

VILLAGE OF INDIANTOWN, FLORIDA
FINANCIAL REPORT
FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2018

VILLAGE OF INDIANTOWN, FLORIDA

FINANCIAL REPORT SEPTEMBER 30, 2018

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INTRODUCTORY SECTION

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VILLAGE OF INDIANTOWN, FLORIDA
COUNCIL/VILLAGE MANAGER FORM OF GOVERNMENT
SEPTEMBER 30, 2018

VILLAGE COUNCIL

Guyton Stone, Mayor
Janet Hernandez, Vice Mayor

Jacqueline Clarke
Anthony Dowling
Susan G. Thomas

VILLAGE MANAGER

Howard W. Brown, ICMA-CM

VILLAGE CLERK

Susan Owen, CMC

VILLAGE ATTORNEY

Wade Vose, Esq.

INTERIM FINANCE DIRECTOR

G&L Accounting Services, LLC.

VILLAGE AUDITORS

Mauldin & Jenkins, LLC

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the Village Council,
Village of Indiantown, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the **Village of Indiantown, Florida** (the "Village"), as of and for the nine months ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Village as of September 30, 2018, and for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

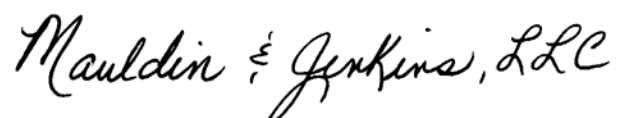
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the Required Supplementary Information on pages 20 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019, on our consideration of the Village'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 Village's internal control over financial reporting and compliance.



Bradenton, Florida
December 17, 2019

VILLAGE OF INDIANTOWN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

The Village of Indiantown, Florida's, (the "Village") discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of The Village's financial activity, (c) identify changes in the Village's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Village's financial statements (beginning on page 8).

The Village was incorporated December 31, 2017, under the Charter and Laws of Martin County (the "County"). The County must approve all new incorporations and annexations. The County also largely determines the framework, service provisions or service denials, continuing obligations, and powers and duties of the Village. Florida Law determines the Village and the County's fiscal years. The fiscal year begins October 1st of each year and ends September 30th of the next year. This financial statement presentation represents a partial fiscal year that ran from the 1st of January 2018 through September 30th of 2018. Actual activities of the Village started on March 21, 2018. Virtually all of the financial information contained in the Village's partial years' financial statement results from the budget and terms and conditions that were set as part of the Village's incorporation. Some of the conditions of the incorporation of the Village included an understanding that the Village and the County would operate under an interim interlocal agreement for the partial fiscal year and a transitional interlocal agreement that would cover the period of time beginning October 1, 2018, and end at an agreed to time in the future, at which point the Village would have taken over the provision of certain services from the County. The transitional agreement would contemplate a timeframe that would permit an orderly transfer of services. That agreement would also provide for the transition and accounting of revenues and expenditures that the County and Village would negotiate. At that time, the Village and County agreed to certain terms and conditions that would detail the rights and obligations of both parties. The Village did not have a position of strength during these negotiations.

The financial statements herein reflect the activity of the Village for the interim period. Readers of these financial statements should use caution in drawing any conclusions about the Village's Statement of Net Position and Statement of Activities. Management does not believe they reflect any meaningful data that would allow readers to understand anything other than the Village's revenues and expenses that it recorded during the interim period and the net position that resulted from the final agreements reached in a subsequent period.

Likewise, management believes that when fiscal year 2019 has concluded, it also will not reflect very meaningful financial information about the Village. It is management's belief that fiscal year 2020 will be the first year that will contain any meaningful information about the Village's financial operations and the level of service that it provides its residents and businesses.

VILLAGE OF INDIANTOWN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

Financial Highlights

The Village finished its interim period fiscal year with negative net position of \$60,182, which represent the amount attributable to the General Fund activities. The Village was advanced \$49,994 by the County to assist in start-up operations for planning services.

The Village's revenues that were recorded for fiscal year 2018 were a result of franchise fees in the amount of \$54,566, intergovernmental revenues of \$360,699 and licenses and permits of \$14,071 (see page 12).

The Village did not have any business-type activities in fiscal year 2018.

The Villages had long-term debt as of September 30, 2018, to assist in operating cash flow as the Village brings on additional services.

Virtually all of the Village's expenses were for the administration of the Village during the interim period, including estimated non-recurring startup expenses of approximately \$497,178. The Village put into service \$12,632 of fixed assets, primarily office furniture and computers. The Village currently leases its office space.

Village Achievements

After years of discussion and study, the State of Florida Legislature incorporated the Village to preserve and protect the character, natural resources and quality of life of the community. The incorporation provided for approximately 6,083 residents a level of government that is hoped to be more responsive to the community. On March 21, 2018, the Village Council was seated. The Village Council are all long-time residents who are extremely motivated and organized to improve their community. Their leadership during the next few years will be extremely valuable in setting the foundation under which the Village will operate.

The Village of Indiantown began adopting the local laws under which taxes and other revenues will be levied. Both state law and practical considerations will dictate the timing of the receipt of these revenues. Nonetheless, important initial steps were undertaken during the interim period.

The Village, during this interim period, quickly developed a central contact point for its residents and businesses and began the process of hiring key personnel.

Overview of the Financial Statements

The financial statement focus is on both the Village as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to assess the particulars of the Village's financial operations and also provide for annual comparisons of the Village's financial performance. The statements can also facilitate comparisons with other units of government. The Village began operations in March of 2018; therefore, no comparison is made for any previous year. The fiscal year 2019 financial statements will likely be markedly different from those presented here.

VILLAGE OF INDIANTOWN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

Government-Wide Financial Statements. The government-wide financial statements are designed to be corporate-like in that all governmental activities (though the Village as yet does not operate any business-type activities) are consolidated into columns that add up to a total for the primary government. The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to be similar to bottom line results for the Village and its governmental activities. This statement combines and consolidates government funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations.

The Statement of Activities (see page 9) is focused on both the gross and net cost of various activities, which are supported by the Village's taxes and other revenues. This is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities and/or components.

The government activities reflect the Village's basic services, which, for fiscal year 2018, are merely the basic political and administrative expenses associated with the startup of the Village's operations. Future budgets will reflect movement toward the provisions of a fuller range of municipal services. For this interim fiscal period, the Village financed its operations with a contribution from the County, and intergovernmental revenue from the state of Florida. All other municipal services were provided by the County during the interim period.

The government-wide financial statements can be found on pages 8 - 9 of this report.

Fund Financial Statements. Traditional users of government financial statements will find the fund financial statements presentations more familiar. The focus in those statements is on major funds.

The Village's major fund (see pages 10 to 13) presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the fund financial statements allow the demonstration of sources and uses and/or budgeting compliance associated therewith (page 20). During this initial abbreviated fiscal period, the Village had only one fund, the General Fund, which is considered a major fund. It is expected that this structure will change in the immediate future.

The government major funds total column requires reconciliation because of the different measurement focus (current financial resources versus total economic resources) that is reflected on the page following each statement. The flow of current financial resources will reflect interfund transfers and other financial sources, as well as capital expenditures. The reconciliation will eliminate these transactions and incorporate the capital asset and long-term obligations into the government activities column (in the government-wide statements).

Infrastructure Assets. Historically, a government's largest group of assets (infrastructure - buildings, roads, curbs, and sidewalks) have not been reported nor depreciated in government financial statements. New pronouncements in governmental accounting standards require that these assets be valued and reported within the government column of the government-wide statements. The Village had no infrastructure assets to report as of September 30, 2018. The County transferred substantial infrastructure to the Village during the subsequent fiscal period.

VILLAGE OF INDIANTOWN, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018

Government-Wide Statements

Statement of Net Position. The unassigned net position balance is intended to be a corporate-style measurement of well-being (or a bottom line) for the Village and its related governmental activities.

Conditions and Impacts That Can Affect the Village's Financial Operations

Many factors and conditions can influence the current and long-term finances of the Village: Conditions of Incorporation. The Village of Indiantown was incorporated for a number of reasons.

Limits on Tax Base Growth. Under Florida's Constitution, residential properties that are owner-occupied and have a homestead exemption are limited to annual assessment increases of 3% or less. The effect of this limitation burdens the Village's tax base by exempting from taxation large portions of residential properties. The South Florida housing market has experienced substantial increases in the value of residential properties. The Village, as well as other taxing authorities, cannot capture this increase in the tax base. Typically, municipalities in the South Florida market experience increases in annual expenditures well in excess of this 3% cap. Consequently, the Village will be challenged to diversify its tax base while keeping its expenditures under control. The Village has the ability to tax property up to 10 mills, or \$1 for each \$1,000 of taxable value. It is not anticipated that the Village will reach that tax rate cap anytime soon. Management expects that most of its tax rate capacity will be unused for several years.

Economic Conditions. Indiantown is a village in Martin County, Florida, United States. The population was 6,083 at the 2010 census. It is part of the Port St. Lucie Metropolitan Statistical Area. Demand for housing has increased slightly and this trend is expected to continue for some time. The Village is a rural community, but there is fair amount of vacant land left for development. Additionally, the Village will likely face redevelopment opportunities that could positively impact the Village's long-term financial outlook. Tempering this potential, however, is the problem of providing affordable housing to families in a real estate market that has been and will continue to experience double-digit annual increases. A large portion of the Village's housing stock was constructed over 30 years ago. The area has been largely neglected over the years and the Village expects to spend considerable effort and money in improving community conditions. This should help the Village's tax base.

Introduction of New Programs. One of the impetuses for creating the Village was the dearth of responsive services in the community. Code enforcement and recreational opportunities have been particular areas of local concern and it is almost certain that the Village will quickly expand its service delivery to its residents and businesses. The Village will be tasked with maintaining its low tax rate while controlling the cost of delivering these services.

Personnel Costs. The cost of attracting and keeping experienced and competent personnel in Martin County has dramatically increased over the last two decades. The Village will have to compete with the roughly 81 municipalities that exist in Martin, St. Lucie, and Palm Beach counties. The level and amount of benefits offered to employees in this market is substantial and the employer contributions for these benefits are typically very high. As the Village expands its services, it will face continual pressure on these costs.

VILLAGE OF INDIANTOWN, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

Inflation. While overall inflation appears to be reasonably modest, the Village is and will be exposed to certain costs that historically been much higher than the consumer price index typically used to measure inflation. Chief among these costs are insurances and wages. Reduced inflation rates generally mirror reduced interest rates. Currently, investment options available to the Village pay very little investment income.

Governmental Funds. As of the year-end, the governmental funds (as presented on the balance sheet) reported a combined fund balance of \$155,389.

Business-type Funds. Currently, the Village does not have any business-type funds.

Budgetary Results. The Village had developed an interim period budget that came about from the unincorporated area study. Budgetary performance is not considered meaningful by management for this interim period.

Capital Assets and Debt Administration

Capital Assets. As of year-end, the Village had approximately \$12,632 in capital assets entirely comprised of furniture and computers acquired for general governmental purposes. There were only additions to capital assets because the Village was newly incorporated.

Debt. The Village had \$227,350 in debt or other obligations outstanding at year-end. The Village obtained a line of credit from CenterState Bank to help during the interim period.

Financial Information Contacts

The Village's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Village's finances and to demonstrate the Village's accountability. If you have any questions about the report or need additional financial information, contact the Village's Interim Finance Director at 16550 SW Warfield Blvd., Indiantown, Florida, 34956, or call (772) 597-9900.

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BASIC FINANCIAL STATEMENTS

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VILLAGE OF INDIANTOWN, FLORIDA

STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 173,939
Accounts receivables, net	54,566
Due from other governments	56,829
Capital assets	
Depreciable, net	12,632
Total assets	297,966
Liabilities	
Accounts payable	69,669
Due to Martin County	49,994
Due to other governments	11,135
Noncurrent liabilities	
Due in more than one year	227,350
Total liabilities	358,148
Net position (deficit)	
Investment in capital assets	12,632
Unrestricted	(72,814)
Total net position	\$ (60,182)

The accompanying notes to financial statements are an integral part of this statement

VILLAGE OF INDIANTOWN, FLORIDA

STATEMENT OF ACTIVITIES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Functions/programs					
Primary government:					
Governmental activities:					
General government	\$ 486,629	\$ 14,071	\$ -	\$ (472,558)	\$ (472,558)
Interest on long-term debt	3,998	-	-	(3,998)	(3,998)
Total governmental activities	<u>\$ 490,627</u>	<u>\$ 14,071</u>	<u>\$ -</u>	<u>(476,556)</u>	<u>(476,556)</u>
General revenues					
Sales taxes				301,190	301,190
Unrestricted state revenue sharing				59,509	59,509
Franchise fees				54,566	54,566
Investment earnings				98	98
Miscellaneous				1,011	1,011
Total general revenues				<u>416,374</u>	<u>416,374</u>
Change in net position				(60,182)	(60,182)
Net position, beginning of year				-	-
Net position (deficit), end of year				<u>\$ (60,182)</u>	<u>\$ (60,182)</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF INDIANTOWN, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 173,939
Accounts receivable, net	54,566
Due from other governments	56,829
Total assets	<u>\$ 285,334</u>
Liabilities and fund balances	
Liabilities	
Accounts payable	\$ 68,816
Due to Martin County	49,994
Due to other governments	11,135
Total liabilities	<u>129,945</u>
Fund balances	
Unassigned	155,389
Total fund balances	<u>155,389</u>
Total liabilities and fund balances	<u>\$ 285,334</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF INDIANTOWN, FLORIDA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds	\$ 155,389
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Governmental capital assets	12,632
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.	
Line of credit payable	(227,350)
Accrued interest	(853)
Net position of governmental activities	<u>\$ (60,182)</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF INDIANTOWN, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>
Revenues	
Licenses and permits	\$ 14,071
Intergovernmental revenues	360,699
Franchise fees	54,566
Investment earnings	98
Miscellaneous revenues	1,011
Total revenues	<u>430,445</u>
Expenditures	
Current	
General government	486,629
Debt service	
Interest	3,145
Capital outlay	12,632
Total expenditures	<u>502,406</u>
(Deficiency) of revenues (under) expenditures	<u>(71,961)</u>
Other financing sources	
Note proceeds	227,350
Total other financing sources	<u>227,350</u>
Change in fund balances	155,389
Fund balances, beginning of year	-
Fund balances, end of year	<u><u>\$ 155,389</u></u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF INDIANTOWN, FLORIDA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

Net Change in Fund Balances – Total Governmental Funds	\$ 155,389
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is depreciated over their estimated useful lives.</p>	
Capital outlay	12,632
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.</p>	
Debt proceeds	(227,350)
<p>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.</p>	
Change in accrued interest	<u>(853)</u>
Change in net position of governmental activities	<u>\$ (60,182)</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF INDIANTOWN, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Indiantown, Florida (the "Village"), located in Martin County, Florida, is a municipal corporation in the state of Florida. The Village, was incorporated in December 31 2017, and began operations on March 21, 2018. The Village operates under a Council/Manager form of government and only engaged in general governmental functions during 2018.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the period ended September 30, 2018, the Village followed the accounting and financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus, an amendment of GASB Statements No. 21 and 34*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments. The more significant of the Village's accounting policies are described below:

Reporting Entity

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the Village, organizations for which the Village is financially accountable, and other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and 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 impose specific financial burdens on, the Village. Based upon the application of these criteria, there were no organizations that met the criteria described above.

VILLAGE OF INDIANTOWN, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Village. 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 and charges for support. The Village does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

VILLAGE OF INDIANTOWN, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Village reports the following major governmental fund:

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

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The Village had no operating or capital grants and contributions during the period.

Assets, Liabilities, and Fund Balance or Equity

Deposits

The Village's cash includes cash on hand and demand deposits.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Capital assets

Capital assets, which include property, plant and equipment, and certain infrastructure assets (e.g., utility plant, roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost or component of more than \$2,500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

VILLAGE OF INDIANTOWN, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Village are depreciated using the straight line method over the following estimated useful lives:

Furniture and equipment	3-10 years
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Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets, liabilities, disclosures of contingent liabilities, revenues and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectability of receivables and the useful lives of capital assets. Although these estimates as well as all estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. There were no reservations of fund balance.

NOTE 2. DEPOSITS

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the state treasurer of the state of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the state treasurer requires all Florida qualified public depositories to deposit with the treasurer or banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

VILLAGE OF INDIANTOWN, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS SEPTEMBER 30, 2018

NOTE 3. RECEIVABLES

Receivables as of September 30, 2018, for the Village's General Fund, including the allowances for uncollectible accounts, are as follows:

Accounts receivable	\$ 54,566
Due from other governments	56,829
Less allowance for uncollectible	-
net receivables	<u>\$ 111,395</u>

NOTE 4. DEBT

The following schedule details the Village's long-term liability and obligation activity for governmental activities for the nine months ended September 30, 2018:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Bank loan	<u>\$ -</u>	<u>\$227,350</u>	<u>\$ -</u>	<u>\$227,350</u>

The unsecured bank loan was obtained from a local financial institution and was issued as a \$1,000,000 line of credit carrying an interest rate of prime minus 0.50% with a floor of 3% and a ceiling of 18%. Interest payments are due monthly and the entire balance outstanding is due in full on July 1, 2020.

NOTE 5. PROPERTY TAXES

Property values are assessed on a county-wide basis by the Martin County Property Appraiser as of January 1st, the lien date, of each year and are due November 1st of the same year. The Property Appraiser certifies taxable value of property within the Village and the Village levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1st. Property taxes levied each November 1st by the Village and all other taxing authorities within the County are centrally billed and collected by the County Tax Collector, with remittances to the Village of its proportionate share of collected taxes. Taxes for the fiscal year beginning October 1st are billed in the month of November subject to a 1% per month discount for the period November through February, and are due no later than March 31st of the subsequent year. On April 1st, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1st, tax certificates representing delinquent taxes with interest and penalties are sold by Martin County, with remittance to the Village for its share of those receipts. For the reported period, the Village did not levy any property taxes of its own.

VILLAGE OF INDIANTOWN, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6. CAPITAL ASSETS

Capital asset activity for the nine months ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, being depreciated				
Furniture, fixtures and equipment	<u>\$ -</u>	<u>\$ 12,632</u>	<u>\$ -</u>	<u>\$ 12,632</u>
Total capital assets, being depreciated	<u>\$ -</u>	<u>\$ 12,632</u>	<u>\$ -</u>	<u>\$ 12,632</u>

There was no depreciation expense in the current year.

NOTE 7. SUBSEQUENT EVENTS

The Village and Martin County entered into an agreement (Resolution No. 047-2018) which set forth the rights and responsibilities concerning implementation and levy of certain taxes needed to provide services identical to those previously provided by the County's Fire-Rescue and Parks and Recreation MSTUs. Under this agreement, the Village will pay Martin County for fire rescue and parks and recreation services on a quarterly basis, starting in January 2019. The total annual amount of \$5.9 million will be paid in quarterly installments.

REQUIRED SUPPLEMENTARY INFORMATION

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VILLAGE OF INDIANTOWN, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES—BUDGET AND ACTUAL
GENERAL FUND
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Licenses and permits	\$ -	\$ -	\$ 14,071	\$ 14,071
Intergovernmental revenues	167,659	167,659	360,699	193,040
Franchise fees	93,170	93,170	54,566	(38,604)
Investment earnings	-	-	98	98
Miscellaneous revenues	-	-	1,011	1,011
Total revenues	<u>260,829</u>	<u>260,829</u>	<u>430,445</u>	<u>169,616</u>
Expenditures				
Current				
General government	437,785	437,785	486,629	(48,844)
Debt service				
Interest	-	-	3,145	(3,145)
Capital outlay	40,000	40,000	12,632	27,368
Total expenditures	<u>477,785</u>	<u>477,785</u>	<u>502,406</u>	<u>(24,621)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(216,956)</u>	<u>(216,956)</u>	<u>(71,961)</u>	<u>144,995</u>
Other financing sources				
Debt proceeds	216,956	245,706	227,350	(18,356)
Total other financing sources	<u>216,956</u>	<u>245,706</u>	<u>227,350</u>	<u>(18,356)</u>
Change in fund balance	-	28,750	155,389	126,639
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 28,750</u>	<u>\$ 155,389</u>	<u>\$ 126,639</u>

The accompanying notes to financial statements are an integral part of this statement.

VILLAGE OF INDIANTOWN, FLORIDA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

An annual appropriated budget is prepared for the General Fund.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The Village Manager submits to the Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of a resolution.
- (d) The Village Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated. During the nine months ended September 30, 2018, there were no supplemental appropriations.
- (e) Formal budgetary integration is employed as a management control device for the General Fund.
- (f) The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the nine months ended September 30, 2018, expenditures exceeded appropriations in the general government function by \$48,844.

OTHER REPORTS

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**INDEPENDENT AUDITORS' 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**

Honorable Mayor and Members of
the Village Council,
Village of Indiantown, 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 and the General Fund of the **Village of Indiantown, Florida** (the "Village"), as of and for the nine months ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 17, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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 have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 and responses as item 2018-002 to be a material weakness.

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. We consider the deficiency described in the accompany schedule of findings and responses as item 2018-001 to be a significant deficiency.

Compliance and Other Matters

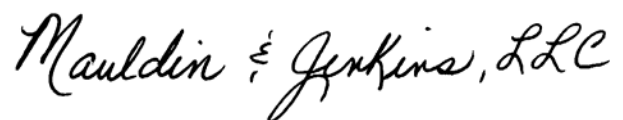
As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

Village's Response to Findings

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Village'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 Village'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.



Bradenton, Florida
December 17, 2019

VILLAGE OF INDIANTOWN, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	<u> X </u> yes <u> </u> no
Significant deficiencies identified not considered to be material weaknesses?	<u> X </u> yes <u> </u> no
Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no

Federal Awards and State Financial Assistance Projects

Federal and state single audits were not required as the Village did not expend great than \$750,000 of federal or state funds during its nine months ended September 30, 2018.

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001 Bank Reconciliations

Criteria: To ensure that financial statements properly present the financial position and results of operations of the Village in accordance with generally accepted accounting principles (GAAP), in addition to providing meaningful financial reports to Village Council and management, the Village should ensure that all bank accounts are properly reflected at year-end. Additionally, reconciliations should be reviewed by management to ensure proper preparation of reconciliations, and that balance sheet accounts are properly supported.

Condition: During testing of the Village's cash and cash equivalents, we noted that the bank balance used to reconcile the Village's cash to the general ledger was as of a date prior to the fiscal year-end of September 30, 2018. Therefore, an entry to reduce the Village's cash balance and increase expenditures in the General Fund in the amount of approximately \$5,900 was required to be made. We recommend that the Village implement a review process on bank reconciliations to better identify potential errors and to ensure corrections are timely made.

Context/Cause: Finance Department oversight caused these accounts to be misstated.

Effect: An audit adjustment was required to be posted within the General Fund noted above for the fair presentation of the financial statements.

VILLAGE OF INDIANTOWN, FLORIDA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2018-001 Bank Reconciliations (Continued)

Recommendation: We recommend the Village evaluate its period closing process to ensure subsidiary ledger reconciliations are being performed timely, properly, and are being reviewed by management.

Management's Response: The Village concurs with the adjustment noted above, and has implemented procedures to ensure entries are reviewed by management.

2018-002 Accrued Expenses

Criteria: To ensure that financial statements properly present the financial position and results of operations of the Village in accordance with generally accepted accounting principles (GAAP), in addition to providing meaningful financial reports to Village Council and management, the Village should ensure that all expenditures accruals are properly reflected at year-end. Additionally, reconciliations should be reviewed by management to ensure proper preparation of reconciliations, and that balance sheet accounts are properly supported.

Condition: During testing of the Village's accounts payable and accrued expenses along with testing of subsequent disbursements, we noted additional liabilities not recorded by the Village as of September 30, 2018. Therefore, an entry to increase the Village's accounts payable and increase expenditures in the General Fund in the amount of approximately \$16,400 was required to be made. We recommend that the Village implement a review process on accrued expenses to better identify potential errors that were made.

Context/Cause: Finance Department oversight caused these accounts to be misstated.

Effect: An audit adjustment was required to be posted within the General Fund noted above for the fair presentation of the financial statements.

Recommendation: We recommend the Village evaluate its period closing process to ensure subsidiary ledger reconciliations are being performed timely, properly, and are being reviewed by management.

Management's Response: The Village concurs with the adjustment noted above, and has implemented procedures to ensure entries are reviewed by management.

SECTION III STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV STATUS OF PRIOR YEAR AUDIT FINDINGS

None reported.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and Members of
the Village Council,
Village of Indiantown, Florida

Report on the Financial Statements

We have audited the financial statements of the Village of Indiantown, Florida (the "Village"), as of and for the nine months ended September 30, 2018, and have issued our report thereon dated December 17, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of 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 December 17, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. No audit findings were noted in the Village's preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Village of Indiantown, Florida was incorporated in December 2017. Additional information on the Village's creation and the Village's component units is disclosed within the Village's footnotes.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the Village. It is management's responsibility to monitor the Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

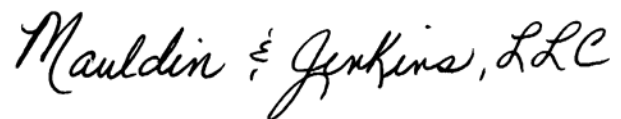
Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires, if appropriate, to communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor and Members of the Village Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Bradenton, Florida
December 17, 2019



INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Members of
the Village Council,
Village of Indiantown, Florida

We have examined the Village of Indiantown, Florida's (the "Village") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the nine months ended September 30, 2018. Management is responsible for the Village's compliance with those requirements. Our responsibility is to express an opinion on the Village'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 Village complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Village 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 Village's compliance with specified requirements.

In our opinion, the Village complied, in all material respects, with the aforementioned requirements for the nine months ended September 30, 2018.

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

Mauldin & Jenkins, LLC

Bradenton, Florida
December 17, 2019

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