Statutes, and is in substantial agreement with the audit report for the fiscal year ended September 30, 2014.

Other Matters

Our audit did not reveal any other matters that we are required to include in this management letter.

This management letter is intended solely for the information and use of the Mayor and Town Council, management, and the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Carri Riggs & Ingram, L.L.C.

Gainesville, Florida
June 04, 2015

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

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

We have examined the Town of Howey in the Hill's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2014. 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, 2014.

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

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

Gainesville, Florida
June 04, 2015

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Howey-in-the-Hills, Florida (the "Town"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 04, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a

direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town's Response to Finding

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

Purpose of this Report

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

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

Gainesville, Florida
June 04, 2015

Schedule of Findings

2014-001 (Reported in previous audit reports as items 2013-001 and 12-1.)

Condition – Generally accepted auditing standards require that an auditor report a finding when it is necessary for the auditor to assist with the preparation of a government's financial statements. As part of the audit process, we proposed material adjustments to the Town's financial statements. It was also necessary for us to assist with the preparation of the Town's financial statements. Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

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



June 4, 2015

State of Florida Auditor General Pam Bondi
Claude Pepper Building
111 W. Madison Street
Tallahassee, FL 32399-1450

Re: Town of Howey-in-the-Hills, Florida Schedule of Findings for Year Ended September 30, 2014

Dear Auditor General Bondi:

2014-001 Condition – Generally accepted auditing standards requires that an auditor report a finding when it is necessary for the auditor to assist with the preparation of a government's financial statements. As part of the audit process, we proposed material adjustments to the Town's financial statements. It was also necessary for us to assist with the Town's financial statements. Our proposed adjustments were accepted by management establishing the financial statement to be fairly presented in conformity with generally accepted accounting principles.

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

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

Chris Sears, Mayor

Town of Howey-in-the-Hills