

TOWN OF INGLIS, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

TOWN COMMISSION

James Williams
Betsy Webb
Thomas Brennan
Ann Morin
William Monteverde

MAYOR

Drina Merritt

TOWN CLERK

Sally McCranie

DEPUTY TOWN CLERK

Darlene Slattery

**TOWN OF INGLIS, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2018**

Financial Section

Independent Auditors' Report.....	1 - 3
Management's Discussion and Analysis.....	4 - 6
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	7
Statement of Activities.....	8
Fund Financial Statements	
Balance Sheet—Governmental Funds.....	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	10
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Statement of Net Position – Proprietary Funds.....	13
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	14
Statement of Cash Flows – Proprietary Funds.....	15
Notes to Financial Statements.....	16 - 31
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	32
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	33
Schedule of Proportionate Share of Net Pension Liability.....	34
Schedule of Contributions.....	35

Compliance Section

Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	36 - 37
Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General.....	38 - 39
Independent Accountants' Examination Report.....	40
Management's Response to Findings.....	41 - 42

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, Town Commission, and Town Administrator,
Town of Inglis, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Inglis, 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 Road and Bridge Fund; and (2) qualified audit opinions on the governmental activities, business-type activities and Water Fund.

Basis for Qualified Opinions on Major Funds

As discussed in Note (10) 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 governmental activities, business-type activities, and Water Fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, the business-type activities, and the Water Fund has not been determined.

Qualified Opinion on the Governmental Activities, Business-Type Activities, and Water 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 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.

Unmodified Opinion on the General Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the aggregate remaining fund information of the Town as of September 30, 2018, and the respective changes in financial position 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 May 28, 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.

James Moore & Co., P.L.

Gainesville, Florida
May 28, 2019

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

This discussion and analysis of the Town of Inglis' 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.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

- Governmental activities – Most of the Town's basic services are reported here, including administration, police and fire services, road and bridge, maintenance, and garbage. 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 are reported as a business-type activity.

Fund Financial Statements

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

- Governmental funds – The General Fund and Road and Bridge Fund are the Town's governmental funds. These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental funds' financial position. 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 Water 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.

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

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$1,223,523 of revenues, transfers in of \$30,483 and incurred \$1,157,590 of expenses. This resulted in a \$96,416 increase in net position.

Business-type Activities

Revenues of the Water Fund were \$657,245 compared to expenses of \$504,239 and transfers out of \$30,483. This resulted in an increase in net position for the year of \$122,523.

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$101,953 from \$898,027 to \$999,980.

Water Fund

The Water Fund's net position increased by \$122,523, from \$3,180,547 to \$3,303,070.

BUDGETARY HIGHLIGHTS

There was a \$180,000 increase between the original and final budget for a Sub Regional Wastewater Treatment Plan with the Department of Environmental Protection.

Revenues of the General Fund were less than budgeted amounts by \$417,974.

General Fund expenditures were below budgeted amounts by \$519,927.

CAPITAL ASSETS

The Town spent \$175,251 of Grant funds for a pre-design study to assess potential connection of the residents of Yankeetown and nearby homes in south Levy County into a sub-regional wastewater treatment system, in the current year. Please refer to a note in the accompanying financial statements entitled *Capital Asset Activity* for more detail.

DEBT ADMINISTRATION

No new debt was incurred and the Town's notes payable debt decreased by \$8,136, during the current year. Please refer to a note to the accompanying financial statements entitled *Long-term Obligations* for more detailed information about the Town's long-term debt activity.

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

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 P O Drawer 429; Inglis, FL 34449.

**TOWN OF INGLIS, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 588,524	\$ 926,517	\$ 1,515,041
Investments	465,838	218,067	683,905
Receivables, net	20,249	84,269	104,518
Internal balances	1,668	(1,668)	-
Due from other governments	112,087	66,557	178,644
Restricted assets:			
Cash and cash equivalents	-	20,778	20,778
Capital assets:			
Non-depreciable	290,407	175,251	465,658
Depreciable, net	589,641	2,253,491	2,843,132
Total assets	<u>\$ 2,068,414</u>	<u>\$ 3,743,262</u>	<u>\$ 5,811,676</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 61,048</u>	<u>\$ 37,415</u>	<u>\$ 98,463</u>
LIABILITIES			
Accounts payable	\$ 76,443	\$ 68,374	\$ 144,817
Accrued payroll and employee benefits	3,541	498	4,039
Customer deposits	-	86,050	86,050
Unearned revenue	5,150	-	5,150
Accrued interest payable	-	1,860	1,860
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	8,390	8,390
Compensated absences	12,252	4,889	17,141
Due in more than one year:			
Bonds and notes payable	-	172,238	172,238
Compensated absences	1,342	-	1,342
Net pension liability	153,678	94,184	247,862
Total liabilities	<u>\$ 252,406</u>	<u>\$ 436,483</u>	<u>\$ 688,889</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 67,102</u>	<u>\$ 41,124</u>	<u>\$ 108,226</u>
NET POSITION			
Net investment in capital assets	\$ 880,048	\$ 2,256,504	\$ 3,136,552
Restricted for:			
Transportation	98,347	-	98,347
Stormwater	4,905	-	4,905
Debt service	-	18,918	18,918
Unrestricted	826,654	1,027,648	1,854,302
Total net position	<u>\$ 1,809,954</u>	<u>\$ 3,303,070</u>	<u>\$ 5,113,024</u>

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

TOWN OF INGLIS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 375,473	\$ 20,276	\$ 3,230	\$ -	\$ (351,967)	\$ -	\$ (351,967)
Public safety	618,867	219,523	31,642	32,731	(334,971)	-	(334,971)
Economic environment	71,183	399	39,432	-	(31,352)	-	(31,352)
Transportation	39,536	-	27,379	32,325	20,168	-	20,168
Culture and recreation	30,377	2,364	17,500	12,226	1,713	-	1,713
Human services	22,154	-	-	-	(22,154)	-	(22,154)
Total governmental activities	1,157,590	242,562	119,183	77,282	(718,563)	-	(718,563)
Business-type activities:							
Water utility	504,239	480,266	175,251	-	-	151,278	151,278
Total business-type activities	504,239	480,266	175,251	-	-	151,278	151,278
Total primary government	\$ 1,661,829	\$ 722,828	\$ 294,434	\$ 77,282	(718,563)	151,278	(567,285)
General revenues:							
Property taxes					313,161	-	313,161
Sales and use taxes					94,388	-	94,388
Franchise and utility taxes					90,496	-	90,496
Public service taxes					105,725	-	105,725
Other taxes					7,923	-	7,923
Discretionary sales surtaxe					113,643	-	113,643
State revenue sharing					42,415	-	42,415
Other intergovernmental revenues					2,356	-	2,356
Investment earnings (loss)					893	1,728	2,621
Miscellaneous revenues					13,496	-	13,496
Transfers					30,483	(30,483)	-
Total general revenues and transfers					814,979	(28,755)	786,224
Change in net position					96,416	122,523	218,939
Net position - beginning					1,713,538	3,180,547	4,894,085
Net position - ending					\$ 1,809,954	\$ 3,303,070	\$ 5,113,024

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

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

	<u>General Fund</u>	<u>Nonmajor Fund Road & Bridge</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 527,084	\$ 61,440	\$ 588,524
Investments	465,838	-	465,838
Receivables, net	20,249	-	20,249
Due from other governments	75,750	36,337	112,087
Due from other funds	1,668	5,492	7,160
Total assets	<u>\$ 1,090,589</u>	<u>\$ 103,269</u>	<u>\$ 1,193,858</u>
LIABILITIES			
Accounts payable	\$ 76,426	\$ 17	\$ 76,443
Accrued payroll and employee benefits	3,541	-	3,541
Unearned revenue	5,150	-	5,150
Due to other funds	5,492	-	5,492
Total liabilities	<u>90,609</u>	<u>17</u>	<u>90,626</u>
FUND BALANCES			
Restricted for:			
Transportation	-	98,347	98,347
Stormwater	-	4,905	4,905
Assigned to:			
Future expenditures	276,580	-	276,580
Unassigned	723,400	-	723,400
Total fund balances	<u>999,980</u>	<u>103,252</u>	<u>1,103,232</u>
Total liabilities and fund balances	<u>\$ 1,090,589</u>	<u>\$ 103,269</u>	<u>\$ 1,193,858</u>

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

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

Fund balances - total governmental funds		\$ 1,103,232
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	2,552,646	
Less: accumulated depreciation	<u>(1,672,598)</u>	880,048
On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). 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	(153,678)	
Deferred outflows related to pensions	61,048	
Deferred inflows related to pensions	<u>(67,102)</u>	(159,732)
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		(13,594)
Net position of governmental activities		<u>\$ 1,809,954</u>

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

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

	<u>General Fund</u>	<u>Nonmajor Fund Road & Bridge</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 668,497	\$ 20,703	\$ 689,200
Permits, fees, and special assessments	108,793	-	108,793
Intergovernmental	328,521	49,414	377,935
Charges for services	3,923	-	3,923
Fines and forfeitures	6,855	-	6,855
Investment income	846	47	893
Miscellaneous	35,924	-	35,924
Total revenues	<u>1,153,359</u>	<u>70,164</u>	<u>1,223,523</u>
Expenditures			
Current:			
General government	358,258	-	358,258
Public safety	596,375	-	596,375
Economic environment	54,433	-	54,433
Transportation	-	33,264	33,264
Culture and recreation	10,529	-	10,529
Human services	22,013	-	22,013
Capital outlay	40,281	45,502	85,783
Total expenditures	<u>1,081,889</u>	<u>78,766</u>	<u>1,160,655</u>
Excess (deficiency) of revenues over expenditures	<u>71,470</u>	<u>(8,602)</u>	<u>62,868</u>
Other financing sources (uses)			
Transfers in	30,483	-	30,483
Total other financing sources (uses)	<u>30,483</u>	<u>-</u>	<u>30,483</u>
Net change in fund balances	<u>101,953</u>	<u>(8,602)</u>	<u>93,351</u>
Fund balances, beginning of year	898,027	111,854	1,009,881
Fund balances, end of year	<u>\$ 999,980</u>	<u>\$ 103,252</u>	<u>\$ 1,103,232</u>

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

**TOWN OF INGLIS, 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	\$	93,351
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		85,783
Depreciation expense		(86,336)
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		1,691
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		1,927
Change in net position of governmental activities	<u>\$</u>	<u>96,416</u>

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

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

	<u>Water Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 926,517
Restricted cash	10,250
Investments	218,067
Accounts receivable, net	84,269
Due from other governments	66,557
Total current assets	<u>1,305,660</u>
Noncurrent assets:	
Restricted cash	10,528
Capital assets:	
Buildings and improvements	5,351,872
Equipment	81,291
Construction in progress	175,251
Accumulated depreciation	<u>(3,179,672)</u>
Total noncurrent assets	<u>2,439,270</u>
Total assets	<u><u>\$ 3,744,930</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u><u>\$ 37,415</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 68,374
Accrued payroll	498
Deposits	86,050
Due to other funds	1,668
Compensated absences	4,889
Payable from restricted assets:	
Accrued interest payable	1,860
Current maturities on long-term debt	8,390
Total current liabilities	<u>171,729</u>
Noncurrent liabilities:	
Notes payable	172,238
Net pension liability	94,184
Total noncurrent liabilities	<u>266,422</u>
Total liabilities	<u><u>\$ 438,151</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u><u>\$ 41,124</u></u>
NET POSITION	
Net investment in capital assets	\$ 2,256,504
Restricted for debt service	18,918
Unrestricted	1,027,648
Total net position	<u><u>\$ 3,303,070</u></u>

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

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

	Water Fund
Operating revenues	
User fees	\$ 480,266
Operating expenses	
Personnel services	164,903
Operating expenses	163,226
Depreciation	170,506
Total operating expenses	498,635
Operating income (loss)	(18,369)
Nonoperating revenues (expenses)	
Interest earnings	1,728
Operating grants	175,251
Interest and amortization expense	(5,604)
Total nonoperating revenues (expenses)	171,375
Income (loss) before capital contributions and transfers	153,006
Transfers out	(30,483)
Change in net position	122,523
Net position, beginning of year	3,180,547
Net position, end of year	\$ 3,303,070

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

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

	Water Fund
Cash flows from operating activities	
Cash received from customers	\$ 427,692
Cash paid to employees	(195,998)
Cash paid to suppliers	(99,082)
Other receipts	175,251
Net cash provided by (used in) operating activities	307,863
Cash flows from noncapital financing activities	
Transfers to other funds	(30,483)
Interfund loans	1,668
Net cash provided by (used in) noncapital financing activities	(28,815)
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(180,654)
Principal payments of long-term debt	(8,136)
Interest paid	(5,691)
Net cash provided by (used in) capital and related financing activities	(194,481)
Cash flows from investing activities	
Interest received	1,728
Purchases of investments	(475)
Net cash provided by (used in) investing activities	1,253
Net change in cash and cash equivalents	85,820
Cash and cash equivalents, beginning of year	861,475
Cash and cash equivalents, end of year	\$ 947,295
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (18,369)
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:	
Depreciation	170,506
Other income (expense)	175,251
Changes in assets and liabilities:	
Accounts receivable	13,323
Due from other governments	(66,557)
Accounts payable and accrued liabilities	64,144
Deposits	660
Compensated absences	253
Net pension liability	(31,348)
Net cash provided by (used in) operating activities	\$ 307,863
Cash and cash equivalents classified as:	
Unrestricted	\$ 926,517
Restricted	20,778
Total cash and cash equivalents	\$ 947,295

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

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

The financial statements of the Town of Inglis, 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 is a political subdivision of the State of Florida established by Chapter 55-30853, Laws of Florida. It is governed by an elected Mayor and Town Commission. As required by generally accepted accounting principles, the accompanying financial statements present the Town as a primary government. Component units are entities for which a primary government is considered to be financially accountable or entities that would be misleading to exclude. There are no component units included in the Town's financial reporting entity. The Town did not participate in any joint ventures during the fiscal year.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the Town Commission of the Town, the reporting entity of government for which the Town Commission is considered to be financially accountable. In evaluating the Town as a reporting entity, management has addressed all potential component units that may or may not fall within the Town's oversight and control, and thus, be included in the Town's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, economic environment, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds in either the governmental or business-type categories.

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the Town's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds – Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

As a general rule the effect of interfund Town activities has been eliminated from the government-wide financial statements.

(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 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.

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.

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

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 Fund** accounts for the assets, operation and maintenance of the Town-owned water system.

The Town also reports one nonmajor fund, the Road and Bridge fund.

(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.

(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 in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. 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.

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

(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 \$1,000 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
Equipment	3 – 10 years
Water system	15 – 50 years
Plant assets and equipment	20 – 50 years
Infrastructure	40 years

(j) **Compensated absences**—The Town’s policy is to allow limited vesting of employee vacation pay and accumulated sick leave. In the governmental fund financial statements, a liability has not been reported because it will not be liquidated with expendable available financial resources. A liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements.

(k) **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.

(l) **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 (9).

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 two items in this category are unavailable revenues, which will be recognized as inflows of resources in the period that the amounts become available, and deferred inflows of resources related to pensions, as discussed further in Note (9).

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

(m) **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.

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 Commission 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 Town’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the commission or (b) a body or official to which the commission 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, unassigned.

(n) **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.

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

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

(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.

(3) Property Tax Calendar:

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. For the fiscal year ended September 30, 2018, the millage rate assessed by the Town was 5.0000 per \$1,000.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties.

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, 1% in the month of February, and without discount in March.

The Town recognizes property tax revenues on an accrual basis. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. The Town tax calendar is as follows:

Valuation Date:	January 1, 2017
Levy Date:	October 1, 2017
Due Date:	March 31, 2018
Lien Date:	January 1, 2018

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(4) **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.

(5) **Accounts Receivable:**

The Town's receivables consist of the following at September 30, 2018:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 20,249	\$ -	\$ 20,249
Totals – Governmental Type Activities	<u>20,249</u>	<u>-</u>	<u>20,249</u>
Business-Type Activities			
Water Utility Fund			
Accounts receivable	130,171	(69,500)	60,671
Assessments receivable	23,598	-	23,598
Totals – Business-Type Activities	<u>153,769</u>	<u>(69,500)</u>	<u>84,269</u>
Totals	<u>\$ 174,018</u>	<u>\$ (69,500)</u>	<u>\$ 104,518</u>

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(6) 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	\$ 247,307	\$ -	\$ -	\$ 247,307
Construction in progress	-	43,100	-	43,100
Total capital assets, not being depreciated	<u>247,307</u>	<u>43,100</u>	<u>-</u>	<u>290,407</u>
Capital assets, being depreciated –				
Improvements	332,963	4,000	-	336,963
Infrastructure	31,075	-	-	31,075
Buildings	663,676	-	-	663,676
Building improvements	185,845	-	-	185,845
Equipment	586,852	38,683	-	625,535
Vehicles	419,145	-	-	419,145
Total capital assets, being depreciated	2,219,556	42,683	-	2,262,239
Less: accumulated depreciation	<u>(1,586,262)</u>	<u>(86,336)</u>	<u>-</u>	<u>(1,672,598)</u>
Total capital assets, being depreciated, net	<u>633,294</u>	<u>(43,653)</u>	<u>-</u>	<u>589,641</u>
Governmental activities capital assets, net	<u>\$ 880,601</u>	<u>\$ (553)</u>	<u>\$ -</u>	<u>\$ 880,048</u>
Business-type activities:				
Capital assets, not being depreciated –				
Construction in progress	\$ -	\$ 175,251	\$ -	\$ 175,251
Total capital assets, not being depreciated	<u>-</u>	<u>175,251</u>	<u>-</u>	<u>175,251</u>
Capital assets, being depreciated –				
Water plant	5,316,019	-	-	5,316,019
Equipment	75,889	5,402	-	81,291
Improvements	35,853	-	-	35,853
Total capital assets, being depreciated	5,427,761	5,402	-	5,433,163
Less: accumulated depreciation	<u>(3,009,166)</u>	<u>(170,506)</u>	<u>-</u>	<u>(3,179,672)</u>
Total capital assets, being depreciated, net	<u>2,418,595</u>	<u>(165,104)</u>	<u>-</u>	<u>2,253,491</u>
Business-type activities capital assets, net	<u>\$ 2,418,595</u>	<u>\$ 10,147</u>	<u>\$ -</u>	<u>\$ 2,428,742</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 20,533
Public safety	22,697
Physical environment	16,750
Transportation	6,272
Human services	236
Culture and recreation	19,848
Total depreciation expense - governmental activities	<u>\$ 86,336</u>
Business-type activities:	
Water utility	\$ 170,506
Total depreciation expense - business-type activities	<u>\$ 170,506</u>

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(7) **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	\$ 15,521	\$ 14,352	\$ (16,279)	\$ 13,594	\$ 0
Business-type activities:					
Notes payable	\$ 188,764	\$ -	\$ (8,136)	\$ 180,628	\$ 8,390
Compensated absences	4,636	7,879	(7,626)	4,889	4,889
Business-type activities – Total long-term liabilities	<u>\$ 193,400</u>	<u>\$ 7,879</u>	<u>\$ (15,762)</u>	<u>\$ 185,517</u>	<u>\$ 13,279</u>

Annual debt service requirements to maturity for the Town's state revolving fund loans are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,390	\$ 5,436	\$ 13,826
2020	8,651	5,176	13,827
2021	8,920	4,907	13,827
2022	9,197	4,630	13,827
2023	9,483	4,344	13,827
2024-2028	52,023	17,112	69,135
2029-2033	52,461	8,573	61,034
2034-2038	25,864	2,914	28,778
2039	5,639	120	5,759
Total	<u>\$ 180,628</u>	<u>\$ 53,212</u>	<u>\$ 233,840</u>

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

Note payable, 3.27% and 3.05%, respectively, to the Florida Department of Environmental Protection State Revolving Fund. A payment of \$4,036 is due on May 15 and November 15 of each year through May 15, 2032. Secured by future water revenues.	\$ 90,491
Note payable, 2.84% and 2.98%, respectively, to the Florida Department of Environmental Protection State Revolving Fund. A payment of \$2,941 is due on June 15 and December 15 of each year through June 15, 2039. Secured by future water revenues.	90,137
Total notes payable, business-type activities	<u>\$ 180,628</u>

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

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(8) Interfund Loans, Advances, Fees and Transfers:

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2018, are comprised of the following:

	Due From Other Funds	Due to Other Funds
Governmental Activities:		
General Fund:		
Water Utility Fund	\$ 1,668	\$ -
Road and Bridge Fund	-	5,492
Road and Bridge Fund:		
General Fund	5,492	-
	7,160	5,492
Business-Type Activities:		
Water Fund:		
General Fund	-	1,668
	-	1,668
Total – All Funds	\$ 7,160	\$ 7,160

There were no interfund transfers during the year ended September 30, 2018.

(9) 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 INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) **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.

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

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

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

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):

FRS Membership Plan & Class	Through June 30, 2018	After June 30, 2018
Regular Class	7.92%	8.26%
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	\$ 15,693
Town Contributions – HIS	4,202
Employee Contributions – FRS	7,594

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

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	\$ 165,854
HIS	82,008
Total	<u>\$ 247,862</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	0.000550636%	0.000537772%
HIS	0.000774825%	0.000759402%

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

FRS	\$ 8,053
HIS	3,898
Total	<u>\$ 11,951</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:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 14,050	\$ (510)	\$ 1,256	\$ (139)
Changes of assumptions	54,193	-	9,120	(8,671)
Net different between projected and actual investment earnings	-	(12,814)	50	-
Change in Town's proportionate share	7,416	(57,456)	6,747	(28,636)
Contributions subsequent to measurement date	4,491	-	1,140	-
	<u>\$ 80,150</u>	<u>\$ (70,780)</u>	<u>\$ 18,313</u>	<u>\$ (37,446)</u>

Amounts reported as deferred outflows (except for contributions made subsequent to the measurement date, which will be recognized in the succeeding fiscal year) 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:

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

2019	\$	(2,468)
2020		11,681
2021		4,658
2022		10,952
2023		5,823
Thereafter		(46,040)
Total	\$	<u>(15,394)</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.

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 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.

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
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	<u>100.0%</u>	

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:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.00%	\$ 302,691	\$ 165,854	\$ 52,203
HIS	3.87%	93,403	82,008	72,511

(10) **Other Post-Employment Benefits (OPEB):**

The Town provides other post-employment 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.

(11) **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.

TOWN OF INGLIS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(12) **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.

(13) **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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in April 2018. GASB 88 expands debt disclosure requirements related to direct borrowings and direct placements, while also clarifying which liabilities should be included when disclosing information related to debt. The provisions in GASB 88 are effective for periods beginning after June 15, 2018.
- (d) 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 INGLIS, 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	\$ 630,225	\$ 630,225	\$ 668,497	\$ 38,272
Licenses and permits	104,305	104,305	108,793	4,488
Intergovernmental	501,693	681,693	328,521	(353,172)
Charges for services	3,440	3,440	3,923	483
Fines and forfeitures	1,100	1,100	6,855	5,755
Interest revenues	990	990	846	(144)
Miscellaneous	149,580	149,580	35,924	(113,656)
Total revenues	<u>1,391,333</u>	<u>1,571,333</u>	<u>1,153,359</u>	<u>(417,974)</u>
Expenditures				
Current:				
General Government:				
Legislative	31,650	31,650	31,649	1
Executive	237,476	259,738	243,098	16,640
Legal	900	900	554	346
Other general government	91,679	91,679	82,957	8,722
Public Safety:				
Code enforcement	66,270	68,882	43,533	25,349
Police	287,151	287,151	287,150	1
Fire	218,280	218,280	246,040	(27,760)
Transportation	14,645	21,979	19,652	2,327
Economic environment	305,000	485,000	54,433	430,567
Culture and recreation	29,009	29,461	10,529	18,932
Human services	26,274	28,252	22,013	6,239
Contingency	105,832	71,194	-	71,194
Capital outlay	7,650	7,650	40,281	(32,631)
Total expenditures	<u>1,421,816</u>	<u>1,601,816</u>	<u>1,081,889</u>	<u>519,927</u>
Excess (deficiency) of revenues over expenditures	<u>(30,483)</u>	<u>(30,483)</u>	<u>71,470</u>	<u>101,953</u>
Other financing sources (uses)				
Transfers in	30,483	30,483	30,483	-
Total other financing sources (uses)	<u>30,483</u>	<u>30,483</u>	<u>30,483</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>101,953</u>	<u>101,953</u>
Fund balances, beginning of year	898,027	898,027	898,027	-
Fund balances, end of year	<u>\$ 898,027</u>	<u>\$ 898,027</u>	<u>\$ 999,980</u>	<u>\$ 101,953</u>

See accompanying notes to schedule of revenues, expenditures, and changes in fund balance - budget and actual - general fund.

**TOWN OF INGLIS, 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 INGLIS, 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	0.000550636%	0.000537772%	0.000529740%	0.000467932%
Proportionate share of the net pension liability	\$ 165,854	\$ 159,069	\$ 133,760	\$ 60,440
Covered payroll	253,127	244,292	231,274	202,194
Proportionate share of the net pension liability as a percentage of covered payroll	65.52%	65.11%	57.84%	29.89%
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	0.000774825%	0.000759402%	0.000740352%	0.000666480%
Proportionate share of the net pension liability	\$ 82,008	\$ 81,199	\$ 86,285	\$ 67,970
Covered payroll	253,127	244,292	231,274	202,194
Proportionate share of the net pension liability as a percentage of covered payroll	32.40%	33.24%	37.31%	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 INGLIS, 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	\$ 15,693	\$ 14,574	\$ 13,726	\$ 11,181
Contributions in relation to the contractually required contribution	(15,693)	(14,574)	(13,726)	(11,181)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 253,127	\$ 244,292	\$ 231,274	\$ 202,194
Contributions as a percentage of covered payroll	6.20%	5.97%	5.93%	5.53%
Health Insurance Subsidy Program (HIS)				
Contractually required contribution	\$ 4,202	\$ 4,055	\$ 3,994	\$ 2,689
Contributions in relation to the contractually required contribution	(4,202)	(4,055)	(3,994)	(2,689)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 253,127	\$ 244,292	\$ 231,274	\$ 202,194
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, Town Commission, and Town Administrator,
Town of Inglis, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Inglis, 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 May 28, 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control. We did identify one deficiency in internal control that we consider to be a significant deficiency, as described in the following paragraph.

2018-001 – Utility Billing Rates

During our testing of utility billing revenue, we noted that one water usage rate (for billings over 3,000 gallons) was not updated in the Town's software from \$13.00 to \$13.70. As a result, water billings were underbilled during the year for that range of usage over 3,000 gallons. During the fiscal year, we estimate this affected 85 accounts resulting in underbilling over \$2,000. We recommend this usage rate be corrected in the software and additional reviews of usage rates in the software be implemented.

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*.

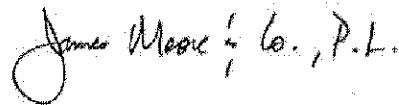
We noted certain matters that we reported to the Town Commission and management of the Town in a separate letter dated May 28, 2019.

Town of Inglis, 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
May 28, 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, Town Commission, and Town Administrator,
Town of Inglis, Florida:

Report on the Financial Statements

We have audited the financial statements of the Town of Inglis, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated May 28, 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 May 28, 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. The following is a summary of all findings and recommendations reported in the preceding annual financial audit report:

2017-001 Journal Entry Review – Corrective action taken.

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

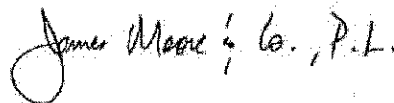
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention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

Town of Inglis, 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 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 Commission, 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
May 28, 2019

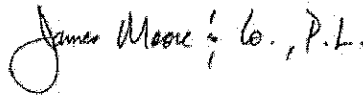
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, Town Commission, and Town Administrator,
Town of Inglis, Florida

We have examined the Town of Inglis, 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.

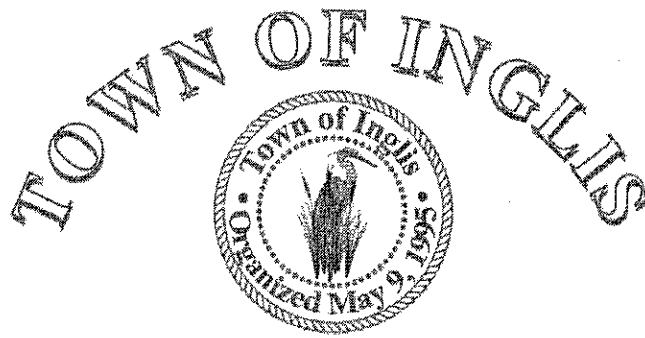
In our opinion, the Town of Inglis, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.



Gainesville, Florida
May 28, 2019

135 Highway 40 West
Post Office Drawer 429
Inglis, Florida 34449

(352) 447-2203
(352) 447-2204
Fax (352) 447-1879



May 28th, 2019

Auditor General's Office
Sherrill F. Norman, CPA
Local Government Section/342
111 West Madison Street
401 Claude Pepper Bldg.
Tallahassee Fl. 32399-1450

Dear Ms. Norman;

The purpose of this letter is to comply with the Auditor Generals requirements to respond to three issues cited in the 2017/2018 Independent Auditors Report. The following is offered in response to the noted deficiencies and/or discrepancies identified with regard to the Town of Inglis, Inglis, Florida.

The Independent Auditors Report involving the Internal Control Structure identifies one area, which requires a response or rebuttal.

Finding 2018-001

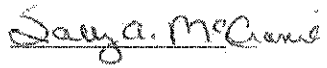
Condition- During our testing of utility billing revenue, we noted that one water usage rate (for billing over 3,000 gallons) was not updated in the Town's software from \$13.00 to \$ 13.70. As a result, water billings were underbilled during the year for that range of usage over 3,000 gallons.

Recommendation- We recommend this usage rate be corrected in the software and additional reviews of usage rates in the software be implemented.

The Town's response- To finding 18-001, We have taken the recommendation of our Auditors and have contacted our Utility Programmer to make the correction to the rate. We will also look over our rate structure to ensure that all rates are correct.

It is believed that the responses listed above addresses the concerns and issues cited in the Independent Auditors Report. Please call if you should have any questions or concerns (352) 447-2203.

Respectfully,



Sally A. McCranie
Inglis Town Clerk.



Drinda Merritt
Mayor