

**TOWN OF CROSS CITY, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

TOWN COUNCIL

*Kenneth Lee, Mayor
Jovante Teague, Vice Mayor
Jamie Martin
Rex Beckham
Heddie Johnson*

TOWN CLERK

Brenda Royal

TOWN MANAGER

Mike Cassidy

**TOWN OF CROSS CITY, FLORIDA
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Town Council
Town of Cross City, Florida, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Cross City, Florida, Florida (the Town), as of and for the year ended September 30, 2018, 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

The Town's 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.

Auditors' 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 (1) unmodified audit opinion on the General Fund; and (2) qualified audit opinion on the governmental activities and business-type activities and Water & Sewer Fund.

- 1 -

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Basis for Qualified Opinions on Governmental Activities, Business-type Activities, and Water & Sewer Fund

As discussed in Note (9) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities, business-type activities, and Water & Sewer Fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities and the business-type activities, and the Water & Sewer Fund has not been determined.

Qualified Opinion on the Governmental Activities, Business-type Activities, and Water & Sewer Fund

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 75, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the Water & Sewer Fund of the Town as of September 30, 2018, and the respective changes in financial position and, where applicable, cash Town thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Town as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

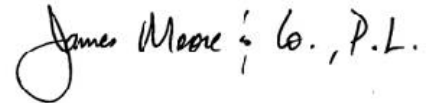
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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 schedule of changes in the Town's total OPEB liability that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements are not affected by this missing information

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, 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 the 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.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.

Gainesville, Florida
June 18, 2019

**TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018**

This discussion and analysis of the Town of Cross City's financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the Town's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2018:

- The Town follows GASB Statement No. 68 and reported a net pension liability of \$1,126,318 at September 30, 2018.
- The Town's overall net position increased by \$261,954. Net position of business-type activities increased by \$238,307, while net position of governmental activities increased by \$23,647.
- Total ending unrestricted net position was \$2,752,127.

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 two 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 and liabilities – 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, fire 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 good or services. The activities of the water system and garbage collections 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.

TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

- Governmental funds – The General Fund is the Town’s only governmental fund. This fund is 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 Utility Fund is the Town’s only proprietary fund. 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.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Assets:						
Non-capital assets	\$ 1,081,666	\$ 1,335,602	\$ 3,516,721	\$ 3,704,513	\$ 4,598,387	\$ 5,040,115
Capital assets	1,516,351	1,405,405	16,116,131	16,056,310	17,632,482	17,461,715
Total assets	2,598,017	2,741,007	19,632,852	19,760,823	22,230,869	22,501,830
Deferred outflows	340,677	448,969	64,891	78,362	405,568	527,331
Liabilities:						
Current liabilities	257,271	96,156	332,580	321,143	589,851	417,299
Long-term liabilities	625,282	970,126	3,803,816	3,711,716	4,429,098	4,681,842
Total liabilities	882,553	1,066,282	4,136,396	4,032,859	5,018,949	5,099,141
Deferred inflow of resources:						
Pension related	62,287	106,193	11,863	18,535	74,150	124,728
Total deferred inflows	62,287	106,193	11,863	18,535	74,150	124,728
Net position:						
Net investment in capital assets	1,516,351	1,405,405	12,300,557	12,379,397	13,816,908	13,784,802
Restricted	-	48,434	1,143,148	1,219,929	1,143,148	1,268,363
Unrestricted	477,503	563,662	2,105,779	2,188,465	2,583,282	2,752,127
Total net position	\$ 1,993,854	\$ 2,017,501	\$ 15,549,484	\$ 15,787,791	\$ 17,543,338	\$ 17,805,292

TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

	Governmental Activities		Business-type Activities		Total	
	2017	2018	2017	2018	2017	2018
Program revenues:						
Charges for services	\$ 288,384	\$ 290,283	\$ 1,170,233	\$ 1,157,298	\$ 1,458,617	\$ 1,447,581
Operating grants & contributions	67,649	97,267	-	-	67,649	97,267
Capital grants & contributions	185,354	29,310	-	515,325	185,354	544,635
General revenues:						
Property taxes	196,974	196,088	-	-	196,974	196,088
Other taxes	560,381	598,599	-	-	560,381	598,599
Miscellaneous	12,101	19,182	-	-	12,101	19,182
Investment earnings	364	387	2,452	2,439	2,816	2,826
Total revenues	1,311,207	1,231,116	1,172,685	1,675,062	2,483,892	2,906,178
Program expenses:						
General government	303,078	323,368	-	-	303,078	323,368
Public safety	434,672	478,565	-	-	434,672	478,565
Physical environment	241,230	261,658	-	-	241,230	261,658
Transportation	126,483	109,192	-	-	126,483	109,192
Culture and recreation	35,683	34,686	-	-	35,683	34,686
Water & sewer	-	-	1,442,107	1,436,755	1,442,107	1,436,755
Total expenses	1,141,146	1,207,469	1,442,107	1,436,755	2,583,253	2,644,224
Transfers	-	-	-	-	-	-
Change in net position	170,061	23,647	(269,422)	238,307	(99,361)	261,954
Beginning net position	1,823,793	1,993,854	15,818,906	15,549,484	17,642,699	17,543,338
Ending net position	\$ 1,993,854	\$ 2,017,501	\$ 15,549,484	\$ 15,787,791	\$ 17,543,338	\$ 17,805,292

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$416,860 in program revenues and \$814,256 of general revenues, and incurred \$1,207,469 of expenses. This resulted in a \$23,647 increase in net position.

TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2018
(Continued)

Business-type Activities

Revenues of the Utility Fund were \$1,675,062, compared to expenses of \$1,436,755. This resulted in an increase in net position of \$238,307.

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$221,520 from \$1,047,016 to \$1,268,536.

Utility Fund

The Utility Fund's net position increased by \$238,307, from \$15,549,484 to \$15,787,791.

BUDGETARY HIGHLIGHTS

There was no change between the original and final budgets for the General Fund.

Revenues of the General Fund were less than budgeted amounts by \$134,211.

General Fund expenditures were less than budgeted amounts by \$681,780.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town spent \$547,545 to make improvement to the waste water treatment plant and spray fields. The majority of this project was funded with a community development block grant. This project will be completed in fiscal year 2019. Please refer to the note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the Town's capital asset activity.

Debt Administration

The Town's long-term debt was reduced by \$138,661 during the current year. Please refer to the note to the accompanying financial statement entitled *Long-term Liabilities* for more detailed information about the Town's 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 PO Box 417, Cross City, Florida.

TOWN OF CROSS CITY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,088,541	\$ 1,916,876	\$ 3,005,417
Investments	152,887	417,499	570,386
Receivables, net	22,044	142,010	164,054
Internal balances	13,523	(13,523)	-
Due from other governments	58,032	-	58,032
Inventories	-	12,386	12,386
Prepays	575	-	575
Restricted assets:			
Cash and cash equivalents	-	1,074,244	1,074,244
Investments	-	155,021	155,021
Capital assets:			
Depreciable, net	1,160,593	14,132,703	15,293,296
Non-depreciable	244,812	1,923,607	2,168,419
Total assets	<u>\$ 2,741,007</u>	<u>\$ 19,760,823</u>	<u>\$ 22,501,830</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 448,969</u>	<u>\$ 78,362</u>	<u>\$ 527,331</u>
LIABILITIES			
Accounts payable	\$ 51,950	\$ 46,477	\$ 98,427
Accrued payroll and employee benefits	14,223	5,182	19,405
Customer deposits	-	100,309	100,309
Unearned revenue	893	-	893
Accrued interest payable	-	9,336	9,336
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	144,785	144,785
Compensated absences	29,090	15,054	44,144
Due in more than one year:			
Bonds and notes payable	-	3,532,128	3,532,128
Compensated absences	11,180	12,216	23,396
Net pension liability	958,946	167,372	1,126,318
Total liabilities	<u>\$ 1,066,282</u>	<u>\$ 4,032,859</u>	<u>\$ 5,099,141</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 106,193</u>	<u>\$ 18,535</u>	<u>\$ 124,728</u>
NET POSITION			
Net investment in capital assets	\$ 1,405,405	\$ 12,379,397	\$ 13,784,802
Restricted for:			
Debt service	-	242,400	242,400
Construction	-	977,529	977,529
Transportation	48,434	-	48,434
Unrestricted	563,662	2,188,465	2,752,127
Total net position	<u>\$ 2,017,501</u>	<u>\$ 15,787,791</u>	<u>\$ 17,805,292</u>

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

**TOWN OF CROSS CITY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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	\$ 323,368	\$ 1,136	\$ 24,626	\$ -	\$ (297,606)	\$ -	\$ (297,606)
Public safety	478,565	31,288	-	29,310	(417,967)	-	(417,967)
Physical environment	261,658	257,859	-	-	(3,799)	-	(3,799)
Transportation	109,192	-	72,641	-	(36,551)	-	(36,551)
Culture and recreation	34,686	-	-	-	(34,686)	-	(34,686)
Total governmental activities	<u>1,207,469</u>	<u>290,283</u>	<u>97,267</u>	<u>29,310</u>	<u>(790,609)</u>	<u>-</u>	<u>(790,609)</u>
Business-type activities:							
Water and sewer	1,436,755	1,157,298	-	515,325	-	235,868	235,868
Total business-type activities	<u>1,436,755</u>	<u>1,157,298</u>	<u>-</u>	<u>515,325</u>	<u>-</u>	<u>235,868</u>	<u>235,868</u>
Total primary government	<u>\$ 2,644,224</u>	<u>\$ 1,447,581</u>	<u>\$ 97,267</u>	<u>\$ 544,635</u>	<u>(790,609)</u>	<u>235,868</u>	<u>(554,741)</u>
General revenues:							
Property taxes					196,088	-	196,088
Sales and use taxes					124,076	-	124,076
Franchise and utility taxes					116,115	-	116,115
Public service taxes					187,428	-	187,428
Other taxes					1,461	-	1,461
State revenue sharing					163,010	-	163,010
Other intergovernmental revenues					6,509	-	6,509
Investment earnings (loss)					387	2,439	2,826
Miscellaneous revenues					19,182	-	19,182
Total general revenues					<u>814,256</u>	<u>2,439</u>	<u>816,695</u>
Change in net position					<u>23,647</u>	<u>238,307</u>	<u>261,954</u>
Net position - beginning					<u>1,993,854</u>	<u>15,549,484</u>	<u>17,543,338</u>
Net position - ending					<u>\$ 2,017,501</u>	<u>\$ 15,787,791</u>	<u>\$ 17,805,292</u>

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

**TOWN OF CROSS CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,088,541
Investments	152,887
Receivables, net	22,044
Due from other governments	58,032
Due from other funds	13,523
Prepaid items	575
Total assets	<u><u>\$ 1,335,602</u></u>
LIABILITIES	
Accounts payable	\$ 51,950
Accrued payroll and employee benefits	14,223
Unearned revenue	893
Total liabilities	<u><u>67,066</u></u>
FUND BALANCES	
Nonspendable:	
Prepaid items	575
Restricted for:	
Transportation	48,434
Assigned to:	
Subsequent year's budget	353,274
Unassigned	866,253
Total fund balances	<u><u>1,268,536</u></u>
Total liabilities and fund balances	<u><u>\$ 1,335,602</u></u>

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

TOWN OF CROSS CITY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Fund balances - total governmental funds		\$ 1,268,536
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	3,313,542	
Less: accumulated depreciation	<u>(1,908,137)</u>	1,405,405
On the governmental fund statements, a net pension liability is not recorded unless an amount is due and payable. On the statement of net position, the Town's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(958,946)	
Deferred outflows related to pensions	448,969	
Deferred inflows related to pensions	<u>(106,193)</u>	(616,170)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:		
Compensated absences		(40,270)
Net position of governmental activities		<u><u>\$ 2,017,501</u></u>

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

TOWN OF CROSS CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund
Revenues	
Taxes	\$ 697,809
Intergovernmental	223,455
Charges for services	288,995
Fines and forfeitures	1,288
Miscellaneous	6,428
Total revenues	1,217,975
Expenditures	
Current:	
General government	274,006
Public safety	403,326
Physical environment	250,270
Transportation	72,537
Culture and recreation	1,740
Capital outlay	42,265
Total expenditures	1,044,144
Excess (deficiency) of revenues over expenditures	173,831
Other financing sources (uses)	
Proceeds from sale of capital assets	47,689
Net change in fund balances	221,520
Fund balances, beginning of year	1,047,016
Fund balances, end of year	\$ 1,268,536

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

**TOWN OF CROSS CITY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Net change in fund balances - total governmental funds	\$ 221,520
Differences in amounts reported for governmental activities in the statement of activities are:	
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.	
Capital outlay expenditures	42,265
Depreciation expense	(118,663)
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.	
	(34,548)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability (asset) and deferred inflows/outflows related to pensions	(82,723)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:	
Change in compensated absences liability	(4,204)
Change in net position of governmental activities	\$ 23,647

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

**TOWN OF CROSS CITY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018**

	<u>Water & Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,916,876
Restricted cash	154,121
Accounts receivable, net	142,010
Inventory	12,386
Total current assets	<u>2,225,393</u>
Noncurrent assets:	
Restricted cash	920,123
Unrestricted investments	417,499
Restricted investments	155,021
Capital assets:	
Land	1,368,071
Buildings and improvements	531,332
Infrastructure (other than buildings)	22,941,537
Equipment	335,657
Construction in progress	555,536
Accumulated depreciation	<u>(9,675,823)</u>
Total noncurrent assets	<u>17,548,953</u>
Total assets	<u><u>\$ 19,774,346</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u><u>\$ 78,362</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 46,477
Accrued payroll	5,182
Deposits	100,309
Due to other funds	13,523
Compensated absences	15,054
Payable from restricted assets:	
Accrued interest payable	9,336
Current maturities on long-term debt	144,785
Total current liabilities	<u>334,666</u>
Noncurrent liabilities:	
Notes payable	3,532,128
Compensated absences	12,216
Net pension liability	167,372
Total noncurrent liabilities	<u>3,711,716</u>
Total liabilities	<u><u>\$ 4,046,382</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u><u>\$ 18,535</u></u>
NET POSITION	
Net investment in capital assets	\$ 12,379,397
Restricted for:	
Debt service	242,400
Construction	977,529
Unrestricted	2,188,465
Total net position	<u><u>\$ 15,787,791</u></u>

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

TOWN OF CROSS CITY, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Water & Sewer Fund</u>
Operating revenues	
Charges for services	\$ 1,151,926
Miscellaneous income	5,372
Total operating revenues	<u>1,157,298</u>
Operating expenses	
Personnel services	260,309
Contractual services	461,843
Depreciation	607,321
Total operating expenses	<u>1,329,473</u>
Operating income (loss)	<u>(172,175)</u>
Nonoperating revenues (expenses)	
Interest earnings	2,439
Gain on sale of capital assets	153
Interest and amortization expense	(107,435)
Total nonoperating revenues (expenses)	<u>(104,843)</u>
Income (loss) before capital contributions and transfers	<u>(277,018)</u>
Capital grants	512,475
Capital contributions and impact fees	2,850
Change in net position	<u>238,307</u>
Net position, beginning of year	15,549,484
Net position, end of year	<u><u>\$ 15,787,791</u></u>

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

**TOWN OF CROSS CITY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Water & Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 1,157,000
Cash paid to employees	(264,162)
Cash paid to suppliers	(428,132)
Net cash provided by operating activities	464,706
Cash flows from noncapital financing activities	
Interfund loans	4,545
Cash flows from capital and related financing activities	
Impact fees and capital contributions	2,850
Acquisition and construction of capital assets	(547,346)
Capital grants	512,475
Principal payments of long-term debt	(138,661)
Interest paid	(107,918)
Net cash used in capital and related financing activities	(278,600)
Cash flows from investing activities	
Interest received	2,439
Purchases of investments	(1,177)
Net cash provided by (used in) investing activities	1,262
Net change in cash and cash equivalents	191,913
Cash and cash equivalents, beginning of year	2,799,207
Cash and cash equivalents, end of year	\$ 2,991,120
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (172,175)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	607,321
Changes in assets and liabilities:	
Accounts receivable	(5,395)
Inventories and prepaids	3,328
Accounts payable and accrued liabilities	30,383
Deposits	5,097
Compensated absences	(9,791)
Net pension liability	5,938
Net cash provided by (used in) operating activities	\$ 464,706
Cash and cash equivalents classified as:	
Unrestricted	\$ 1,916,876
Restricted	1,074,244
Total cash and cash equivalents	\$ 2,991,120

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

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:**

The financial statements of the Town of Cross City, Florida (the Town), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies:

(a) **Reporting entity**—The Town of Cross City, Florida, Florida (the "Town"), was established under Section 10426, Laws of Florida, in 1925.

As required by Generally Accepted Accounting Principles, the accompanying financial statements present the Town as a primary government. Component units are entities for which the Town is considered to be financially accountable or entities that would be misleading to exclude. There are no blended or discretely presented component units included in the Town's financial reporting.

(b) **Government-wide and fund financial statements**—The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues.

Generally, internal interfund activity has been eliminated from the government-wide financial statements. However, charges between the Town's water system and other governmental functions are not eliminated because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Net Position reports the Town's financial position as of the end of the fiscal year. In this statement, the Town's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The Statement of Activities is displayed using a net cost format and reports 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. General revenues include taxes and other revenues not properly included among program revenues.

(c) **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 when a liability is 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.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

(d) **Financial statement presentation**—The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Town reports the following major governmental fund:

The **General Fund** accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Town other than proprietary fund activities are financed through revenues received by the General Fund.

The Town reports the following major proprietary fund:

The **Water & Sewer Fund** accounts for the financial activities of the Town's water and sewer system.

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(g) **Deposits and investments**—The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled accounts receivable are accrued by the Town at year-end to recognize the sales revenues earned through the end of the fiscal year. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the Town.

Capital assets are defined by the Town as assets with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings and improvements	30 years
Furniture and equipment	3 – 10 years
Water and sewer system	40 – 50 years

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Compensated absences**—The Town’s personnel policies allow for limited vesting of employee vacation pay and accumulated sick leave. The liability for compensated absences is accrued when incurred in the government-wide financial statements. In the fund financial statements, for the General Fund, a liability for compensated absences is reported to the extent that the liability will be liquidated with expendable available financial resources.

(k) **Property Taxes**—The Dixie County Tax Collector bills and collects property taxes for the Town. In governmental funds, property tax revenues are recognized when levied, to the extent that they result in current receivables.

Lien Date	January 1
Levy Date:	October 1
Due Date:	March 31, of the following year
Delinquency Date:	April 1, of the following year

(l) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs are expensed when paid.

(m) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (8).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the one item in this category is deferred inflows of resources related to pensions, as discussed further in Note (8).

(n) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that 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 those funds can be spent. Those classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as the fund balance of the permanent fund which was restricted in perpetuity by referendum.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the Town Council are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the Town Council 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 – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the Town's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(o) **Net position flow assumption**—Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Town's policy to consider restricted net position to have been used before unrestricted net position is applied.

(p) **Implementation of new accounting standards**—At September 30, 2018 and for the year then ended, the Town has not implemented any significant new standards.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(3) Deposits and Investments:

The Town's cash and equivalents and investments consist of legally authorized demand deposits and certificates of deposit. The institutions in which these deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, in addition to applicable Federal Depository Insurance Corporation (FDIC) insurance, these balances on deposit at September 30, 2018, are insured or collateralized through the Bureau of Collateral Management, Florida Department of Financial Services.

State statutes authorize the Town to invest excess funds in time deposits, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

The Town held no assets or investments carried at fair value at September 30, 2018, and subject to the required disclosures of GASB 72. All of the Town's investments were comprised of certificates of deposits, recorded at cost plus accrued interest, which approximates fair value.

(4) Accounts Receivable:

The Town's accounts receivable consists of the following at September 30, 2018:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 22,044	\$ -	\$ 22,044
Totals – Governmental Type Activities	22,044	-	22,044
Business-Type Activities			
Water & Sewer Fund			
Accounts receivable	176,010	(34,000)	142,010
Totals – Business-Type Activities	176,010	(34,000)	142,010
Totals	\$ 198,054	\$ (34,000)	\$ 164,054

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(5) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 268,960	\$ -	\$ (33,409)	\$ 235,551
Construction in progress	3,150	6,111	-	9,261
Total capital assets, not being depreciated	<u>272,110</u>	<u>6,111</u>	<u>(33,409)</u>	<u>244,812</u>
Capital assets, being depreciated –				
Land improvements	1,242,806	2,000	(2,661)	1,242,145
Buildings and improvements	437,140	2,151	-	439,291
Furniture and equipment	1,387,428	32,003	(32,137)	1,387,294
Total capital assets, being depreciated	<u>3,067,374</u>	<u>36,154</u>	<u>(34,798)</u>	<u>3,068,730</u>
Less: accumulated depreciation	<u>(1,823,133)</u>	<u>(118,663)</u>	<u>33,659</u>	<u>(1,908,137)</u>
Total capital assets, being depreciated, net	<u>1,244,241</u>	<u>(82,509)</u>	<u>(1,139)</u>	<u>1,160,593</u>
Governmental activities capital assets, net	<u>\$ 1,516,351</u>	<u>\$ (76,398)</u>	<u>\$ (34,548)</u>	<u>\$ 1,405,405</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 1,368,071	\$ -	\$ -	\$ 1,368,071
Construction in progress	7,991	547,545	-	555,536
Total capital assets, not being depreciated	<u>1,376,062</u>	<u>547,545</u>	<u>-</u>	<u>1,923,607</u>
Capital assets, being depreciated –				
Buildings and improvements	531,332	-	-	531,332
Furniture and equipment	356,278	-	(20,621)	335,657
Water plant	14,024,299	-	-	14,024,299
Sewer plant	8,917,238	-	-	8,917,238
Total capital assets, being depreciated	<u>23,829,147</u>	<u>-</u>	<u>(20,621)</u>	<u>23,808,526</u>
Less: accumulated depreciation	<u>(9,089,077)</u>	<u>(607,321)</u>	<u>20,575</u>	<u>(9,675,823)</u>
Total capital assets, being depreciated, net	<u>14,740,070</u>	<u>(607,321)</u>	<u>(46)</u>	<u>14,132,703</u>
Business-type activities capital assets, net	<u>\$ 16,116,132</u>	<u>\$ (59,776)</u>	<u>\$ (46)</u>	<u>\$ 16,056,310</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 10,290
Public safety	38,237
Public environment	535
Transportation	36,655
Culture and recreation	32,946
Total depreciation expense - governmental activities	<u>\$ 118,663</u>
Business-type activities:	
Water and sewer	\$ 607,321
Total depreciation expense - business-type activities	<u>\$ 607,321</u>

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(6) Long-Term Debt:

For the fiscal year ended September 30, 2018, a summary of the long-term liability transactions for the Town is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 36,066	\$ 17,684	\$ (13,480)	\$ 40,270	\$ 29,090
Business-type activities:					
Bonds payable	\$ 3,165,000	\$ -	\$ (102,000)	\$ 3,063,000	\$ 107,000
Notes payable	650,574	-	(36,661)	613,913	37,785
Compensated absences	37,061	18,935	(28,726)	27,270	15,054
Business-type activities –	<u>\$ 3,852,635</u>	<u>\$ 18,935</u>	<u>\$ (167,387)</u>	<u>\$ 3,704,183</u>	<u>\$ 159,839</u>
Total long-term liabilities					

Annual debt service requirements to maturity for the Town's bonds and notes payable are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 144,785	\$ 103,072	\$ 247,857
2020	148,862	97,462	246,324
2021	155,997	91,673	247,670
2022	160,165	85,529	245,694
2023	167,368	79,206	246,574
2024-2028	744,141	301,346	1,045,487
2029-2033	497,595	207,191	704,786
2034-2038	349,000	161,661	510,661
2039-2043	393,000	122,740	515,740
2044-2049	434,000	79,241	513,241
2050-2053	482,000	31,089	513,089
Total	<u>\$ 3,676,913</u>	<u>\$ 1,360,210</u>	<u>\$ 5,037,123</u>

Long-term debt in the Town's business-type activities at September 30, 2018, are comprised of the following obligations:

State Revolving Fund note payable, dated March 24, 1999, due in semiannual payments of \$27,645, including interest at 2.58% to 2.99% through May 15, 2033. Repayment of loan balance is secured by a pledge of water and sewer revenues.	\$ 613,913
Water and Sewer Bonds (1986 Series); Due in installments of \$7,000 to \$62,000, from September 1, 1988 through September 1, 2025; interest at 6.250%; Repayment of loan balance is secured by a pledge of water and sewer revenues.	362,000
Water and Sewer Bonds (1988 Series); Due in installments of \$4,000 to \$24,000, from September 1, 1990 through September 1, 2028; interest at 5.000%; Repayment of loan balance is secured by a pledge of water and sewer revenues.	192,000
Water and Sewer Bonds (2013 Series); Due in installments of \$44,000 to \$65,000, from September 1, 2014 through September 1, 2053; interest at 2.125%. Repayment of loan balance is secured by a pledge of water and sewer revenues.	2,509,000
Total revenue bonds and notes payable	<u>\$ 3,676,913</u>

The Town was in compliance with all applicable debt covenants as of and for the year ended September 30, 2018.

**TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

(7) Interfund Balances and Transfers

The interfund balances resulted from the normal course of operations and are expected to be repaid within one year. There were no interfund transfers during the fiscal year ended September 30, 2018.

At September 30, 2018, interfund balances were as follows:

Receivable Funds	Amount	Payable Funds
General Fund	\$ 13,523	Water & Sewer Fund
Total	\$ 13,523	

(8) Employees' Retirement Plans:

A. Florida Retirement System

Plan Description and Administration

The Town participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the Town's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail.

The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the Town are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(8) Employees' Retirement Plans: (Continued)

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(8) **Employees' Retirement Plans:** (Continued)

Contributions

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2018, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2018</u>	<u>After June 30, 2018</u>
Regular Class	7.92%	8.26%
Special Risk Class	23.27%	24.50%
Senior Management	22.71%	24.06%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for Town employees participating in FRS and HIS for the plan year ended June 30, 2018, were as follows:

Town Contributions – FRS	\$ 89,336
Town Contributions – HIS	9,332
Employee Contributions – FRS	16,866

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2018, the entity reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 944,181
HIS	182,137
Total	<u>\$ 1,126,318</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2018 and June 30, 2017, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2018</u>	<u>2017</u>
FRS	0.003134676%	0.000434677%
HIS	0.001720856%	0.000288832%

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(8) **Employees' Retirement Plans:** (Continued)

For the plan year ended June 30, 2018, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$	180,090
HIS		10,151
Total	<u>\$</u>	<u>190,241</u>

Deferred outflows/inflows related to pensions:

At September 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79,986	\$ (2,903)	\$ 2,788	\$ (309)
Changes of assumptions	308,512	-	20,256	(19,257)
Net difference between projected and actual investment earnings	-	(72,949)	110	-
Change in Town's proportionate share	90,043	(16,670)	-	(12,640)
Contributions subsequent to measurement date	23,322	-	2,314	-
	<u>\$ 501,863</u>	<u>\$ (92,522)</u>	<u>\$ 25,468</u>	<u>\$ (32,206)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2019	\$	132,570
2020		94,403
2021		23,998
2022		67,638
2023		39,247
Thereafter		19,111
Total	<u>\$</u>	<u>376,967</u>

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(8) Employees' Retirement Plans: (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.00%. This rate decreased from the prior year rate, which was 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.58%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Long-Term Arithmetic Expected Rate of Return
Cash	1.0%	2.9%
Fixed income	18.0%	4.4%
Global equities	54.0%	7.6%
Real estate	11.0%	6.6%
Private equity	10.0%	10.7%
Strategic investments	6.0%	6.0%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Town calculated using the current discount rates, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	7.00%	\$ 1,723,169	\$ 944,181	\$ 297,185
HIS	3.87%	207,444	182,137	161,043

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) Other Postemployment Benefits:

The Town provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits. The Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

(10) Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The Town is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Town's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the Town.

(11) Contingencies:

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

The Town is involved in various legal proceedings incidental to the conduct of its affairs. It is the Town's policy to accrue for amounts related to these legal matters if it is possible that a liability has been incurred and an amount is reasonably estimable. At September 30, 2018, no amounts have been accrued.

(12) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Town's financial statements:

- (a) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.
- (b) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.
- (c) GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*, in August 2018. GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions in GASB 90 are effective for periods beginning after December 15, 2018.

TOWN OF CROSS CITY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 646,276	\$ 646,276	\$ 697,809	\$ 51,533
Intergovernmental	382,149	382,149	223,455	(158,694)
Charges for services	316,500	316,500	288,995	(27,505)
Fines and forfeitures	4,450	4,450	1,288	(3,162)
Miscellaneous	50,500	50,500	6,428	(44,072)
Total revenues	<u>1,399,875</u>	<u>1,399,875</u>	<u>1,217,975</u>	<u>(181,900)</u>
Expenditures				
Current:				
General government	371,135	371,135	274,006	97,129
Public safety	427,829	427,829	403,326	24,503
Physical environment	241,560	241,560	250,270	(8,710)
Transportation	90,900	90,900	72,537	18,363
Culture and recreation	6,000	6,000	1,740	4,260
Capital outlay	588,500	588,500	42,265	546,235
Total expenditures	<u>1,725,924</u>	<u>1,725,924</u>	<u>1,044,144</u>	<u>681,780</u>
Excess (deficiency) of revenues over expenditures	<u>(326,049)</u>	<u>(326,049)</u>	<u>173,831</u>	<u>499,880</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	-	-	47,689	47,689
Net change in fund balances	<u>(326,049)</u>	<u>(326,049)</u>	<u>221,520</u>	<u>547,569</u>
Fund balances, beginning of year	1,047,016	1,047,016	1,047,016	-
Fund balances, end of year	<u>\$ 720,967</u>	<u>\$ 720,967</u>	<u>\$ 1,268,536</u>	<u>\$ 547,569</u>

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

**TOWN OF CROSS CITY, FLORIDA
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2018**

The Town adopts an annual budget for the General Fund. The Town generally follows these procedures in establishing the budgetary data reflected in the schedule:

1. Prior to September 1, the Town Clerk submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance.
4. Any revision that alters the expenditures of any fund must be approved by the Town Commission. The fund is the legal level of control.

The budget amounts presented in the accompanying financial schedules were prepared on a basis that does not materially differ from the modified accrual basis of accounting.

TOWN OF CROSS CITY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,			
	2018	2017	2016	2015
Florida Retirement System (FRS)				
Proportion of the net pension liability	0.003134676%	0.002630915%	0.002723169%	0.002677384%
Proportionate share of the net pension liability	\$ 944,181	\$ 778,474	\$ 687,602	\$ 345,820
Covered payroll	562,184	568,877	551,251	549,337
Proportionate share of the net pension liability as a percentage of covered payroll	167.95%	136.84%	124.73%	62.95%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)				
Proportion of the net pension liability	0.001720856%	0.001760723%	0.001783402%	0.001810712%
Proportionate share of the net pension liability	\$ 182,137	\$ 188,265	\$ 207,848	\$ 184,664
Covered payroll	562,184	568,877	551,251	549,337
Proportionate share of the net pension liability as a percentage of covered payroll	32.40%	33.09%	37.70%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

TOWN OF CROSS CITY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,			
	2018	2017	2016	2015
Florida Retirement System (FRS)				
Contractually required contribution	\$ 89,336	\$ 70,814	\$ 68,753	\$ 64,753
Contributions in relation to the contractually required contribution	(89,336)	(70,814)	(68,753)	(64,753)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 562,184	\$ 568,877	\$ 551,251	\$ 549,337
Contributions as a percentage of covered payroll	15.89%	12.45%	12.47%	11.79%
Health Insurance Subsidy Program (HIS)				
Contractually required contribution	\$ 9,332	\$ 9,094	\$ 9,484	\$ 7,341
Contributions in relation to the contractually required contribution	(9,332)	(9,094)	(9,484)	(7,341)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 562,184	\$ 568,877	\$ 551,251	\$ 549,337
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.26%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

**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***

To the Honorable Mayor and Town Council
Town of Cross City, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the business-type activities, each major fund, of the Town of Cross City, Florida, (the Town) as of and for the year ended September 30, 2018, 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 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit, 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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified 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 deficiencies described below to be a material weakness:

2018-001 – Segregation of Duties (Repeat Comment)

Due to the limited number of people working for the Town, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

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121 Executive Circle Daytona Beach, FL 32114-1180 Telephone: 386-257-4100	133 East Indiana Avenue DeLand, FL 32724-4329 Telephone: 386-738-3300	5931 NW 1st Place Gainesville, FL 32607-2063 Telephone: 352-378-1331	2477 Tim Gamble Place, Suite 200 Tallahassee, FL 32308-4386 Telephone: 850-386-6184
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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 findings below to be a significant deficiency:

2018-002 – Utility Billing Rate Changes

During our testing over utility testing, we noted there was an update in the commercial garbage rate from \$16.36 to \$18.00 that took place in June 2018 that was a result of an analysis performed by WastePro to check for reasonableness of charged rates. We noted that a verbal approval was provided by the Town Manager to update the rates; however, there is no documented approval of the Town Council. We recommend any utility rate changes to be brought to the Town Council for review and approval.

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*.

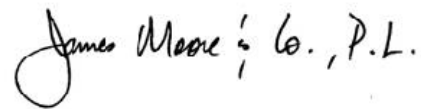
We noted certain matters that we reported to the Town Council and management of the Town in a separate letter dated June 18, 2019.

Town of Cross City, Florida's Response to Findings

The Town's responses to the findings identified in our audit are described starting on page 41. 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.



Gainesville, Florida
June 18, 2019

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor and Town Council
Town of Cross City, Florida:

Report on the Financial Statements

We have audited the financial statements of the Town of Cross City, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 18, 2019.

Auditors' 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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 18, 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 annual financial audit report. Comment 2018-001 remains uncorrected from the second preceding audit report. The following is a summary of all findings and recommendations reported in the preceding annual financial audit report:

2017-001 – Segregation of Duties – Corrective action not taken. See repeat recommendation 2018-001.

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 legal authority for the primary government of the reporting entity is disclosed in Note 1 of the basic financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Town did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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 had no such recommendations.

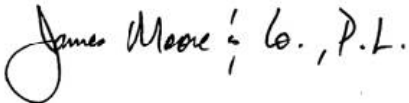
Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to address 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have 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 State granting agencies, the Town Council, management, and others within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Gainesville, Florida
June 18, 2019

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial "J".

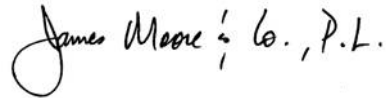
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor and Town Council
Town of Cross City, Florida

We have examined the Town of Cross City, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018, in all material respects. An examination involves performing procedures to obtain evidence about the Town's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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.

In our opinion, the Town of Cross City, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.



Gainesville, Florida
June 18, 2019

AUDITEE'S RESPONSE TO:
Independent Auditors' Management Letter
June 18, 2019

2018-001 Segregation of Duties (Repeat Comment)

Due to the limited number of people working for the Town, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

RESPONSE to 2018-001: Segregation of Duties. In the future, should the City budget and practicality provide the opportunity for increased staffing, critical duties relative to accounting functions could be segregated, providing an opportunity for more checks and balances.

2018-002 Utility Billing Rate Changes

During our testing over utility testing, we noted there was an update in the commercial garbage rate from \$16.36 to \$18.00 that took place in June 2018 that was a result of an analysis performed by WastePro to check for reasonableness of charged rates. We noted that a verbal approval was provided by the Town Manager to update the rates; however, there is no documented approval of the Town Council. We recommend any utility rate changes to be brought to the Town Council for review and approval.

RESPONSE to 2018-002: Utility Billing Rate Changes. The City Manager concurs with finding 2018-002 and the recommendation therein. Any utility rate change(s), whether a correction or change of rate(s), should be presented to the City Council for approval through a pre-arranged/preapproved formal process, with consideration of that process (planned rate changes) being made known to the citizens/customers to which it applies or may apply, prior to adopting/instituting the change(s).