

**CITY OF JASPER, FLORIDA**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2018**



**CITY OF JASPER, FLORIDA**

**CITY OFFICIALS**

September 30, 2018

<u>OFFICIALS</u>	<u>ELECTED TERM EXPIRATION</u>
Mayor Darnell Lumpkin	March 2020
City Council Stewart Mitchell, Council Member	March 2022
LaBarfield Bryant, Council Member	March 2022
Jay Daigle, Chairperson	March 2020
Gerald Lewis, Vice Mayor	March 2020
City Manager Marcus Collins	
Chief Financial Officer Margaret Harper	
City Clerk Marcus Collins	
City Attorney Rhett Bullard	



**CITY OF JASPER, FLORIDA**

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**CITY OF JASPER, FLORIDA**

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**INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and City Council  
City of Jasper, Florida

**Report on the Financial Statements**

I 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 City of Jasper, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the

aggregate remaining fund information of the City of Jasper, Florida, 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.

### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in the 2017-18 fiscal year, the City adopted new accounting guidance *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. My opinion is not modified with respect to this matter.

### **Other Matters**

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9, and budgetary comparison information on pages 49-50, pension trend information on pages 51-52, and OPEB trend information on page 53 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 22, 2019, on my consideration of the City of Jasper, Florida's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Jasper, Florida's internal control over financial reporting and compliance.



Kenneth M. Daniels  
Certified Public Accountant  
February 22, 2019



**MANAGEMENT'S  
DISCUSSION &  
ANALYSIS**



## **CITY OF JASPER, FLORIDA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Fiscal Year Ended September 30, 2018

Our discussion and analysis of the City of Jasper, Florida's financial performance provides an overview of City's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the City's financial statements, which begin in page 10.

#### **FINANCIAL HIGHLIGHTS**

The City's significant financial accomplishments during the year ended September 30, 2018, were:

Completed clean-up of debris after Hurricane Irma. FEMA is to reimburse the City for approximately \$67,000 (federal and state portions) in costs.

Completed a significant portion of Suwannee River Water Management Contract #17/18-016, Leaky Fire Hydrant and Water Main Replacements. The contract amount totaled \$156,715. At September 30, 2018, the City had completed \$63,600 of the funded project's cost. In addition, the City had provided in-kind labor in the amount of \$25,264.

The City also purchased five self-contained breathing apparatuses for its fire department via a grant from the Florida Department of Financial Services in the amount of \$29,031.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances.

Fund financial statements start on page 12. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Proprietary fund financial statements offer short and long-term financial information about the activities the government operates like businesses, such as the water/sewer, gas, and solid waste departments.

Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

#### **Reporting the City as a Whole**

Our analysis of the City as a whole begins on page 4. The Statement of Net Position and the Statement of Activities on pages 10-11 report information about the City as a whole and its

activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements also report the City's net position and changes in them. The City's net position, the difference between assets and liabilities, is one way to measure the City's financial health, or position. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating. Additional other nonfinancial factors such as changes in the area's economic conditions and the condition of the City's capital assets should be considered in assessing the City's overall health.

In the Statement of Net Position and the Statement of Activities, the City's activities are divided into two categories: 1.) governmental activities: the City's basic services are included here, financial and administrative, police, fire, public works, and recreation and 2.) business-type: the City charges fees to customers to help it cover the cost of certain utility services it provides. The City's water and sewer, natural gas, and sanitation services are included in the business-type activities.

### Reporting the City's Funds

Our analysis of the City's funds (four major) begins on page 7. The fund financial statements begin on page 12 and provide detailed information about the City's most significant governmental funds – not the City as a whole. A description of the City's Funds follows:

*Governmental funds* – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year – end that are available for spending. These funds are reported using the modified accounting method, which measures cash and all other financial assets that can readily be converted to cash.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship or differences between governmental activities reported in the Statement of Net Position and the Statement of Activities and governmental funds is described in the reconciliations accompanying the fund financial statements.

*Proprietary funds* – Services for which the City charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The City's Enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.

### **The City as a Whole**

As indicated below, the City's net position decreased approximately seven percent or \$741,000. The adjustment of the City's pension liability under GASB 68, adoption of GASB 75, and infrastructure depreciation were the primary reasons for the decline.

The analysis below focuses on the net position (Table 1) and the changes in net position (Table 2) for both the City's governmental and business type activities.

Detailed comments follow the tables and explain the significant changes between the current and prior year.

**Table 1**  
**NET POSITION**  
**(In Thousands)**

	Governmental		Business type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 809	\$ 814	\$ 1,562	\$ 1,796	\$ 2,371	\$ 2,610
Capital assets	<u>1,910</u>	<u>1,989</u>	<u>8,084</u>	<u>8,342</u>	<u>9,994</u>	<u>10,331</u>
Total assets	2,719	2,803	9,646	10,138	12,365	12,941
Deferred outflows of resources	<u>1,093</u>	<u>985</u>	<u>266</u>	<u>239</u>	<u>1,359</u>	<u>1,224</u>
Total assets and deferred outflows of resources	<u>\$ 3,812</u>	<u>\$ 3,788</u>	<u>\$ 9,912</u>	<u>\$ 10,377</u>	<u>\$ 13,724</u>	<u>\$ 14,165</u>
Other liabilities	\$ 83	\$ 159	\$ 341	\$ 369	\$ 424	\$ 528
Long term liabilities	<u>2,171</u>	<u>1,861</u>	<u>1,474</u>	<u>1,395</u>	<u>3,645</u>	<u>3,256</u>
Total liabilities	<u>2,254</u>	<u>2,020</u>	<u>1,815</u>	<u>1,764</u>	<u>4,069</u>	<u>3,784</u>
Deferred inflows of resources	<u>280</u>	<u>269</u>	<u>64</u>	<u>62</u>	<u>344</u>	<u>331</u>
Net position						
Invested in Cap Assets	1,845	1,890	7,124	7,331	8,969	9,221
Restricted	-	49	15	13	15	62
Unrestricted	<u>(567)</u>	<u>(440)</u>	<u>894</u>	<u>1,207</u>	<u>327</u>	<u>767</u>
Total net position	<u>1,278</u>	<u>1,499</u>	<u>8,033</u>	<u>8,551</u>	<u>9,311</u>	<u>10,050</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,812</u>	<u>\$ 3,788</u>	<u>\$ 9,912</u>	<u>\$ 10,377</u>	<u>\$ 13,724</u>	<u>\$ 14,165</u>

#### Explanation of Significant Changes Table 1

##### Governmental activities

Deferred outflows and inflows of resources as well as the City's net pension liability continue to increase based on information provided by the Florida Retirement System (FRS) as audited by the Florida Auditor General. A portion of the pension expense is recognized annually and the balance of the change in the net liability is amortized as deferred outflows or inflows systematically over a closed period. The increases are caused by differences between actual and expected experience with regard to economic and demographic factors, changes in assumption or other inputs, changes and differences between contributions and the proportionate share of contributions, and differences between expected and actual earnings. Fluctuations in the aforementioned accounts can be significant.

Current liabilities decreased due to significant accounts payable in the prior year (crane repair, machinery rentals, traffic light repair, lightbar installations).

Unrestricted net position declined due to a prior period adjustment caused by the City's adoption of GASB 75. The OPEB benefits are an estimate of cost which the City could incur due to purchases of health insurance via the City by retirees.

##### Business-type activities

Changes in deferred inflows and outflows of resources – see above. Current and other assets decreased. Decrease in cash (transfers to General Fund) and reduction in receivables (prior year late billing due to Hurricane Irma) were the reasons for the reduction.

**Table 2**  
**CHANGES IN NET POSITION**  
**(In Thousands)**

Statement of Activities	Governmental Activities		Business-type Activities		Total Primary Government	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Program revenues						
General government	\$ 158	\$ 146	\$ -	\$ -	\$ 158	\$ 146
Public safety	171	112	-	-	171	112
Physical environment	4	9	-	-	4	9
Transportation	48	27	-	-	48	27
Economic environment	67	-	-	-	67	-
Human services	-	-	-	-	-	-
Culture/recreation	5	105	-	-	5	105
Water/sewer utility	-	-	1,467	1,626	1,467	1,626
Natural gas utility	-	-	500	515	500	515
Sanitation	-	-	409	417	409	417
General revenues						
Taxes						
Property taxes	339	320	-	-	339	320
Local option fuel tax	378	445	-	-	378	445
Discretionary sales	141	128	-	-	141	128
Commx services	41	37	-	-	41	37
Franchise fees	111	102	-	-	111	102
Utility service tax	82	82	-	-	82	82
Interest	3	2	12	6	15	8
Miscellaneous	31	31	-	2	31	33
Total revenues	<u>1,579</u>	<u>1,546</u>	<u>2,388</u>	<u>2,566</u>	<u>3,967</u>	<u>4,112</u>
Program expenses						
General government	595	528	-	-	595	528
Public safety	1,116	1,051	-	-	1,116	1,051
Physical environment	10	6	-	-	10	6
Transportation	374	345	-	-	374	345
Economic environment	-	1	-	-	-	1
Human services	4	5	-	-	4	5
Culture/recreation	19	19	-	-	19	19
Interest on long term debt	6	8	-	-	6	8
Water/sewer utility	-	-	1,434	1,480	1,434	1,480
Natural gas utility	-	-	504	497	504	497
Sanitation	-	-	401	389	401	389
Total expenses	<u>2,124</u>	<u>1,963</u>	<u>2,339</u>	<u>2,366</u>	<u>4,463</u>	<u>4,329</u>
Excess (deficiency) before transfers	(545)	(417)	49	200	(496)	(217)
Transfers and special item						
Transfers	445	365	(445)	(365)	-	-
Special item	(56)	-	(65)	-	(121)	-
Total transfers and special item	<u>389</u>	<u>365</u>	<u>(510)</u>	<u>(365)</u>	<u>(121)</u>	<u>-</u>
Change in net position	<u>(156)</u>	<u>(52)</u>	<u>(461)</u>	<u>(165)</u>	<u>(617)</u>	<u>(217)</u>
Beginning net position	1,500	1,602	8,552	8,717	10,052	10,319
Adjustment to beginning net position	(67)	(50)	(57)	-	(124)	(50)
Beginning net position restated	<u>1,433</u>	<u>1,552</u>	<u>8,495</u>	<u>8,717</u>	<u>9,928</u>	<u>10,269</u>
Ending net position	<u>\$ 1,277</u>	<u>\$ 1,500</u>	<u>\$ 8,034</u>	<u>\$ 8,552</u>	<u>\$ 9,311</u>	<u>\$ 10,052</u>

### Explanation of Significant Changes Table 2

#### Government Activities

Governmental revenues increased/decreased as follows:

Public safety revenues increased due to local grants from Hamilton County for fire and animal control and a state grant for fire equipment.

Transportation revenues increased due maintenance agreements (right of ways and street light maintenance) with the Florida Department of Transportation.

Economic environment revenues increased due to FEMA grants awarded to assist with the cleanup of Hurricane Irma debris.

Culture and recreation decreased in the current year due to grants awarded in the prior year by the Department of Environmental Protection for park improvements.

Governmental expenditures increased 8 percent due to the payment of leave time in the general government function (City Manager resigned), increased legal fees (workplace investigations), and continued increases in retirement and health insurance.

**Business-type activities**

Business-type revenues decreased due to late billings in the prior year due to Hurricane Irma.

Expenses decreased slightly due to prior year repairs at the City’s sewer plant (removal of grit from solids’ tanks). Current year expenses were largely flat when compared to the prior year.

**The City’s Funds**

At year-end, the City’s governmental funds had a total fund balance of approximately \$754,000. The increase of \$121,000 is largely due to transfers from the City’s utility funds in the amount of \$445,000.

**TABLE 3  
CHANGES IN GOVERNMENTAL AND MAJOR FUNDS' TOTAL AND  
UNRESERVED FUND BALANCES AND NET POSITION  
(in Thousands)**

<u>Governmental Funds</u>	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>Percent Change</u>
Total fund balances	\$ 754	\$ 682	\$ 72	10.6%
Unreserved Fund Balance				
<u>Major Funds</u>	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>Percent Change</u>
General	\$ 754	\$ 633	\$ 121	19.1%
Enterprise Fund Change in Net Position: Invested in Capital Assets				
	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>Percent Change</u>
	\$ 7,124	\$ 7,331	\$ (207)	-2.8%
Restricted				
	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>Percent Change</u>
	\$ 15	\$ 13	\$ 2	15.4%
Unrestricted				
	<u>2018</u>	<u>2017</u>	<u>\$ Change</u>	<u>Percent Change</u>
	\$ 894	\$ 1,208	\$ (314)	-26.0%

The enterprise funds’ net position decreased by approximately \$461,000. Again, the decrease can be attributed to the transfers to the City’s General Fund (see above).

## GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not amend its 2018 fiscal year budget. Actual expenditures were less than budgeted by approximately \$259,000 which will positively affect future liquidity. Actual expenditures were less than budgeted in all departments except public safety where capital items were purchased.

## CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2018, the City had \$18 million invested in capital assets, including police and fire equipment, buildings, park facilities, roads, and water and sewer lines. (See Table 4 below.) The slight decrease in capital assets is due to the disposal of numerous assets upon completion of the most recent inventory. Notable capital asset purchases in the 2017-18 fiscal year were vehicles (2009 Crown Victoria and 2018 Dodge Ram), extrication equipment, manholes, gas detector, pressure relief device, submersible pump and skimmer assemblies.

**Table 4**  
**CAPITAL ASSETS (in Thousands)**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land	\$ 241	\$ 241	\$ 667	\$ 667	\$ 908	\$ 908
Construction in progress	-	-	-	-	-	-
Buildings	403	403	288	288	691	691
Infrastructure/improvements	1,352	1,352	12,505	12,515	13,857	13,867
Equipment and furniture	318	400	614	661	932	1,061
Vehicles	1,063	1,043	382	385	1,445	1,428
Property under capital leases	-	-	-	-	-	-
Total capital assets, gross	<u>\$ 3,377</u>	<u>\$ 3,439</u>	<u>\$ 14,456</u>	<u>\$ 14,516</u>	<u>\$ 17,833</u>	<u>\$ 17,955</u>

## Debt

At year-end, the City had \$3.77 million in outstanding debt. This was an increase of approximately \$254,000. The City's pension liability was the primary reason for the increase.

**Table 5**  
**OUTSTANDING DEBT AT YEAR-END**  
**(in Thousands)**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2018	2017	2018	2017	2018	2017
Compensated absences	\$ 78	\$ 84	\$ 41	\$ 56	\$ 119	\$ 140
Capital leases	65	99	-	-	65	99
Notes payable	-	-	960	1,010	960	1,010
OPEB liability *	69	67	59	57	128	124
Pension liability	1,995	1,712	507	435	2,502	2,147
Totals	<u>\$ 2,207</u>	<u>\$ 1,962</u>	<u>\$ 1,567</u>	<u>\$ 1,558</u>	<u>\$ 3,774</u>	<u>\$ 3,520</u>



## **CURRENTLY KNOWN FACTS**

The City's General Fund budget for the fiscal year 2018-19 totals \$2.1 million. Included in the budget is \$32,000 in capital outlay to be used for equipment purchases.

## **CONTACTING THE CITY 'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, customers, and creditors, with a general overview of the City's finances and to show the City's accountability for the funds that it receives.

If you have questions about this report or need additional financial information, contact the City at 208 W Hatley Street, Jasper, FL 32052.



Margaret Harper  
Chief Financial Officer  
Jasper, Florida



**BASIC  
FINANCIAL  
STATEMENTS**



**CITY OF JASPER, FLORIDA**  
**STATEMENT OF NET POSITION**

September 30, 2018

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 310,584	\$ 1,268,653	\$ 1,579,237
Accounts receivable, net	3,517	198,323	201,840
Franchise fees receivable	11,324	-	11,324
Utility service tax receivable	6,912	-	6,912
Interfund receivables/payables	282,765	(282,765)	-
Due from other governments	193,909	73,863	267,772
Inventory	-	29,603	29,603
Restricted assets	-	274,562	274,562
Capital assets			
Land	241,442	667,039	908,481
Other capital assets, net of depreciation	<u>1,668,445</u>	<u>7,417,030</u>	<u>9,085,475</u>
Total capital assets	<u>1,909,887</u>	<u>8,084,069</u>	<u>9,993,956</u>
Total assets	<u>2,718,898</u>	<u>9,646,308</u>	<u>12,365,206</u>
<b>Deferred outflows of resources</b>			
Pensions	<u>1,092,735</u>	<u>266,073</u>	<u>1,358,808</u>
Total assets and deferred outflows of resources	<u>\$ 3,811,633</u>	<u>\$ 9,912,381</u>	<u>\$ 13,724,014</u>
<b>Liabilities</b>			
Accounts payable	\$ 11,069	\$ 71,279	\$ 82,348
Accrued interest	-	11,545	11,545
Retirement/insurance payable	35,409	-	35,409
Taxes payable	-	107	107
Deposits	1,060	163,926	164,986
Long-term liabilities			
Due within one year			
Compensated absences	-	41,282	41,282
Capital leases	35,899	-	35,899
Notes payable	-	52,539	52,539
Due in more than one year			
Compensated absences	77,518	-	77,518
OPEB liability	69,086	59,216	128,302
Capital leases	28,855	-	28,855
Notes payable	-	907,532	907,532
Pension liability	<u>1,995,303</u>	<u>507,293</u>	<u>2,502,596</u>
Total liabilities	<u>2,254,199</u>	<u>1,814,719</u>	<u>4,068,918</u>
<b>Deferred inflows of resources</b>			
Business license fees	7,145	-	7,145
Pensions	<u>273,030</u>	<u>64,395</u>	<u>337,425</u>
Total deferred inflows of resources	<u>280,175</u>	<u>64,395</u>	<u>344,570</u>
<b>Net position</b>			
Invested in capital assets, net of related debt	1,845,133	7,123,998	8,969,131
Restricted			
Capital facilities	-	14,958	14,958
Unrestricted	<u>(567,874)</u>	<u>894,311</u>	<u>326,437</u>
Total net position	<u>1,277,259</u>	<u>8,033,267</u>	<u>9,310,526</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,811,633</u>	<u>\$ 9,912,381</u>	<u>\$ 13,724,014</u>

**CITY OF JASPER, FLORIDA**

**STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
General government services	\$ 594,512	\$ 11,512	\$ 146,149	\$ -	\$ (436,851)		\$ (436,851)
Public safety	1,116,406	128,153	43,156	-	(945,097)		(945,097)
Physical environment	9,933	4,375	-	-	(5,558)		(5,558)
Transportation	373,678	47,835	-	-	(325,843)		(325,843)
Economic environment	434	-	67,192	-	66,758		66,758
Human services	4,347	-	-	-	(4,347)		(4,347)
Culture/recreation	18,789	4,750	-	-	(14,039)		(14,039)
Interest on long-term debt	<u>5,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,951)</u>		<u>(5,951)</u>
Total governmental activities	<u>2,124,050</u>	<u>196,625</u>	<u>256,497</u>	<u>-</u>	<u>(1,670,928)</u>		<u>(1,670,928)</u>
<b>Business type activities</b>							
Water/sewer utility	1,433,913	1,392,927	-	73,863		32,877	32,877
Natural gas utility	503,880	500,260	-	-		(3,620)	(3,620)
Sanitation	<u>400,928</u>	<u>408,696</u>	<u>-</u>	<u>-</u>		<u>7,768</u>	<u>7,768</u>
Total business-type activities	<u>2,338,721</u>	<u>2,301,883</u>	<u>-</u>	<u>73,863</u>		<u>37,025</u>	<u>37,025</u>
Totals	<u>\$ 4,462,771</u>	<u>\$ 2,498,508</u>	<u>\$ 256,497</u>	<u>\$ 73,863</u>			
<b>General revenues</b>							
Property taxes					339,134	-	339,134
Local option fuel tax					377,838	-	377,838
Discretionary sales surtax					141,264	-	141,264
Communications service tax					40,442	-	40,442
Franchise fees					110,755	-	110,755
Utility service tax					82,088	-	82,088
Interest					3,343	11,734	15,077
Miscellaneous					31,330	312	31,642
<b>Special items</b>							
Disposal of assets					(7,614)	(65,156)	(72,770)
Housing liens					(48,407)	-	(48,407)
Transfers					<u>445,012</u>	<u>(445,012)</u>	<u>-</u>
Total general revenues and transfers					<u>1,515,185</u>	<u>(498,122)</u>	<u>1,017,063</u>
Change in net position					<u>(155,743)</u>	<u>(461,097)</u>	<u>(616,840)</u>
Net position - beginning					1,499,800	8,551,619	10,051,419
Adjustment to beginning net position					<u>(66,798)</u>	<u>(57,255)</u>	<u>(124,053)</u>
Net position - beginning as restated					<u>1,433,002</u>	<u>8,494,364</u>	<u>9,927,366</u>
Net position - ending					<u>\$ 1,277,259</u>	<u>\$ 8,033,267</u>	<u>\$ 9,310,526</u>

See notes to financial statements.

**CITY OF JASPER, FLORIDA  
BALANCE SHEET**

**GOVERNMENTAL FUNDS**

September 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash	\$ 310,584	\$ -	\$ 310,584
Accounts receivable	3,517	-	3,517
Franchise fees receivable	11,324	-	11,324
Utility service tax receivable	6,912	-	6,912
Interfund receivables	282,765	-	282,765
Due from other governments	193,908	-	193,908
Mortgages receivable, net	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u><u>\$ 809,010</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 809,010</u></u>
<b>Liabilities, deferred inflows of resources and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 11,069	\$ -	\$ 11,069
Retirement and withholding payable	35,410	-	35,410
Deposits	<u>1,060</u>	<u>-</u>	<u>1,060</u>
<b>Total liabilities</b>	<u><u>47,539</u></u>	<u><u>-</u></u>	<u><u>47,539</u></u>
<b>Deferred inflows of resources</b>			
Business license fees	<u>7,145</u>	<u>-</u>	<u>7,145</u>
<b>Fund balances</b>			
Nonspendable	-	-	-
Unassigned	<u>754,326</u>	<u>-</u>	<u>754,326</u>
<b>Total fund balances</b>	<u><u>754,326</u></u>	<u><u>-</u></u>	<u><u>754,326</u></u>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<u><u>\$ 809,010</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 809,010</u></u>

**CITY OF JASPER, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

September 30, 2018

Total fund balances for governmental funds	\$	754,326
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Total net assets reported for governmental activities in the Statement of Net Assets is different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. Those assets consist of the following:

Land	241,442
Buildings	402,444
Infrastructure	1,351,991
Vehicles	1,062,960
Machinery and equipment	318,195
Accumulated depreciation	<u>(1,467,145)</u>
Total capital assets	<u>1,909,887</u>

The deferred outflows of resources and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions	1,092,735
Deferred inflows related to pensions	(273,030)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. The City's pension liability is not accrued in governmental funds, but rather is recognized as an expenditure when due. Compensated absences are recorded when paid. Capital leases are recorded as liabilities.

All liabilities - both current and long term - are reported in the Statement of Net Assets. Long-term liability balances and other adjustments are as follows:

Compensated absences	(77,517)
OPEB liability	(69,086)
Capital leases	(64,753)
Net pension liability	<u>(1,995,303)</u>
Total long-term liabilities and other adjustments	<u>(2,206,659)</u>

Total net position of governmental activities	<u>\$</u>	<u>1,277,259</u>
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**CITY OF JASPER, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2018

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>			
Taxes	\$ 990,337	\$ -	\$ 990,337
Licenses and permits	110,775	-	110,775
Intergovernmental	256,498	-	256,498
Charges for services	149,933	-	149,933
Fines and forfeits	27,975	-	27,975
Interest	3,343	-	3,343
Miscellaneous	<u>40,455</u>	<u>-</u>	<u>40,455</u>
Total revenues	<u>1,579,316</u>	<u>-</u>	<u>1,579,316</u>
<b>Expenditures</b>			
Current			
General government services	524,419	-	524,419
Public safety	937,330	-	937,330
Physical environment	9,934	-	9,934
Transportation	336,339	-	336,339
Economic environment	434	-	434
Human services	4,347	-	4,347
Culture/recreation	12,244	-	12,244
Capital outlay	38,537	-	38,537
Debt service			
Principal	33,844	-	33,844
Interest	<u>5,951</u>	<u>-</u>	<u>5,951</u>
Total expenditures	<u>1,903,379</u>	<u>-</u>	<u>1,903,379</u>
Excess (deficiency) of revenues over expenditures	<u>(324,063)</u>	<u>-</u>	<u>(324,063)</u>
<b>Other financing sources (uses)</b>			
Interfund transfers in	445,733	-	445,733
Interfund transfers out	<u>-</u>	<u>(721)</u>	<u>(721)</u>
Total other financing sources (uses)	<u>445,733</u>	<u>(721)</u>	<u>445,012</u>
<b>Special item</b>			
Other grants and aids - housing liens	<u>-</u>	<u>(48,407)</u>	<u>(48,407)</u>
Net change in fund balances	<u>121,670</u>	<u>(49,128)</u>	<u>72,542</u>
Fund balances - beginning	<u>632,656</u>	<u>49,128</u>	<u>681,784</u>
Fund balances - ending	<u>\$ 754,326</u>	<u>\$ -</u>	<u>\$ 754,326</u>

**CITY OF JASPER, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENSES, 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 \$ 72,542

The change in net assets reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	38,537	
Depreciation	<u>(110,111)</u>	
Net adjustment		(71,574)

Governmental funds only report amounts received or expenditures incurred in the disposal of capital assets. In the Statement of Activities, the gain or loss from the asset disposal is recorded. (7,614)

Repayment of principal is an expenditure in the governmental funds but reduces the corresponding liability at the government wide level in the Statement of Net Assets.

Principal payments	33,844
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Pension costs are recorded in the statement of activities under the accrual basis of accounting; however, the expenditure is not recorded in the governmental funds until paid. The change in the contributions verses expense is:

FRS Pension/HIS Expense	(187,465)
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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.

Paid time off, due to its classification as a long-term liability is not recorded under the modified basis of accounting. Also, employment benefits that will likely be paid in the future are not recorded under the modified basis of accounting.

However, all expenses are recorded in the Statement of Activities.

The adjustments described above are as follows:

OPEB benefits	(2,288)
Compensated balance adjustment	<u>6,812</u>

Change of net position of governmental activities \$(155,743)

**CITY OF JASPER, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**

September 30, 2018

	<u>Water &amp; Sewer Utility Fund</u>	<u>Natural Gas Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 50	\$ 258,610	\$ 81,112	\$ 339,772
Cash - certificates of deposit	581,207	347,674	-	928,881
Accounts receivable	157,510	49,880	46,821	254,211
Allowance for doubtful accounts	(34,628)	(10,966)	(10,294)	(55,888)
Interfund receivables	28,375	90,731	-	119,106
Due from Suwannee River Water Management	73,863	-	-	73,863
Inventory	<u>22,321</u>	<u>7,282</u>	<u>-</u>	<u>29,603</u>
Total current assets	<u>828,698</u>	<u>743,211</u>	<u>117,639</u>	<u>1,689,548</u>
Noncurrent assets				
Restricted assets				
Cash - certificates of deposit	105,852	-	-	105,852
Cash	<u>136,163</u>	<u>32,547</u>	<u>-</u>	<u>168,710</u>
Total restricted assets	<u>242,015</u>	<u>32,547</u>	<u>-</u>	<u>274,562</u>
Capital assets				
Land	667,039	-	-	667,039
Buildings, net	242,963	-	-	242,963
Infrastructure, net	6,211,643	569,596	-	6,781,239
Equipment, net	252,222	35,902	10,628	298,752
Vehicles, net	<u>81,942</u>	<u>12,134</u>	<u>-</u>	<u>94,076</u>
Total capital assets	<u>7,455,809</u>	<u>617,632</u>	<u>10,628</u>	<u>8,084,069</u>
Total noncurrent assets	<u>7,697,824</u>	<u>650,179</u>	<u>10,628</u>	<u>8,358,631</u>
Total assets	8,526,522	1,393,390	128,267	10,048,179
Deferred outflows of resources				
Pensions	<u>266,073</u>	<u>-</u>	<u>-</u>	<u>266,073</u>
Total assets and deferred outflows of resources	<u>\$ 8,792,595</u>	<u>\$ 1,393,390</u>	<u>\$ 128,267</u>	<u>\$ 10,314,252</u>
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 17,812	\$ 23,844	\$ 29,623	\$ 71,279
Interfund payables	373,496	-	28,375	401,871
Accrued interest	11,545	-	-	11,545
Accrued leave	36,860	3,834	588	41,282
Taxes payable	-	107	-	107
Customer deposits	132,506	31,420	-	163,926
Notes payable, current portion	<u>52,539</u>	<u>-</u>	<u>-</u>	<u>52,539</u>
Total current liabilities	<u>624,758</u>	<u>59,205</u>	<u>58,586</u>	<u>742,549</u>
Noncurrent liabilities				
OPEB liability	59,216	-	-	59,216
Notes payable	907,532	-	-	907,532
Pension liability	<u>507,293</u>	<u>-</u>	<u>-</u>	<u>507,293</u>
Total noncurrent liabilities	<u>1,474,041</u>	<u>-</u>	<u>-</u>	<u>1,474,041</u>
Total liabilities	<u>2,098,799</u>	<u>59,205</u>	<u>58,586</u>	<u>2,216,590</u>
Deferred inflows of resources				
Pensions	<u>64,395</u>	<u>-</u>	<u>-</u>	<u>64,395</u>
<b>Net position</b>				
Invested in capital assets, net of related debt	6,495,738	617,632	10,628	7,123,998
Restricted for capital facilities - expendable	14,958	-	-	14,958
Unrestricted	<u>118,705</u>	<u>716,553</u>	<u>59,053</u>	<u>894,311</u>
Total net position	<u>6,629,401</u>	<u>1,334,185</u>	<u>69,681</u>	<u>8,033,267</u>
Total liabilities, deferred inflows or resources, and net position	<u>\$ 8,792,595</u>	<u>\$ 1,393,390</u>	<u>\$ 128,267</u>	<u>\$ 10,314,252</u>

**CITY OF JASPER, FLORIDA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS**

For the Year Ended September 30, 2018

	<u>Water &amp; Sewer Utility Fund</u>	<u>Natural Gas Utility Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
Operating revenues				
Charges for services	<u>\$ 1,392,927</u>	<u>\$ 500,260</u>	<u>\$ 408,696</u>	<u>\$ 2,301,883</u>
Operating expenses				
Other general government services				
Operating expenses	16,884	-	-	16,884
Water-sewer combination services				
Personnel services	565,534	-	-	565,534
Operating expenses	811,780	-	-	811,780
Gas utility services				
Personnel services	-	159,631	-	159,631
Operating expenses	-	344,249	-	344,249
Gas utility services				
Personnel services	-	-	46,360	46,360
Operating expenses	<u>-</u>	<u>-</u>	<u>354,568</u>	<u>354,568</u>
Total operating expenses	<u>1,394,198</u>	<u>503,880</u>	<u>400,928</u>	<u>2,299,006</u>
Operating income (loss)	<u>(1,271)</u>	<u>(3,620)</u>	<u>7,768</u>	<u>2,877</u>
Nonoperating revenues (expenses)				
Miscellaneous	282	30	-	312
Interest earnings	7,165	4,569	-	11,734
SRWMD contract	73,863	-	-	73,863
Interest expense	<u>(39,715)</u>	<u>-</u>	<u>-</u>	<u>(39,715)</u>
Total nonoperating revenues (expense)	<u>41,595</u>	<u>4,599</u>	<u>-</u>	<u>46,194</u>
Income before transfers and special item	40,324	979	7,768	49,071
Transfers and special item				
Interfund transfers out	(415,012)	(30,000)	-	(445,012)
Special item - loss from asset disposition	<u>(63,711)</u>	<u>(1,445)</u>	<u>-</u>	<u>(65,156)</u>
Total transfers and special item	<u>(478,723)</u>	<u>(31,445)</u>	<u>-</u>	<u>(510,168)</u>
Increase (decrease) in net position	(438,399)	(30,466)	7,768	(461,097)
Net position - beginning	7,125,055	1,364,651	61,913	8,551,619
Adjustment to beginning net position	<u>(57,255)</u>	<u>-</u>	<u>-</u>	<u>(57,255)</u>
Net position - beginning as restated	<u>7,067,800</u>	<u>1,364,651</u>	<u>61,913</u>	<u>8,494,364</u>
Net position - ending	<u>\$ 6,629,401</u>	<u>\$ 1,334,185</u>	<u>\$ 69,681</u>	<u>\$ 8,033,267</u>

**CITY OF JASPER, FLORIDA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended September 30, 2018

	<u>Water &amp; Sewer Utility Fund</u>	<u>Natural Gas Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers and users	\$ 1,439,780	\$ 538,835	\$ 408,105	\$ 2,386,720
Cash payments for employees and benefits	(530,467)	(159,055)	(46,607)	(736,129)
Cash payments for goods and services	<u>(587,586)</u>	<u>(338,170)</u>	<u>(350,406)</u>	<u>(1,276,162)</u>
Net cash provided by (used for) operating activities	<u>321,727</u>	<u>41,610</u>	<u>11,092</u>	<u>374,429</u>
Cash flows from noncapital financing activities				
Cash transfers in (out)	(415,012)	(30,000)	-	(445,012)
Interfund loans	231,045	-	-	231,045
Miscellaneous	<u>282</u>	<u>30</u>	<u>-</u>	<u>312</u>
Net cash provided by (used for) noncapital financing activities	<u>(183,685)</u>	<u>(29,970)</u>	<u>-</u>	<u>(213,655)</u>
Cash flows from capital and related financing activities				
Interest and other debt service costs paid	(40,322)	-	-	(40,322)
Purchases of capital assets	(87,044)	(10,909)	-	(97,953)
Payment of long-term debt	<u>(50,524)</u>	<u>-</u>	<u>-</u>	<u>(50,524)</u>
Net cash provided by (used for) capital and related financing activities	<u>(177,890)</u>	<u>(10,909)</u>	<u>-</u>	<u>(188,799)</u>
Cash flows from investing activities				
Interest revenue	7,165	4,569	-	11,734
Purchase of certificates of deposit	<u>(9,300)</u>	<u>(18,924)</u>	<u>-</u>	<u>(28,224)</u>
Net cash provided by (used for) investing activities	<u>(2,135)</u>	<u>(14,355)</u>	<u>-</u>	<u>(16,490)</u>
Net increase (decrease) in cash	(41,983)	(13,624)	11,092	(44,515)
Cash and cash equivalents - beginning	<u>178,196</u>	<u>304,781</u>	<u>70,020</u>	<u>552,997</u>
Cash and cash equivalents - ending	<u>\$ 136,213</u>	<u>\$ 291,157</u>	<u>\$ 81,112</u>	<u>\$ 508,482</u>
Reconciliation of operating loss to net cash provided by operating activities				
Operating income (loss)	<u>\$ (1,271)</u>	<u>\$ (3,620)</u>	<u>\$ 7,768</u>	<u>\$ 2,877</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	271,114	18,318	1,036	290,468

(Continued)

See notes to financial statements.

**CITY OF JASPER, FLORIDA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the Year Ended September 30, 2018

	Water & Sewer <u>Utility Fund</u>	Natural Gas <u>Utility Fund</u>	Sanitation <u>Fund</u>	<u>Total</u>
Reconciliation (continued)				
Changes in assets and liabilities				
Decrease (increase) in				
Accounts receivable, net	\$ 26,163	\$ 35,510	\$ (591)	\$ 61,082
Inventory	(3,275)	2,865	-	(410)
Increase (decrease) in				
Accounts payable	(26,761)	(15,104)	3,126	(38,739)
OPEB liability	1,961	-	-	1,961
Taxes payable	-	109	-	109
Deposits	20,690	3,065	-	23,755
Compensated absences	(14,790)	467	(247)	(14,570)
Pension liability	<u>47,896</u>	<u>-</u>	<u>-</u>	<u>47,896</u>
Total adjustments	<u>322,998</u>	<u>45,230</u>	<u>3,324</u>	<u>371,552</u>
Net cash provided by (used for) operating activities	<u>\$ 321,727</u>	<u>\$ 41,610</u>	<u>\$ 11,092</u>	<u>\$ 374,429</u>
 Noncash transactions - capital asset disposals	 <u>\$ (146,187)</u>	 <u>\$ (1,725)</u>	 <u>\$ (10,795)</u>	 <u>\$ (158,707)</u>
 Reconciliation of cash reported on statement of net assets to cash reported on the statement of cash flows:				
	Water & Sewer	Natural Gas	Sanitation	
	<u>Utility Fund</u>	<u>Utility Fund</u>	<u>Fund</u>	<u>Total</u>
Per the statement of net assets				
Cash and cash equivalents	\$ 50	\$ 258,610	\$ 81,112	\$ 339,772
Certificates of deposit	581,207	347,674	-	928,881
Restricted assets				
Cash - certificates of deposit	105,852	-	-	105,852
Cash	<u>136,163</u>	<u>32,547</u>	<u>-</u>	<u>168,710</u>
Total cash	823,272	638,831	81,112	1,543,215
Less certificates of deposit				
Operating	(581,207)	(347,674)	-	(928,881)
Debt service	(90,848)	-	-	(90,848)
Impact fees	<u>(15,004)</u>	<u>-</u>	<u>-</u>	<u>(15,004)</u>
Cash reported on the statement of cash flows	<u>\$ 136,213</u>	<u>\$ 291,157</u>	<u>\$ 81,112</u>	<u>\$ 508,482</u>

## CITY OF JASPER, FLORIDA

### NOTES TO FINANCIAL STATEMENTS

September 30, 2018

#### **NOTE 1. – Summary of Significant Accounting Policies**

The City of Jasper is a political subdivision of the State of Florida, originally chartered in 1907, under the Laws of the State of Florida, Number 5811 and, accordingly, is subject to restrictions imposed by the Florida Constitution and Statutes as well by its own ordinances. An elected Council governs the City. All other City officials are appointed by the City Council.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the City are discussed below.

#### **A. Reporting Entity**

These financial statements present only the City of Jasper, Florida (the primary government). As defined by GASBS No. 14, component units are legally separate entities that are to be included in the City's reporting entity because of the significance of the operating or financial relationships with the City. For the purpose of the City's basic financial statements, the reporting entity consists of those functions and activities administered directly by the City Council and would include the following component units: the Jasper Planning and Zoning Board and the Jasper Planning and Zoning Board of Appeals.

As of and for the year ended September 30, 2018, the Jasper Planning and Zoning Board and the Jasper Planning and Zoning Board of Appeals had no assets or liabilities or financial activity, therefore, no amounts are included in the City's financial statements.

#### **B. Basis of Presentation, Basis of Accounting**

##### **Basis of Presentation**

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City). These statements include the financial activities of the overall government, except for fiduciary funds and component units that are fiduciary in nature, if applicable. Eliminations have been made to minimize the double counting of internal activities by the elimination of interfund activity.

These statements distinguish between the *governmental* and *business-type activities* of the City.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The City's governmental activities include all services except

the City's utilities, which are considered business-type activities. Business-type activities are financed in whole or, largely, by fees charged to external parties.

In the government-wide statement of net assets, both the government and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The statement of activities presents a comparison, reporting the gross and net costs, between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. There are no indirect expense allocations and, therefore, none have been reversed for the statement of activities.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds and focus on the determination of financial position and changes in financial position rather than upon net income. Separate statements for each fund category—*governmental and proprietary* are presented.

The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The focus of the proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary fund operating revenues consist only of those resulting directly from the provision of the service provided. Nonoperating revenues represent all other receipts.

The City reports the following major governmental fund:

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



The City reports the following major enterprise funds:

Water and Sewer Utility Fund - this fund accounts for the operation, maintenance, and development of the City's water and sewer services.

Natural Gas Utility Fund - this fund accounts for the operation, maintenance, and development of the City's natural gas services.

Sanitation Utility Fund - this fund accounts for the operation, maintenance, and development of the City's sanitation services.

### **Measurement Focus, Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus or accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations.

On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end.

Property taxes, sales taxes, franchise taxes, licenses, intergovernmental revenues, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

### **C. Assets, Liabilities Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

#### Deposits

The City pools its operating accounts. The City's General, Water/Sewer, Gas, and Sanitation Funds all are part of the pool. Interest earnings on the operating account are budgeted in and credited into the City's General Fund. All other deposit accounts are unique to the intended

purpose (customer deposits, petty cash, debt reserve), and the interest earnings are attributed to the custodial fund.

### Cash and Cash Equivalents

For purposes of the Enterprise Funds' Statement of Cash Flows, the City has defined cash and cash equivalents to include cash on hand, demand deposits, and certain certificates of deposit with original maturities of three months or less.

### Mortgages Receivable

On February 12, 2018, The City Council approved the removal of all liens imposed by a prior CDBG Grant.

### Inventories

Inventories of the enterprise funds are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The enterprise funds use the purchase method for accounting for the inventory. The costs of governmental fund-type inventories are recorded as expenditures at the time of purchase. Actual inventories in the governmental funds on hand at year-end would not be material to the financial statements.

### Capital Assets

Capital assets purchased are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over their estimated useful lives. Estimated useful lives and the asset category's capitalization threshold are as follows:

	<u>Useful Life</u>	<u>Capitalization Threshold</u>
Buildings	20-75 years	\$5,000
Infrastructure/improvements	10-50 years	10,000
Equipment	5-10 years	1,000
Vehicles	5-10 years	1,000
Property under capital lease	5-10 years	1,000

GASBS No. 34 required the City to report and depreciate new infrastructure assets effective with the 2004 fiscal year. Infrastructure assets include roads, bridges, underground pipe, traffic signals, sidewalks, etc. In the future, these infrastructure assets are likely to be the City's largest asset class.

As a Phase 3 entity under GASB 34, the City elected not to retroactively report general, governmental, and infrastructure capital assets constructed or purchased prior to the 2004 fiscal year.

## Pensions

In the government-wide statement of net position, liabilities are recognized for the City's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS's and the HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The City's retirement plans and related amounts are described in a subsequent note.

## Other post-employment benefits (OPEB)

*Florida Statutes* 112.0801 requires that "any state agency, county, municipality, special district, community college, or district school board that provides life, health, accident, hospitalization, or annuity insurance, or all of any kinds of such insurance, for its officers and employees and their dependents upon a group insurance plan or self-insurance plan shall allow all former personnel who retired before October 1, 1987, as well as those who retire on or after such date, and their eligible dependents, the option of continuing to participate in the group insurance plan or self-insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. For retired employees and their eligible dependents, the cost of continued participation may be paid by the employer or by the retired employees."

As a result of the above, the City incurs an implicit cost in the provision of its health care to employees. This cost is recognized as an OPEB liability/expense.

The City's OPEB amounts are reported in a subsequent note.

## Long-term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

Changes in long-term liabilities for the current year are reported in a subsequent note.

## Compensated Absences

Compensated absences are absences for which employees will be paid, such as paid time off. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the City and its employees are accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the City and its employees are accounted for in the period in which such services are rendered or such events take place. The calculation for the accrued paid time off is based upon the hourly balances and the employee's rate of pay at year-end.

## Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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. The City has two item(s) that qualifies for reporting in this category. The deferred outflows of resources related to pensions and OPEB are discussed in a subsequent note.

In addition to liabilities, the governmental funds balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: business licenses. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources related to pensions and OPEB are discussed in subsequent notes.

## Net Position Flow Assumption

The City periodically funds outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. To calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Consequently, it is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

## Fund Balance Flow Assumptions

The City may fund outlays for a particular purpose from both restricted and unrestricted resources (unassigned fund balance). To compute the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of

the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers.

Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements. At the government-wide statement of activities, transfers between governmental and business type activities are netted.

### Governmental Funds - Fund Balances

GASB has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the City's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the users of those resources.

The City does not have a policy regarding the commitment or assignment of fund balances. As a result, the City does not report any committed fund balance. In accordance with GASB 54, the City reports the amount of the fund balance needed to eliminate expected expenditures over expected revenues in the subsequent year budget as assigned fund balance of the general fund, if applicable.

When restricted, assigned, and unassigned funds are available for use, the City's procedures are to use the restricted funds first, followed by the assigned funds, and then the unassigned funds.

### Property Tax Calendar

Article VII of the Florida Constitution provides that Cities are authorized to impose ad valorem taxes on real and tangible personal property. The City's property taxes, levied by November 1, on assessed valuations as of January 1, are due and payable November 1. Taxes not paid by the following April 1, are considered delinquent and subject to collection through the issuance of tax warrants (personal property taxes) and the sale of tax certificates (real property taxes). All taxes imposed pursuant to the constitution and the laws of the State of Florida constitute a first lien as of January 1, superior to all other liens, continuing in force until discharged by payment or until barred by the provisions of Chapter 95, *Florida Statutes*. Elected officials of Hamilton County, Florida, perform the property assessment and tax collection functions.

## Restricted Assets

The Water and Sewer Utility Fund is required by loan agreement to establish and maintain prescribed amounts of resources (consisting of a certificate of deposit) that can only be used to accumulate and pay for the subsequent year's debt service. Deposits placed by utility customers require that cash be restricted in the deposit amounts. All impact fee collections are also restricted for future capital facility expansion. The restricted amounts at year-end are as follows:

	<u>Amount</u>
Debt service reserve	\$ 90,848
Customer deposits	168,710
Capital facilities	<u>15,004</u>
Total	<u>\$ 274,562</u>

In accordance with *Florida Statutes* 163.31801, the City has restricted the amounts collected under the aforementioned Statute, as well as the related net position, for future infrastructure improvements.

The government-wide statement of net position reports restricted net position of \$14,958, none of which is restricted by enabling legislation.

## D. Accounting Changes

Governmental Accounting Standards Board Statement (GASB) No. 75: The City implemented GASB 75 which requires employers who provide other post-employment benefits (potential insurance coverage to retirees under *Florida Statutes* 112.0801) to retirees to record the estimated cost currently. In implementing GASB 75, the City's net position was reduced by \$124,053. See E below.

## E. Prior Period Adjustment

Due to the implementation of GASB 75, the City's beginning net position was reduced as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	Water/sewer <u>Fund</u>
Prior period adjustment - fund balance, net position reduction			
Beginning net position	\$ 1,499,800	\$ 8,551,619	7,125,055
Prior period adjustment	<u>(66,798)</u>	<u>(57,255)</u>	<u>(57,255)</u>
Adjusted beginning fund balance/net position	<u>\$ 1,433,002</u>	<u>\$ 8,494,364</u>	<u>\$ 7,067,800</u>

## NOTE 2. Deposits

Pursuant to Section 218.415(17), *Florida Statutes*, the City is authorized to invest surplus public funds in:

- (a) The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act of 1969, as provided in s. 163.01.
- (b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- (c) Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in s. 280.02.
- (d) Direct obligations of the U.S. Treasury.

At September 30, 2018, the City's deposits held in Qualified Public Depositories totaled \$1,898,087. Of this balance, \$250,000 was covered by federal depository insurance. The remainder of \$1,648,087 is insured through the Bureau of Collateral Management, Division of Treasury, Department of Financial Services under *Florida Statutes* Chapter 280.

GASBS No. 9 provides that generally only investments with an original maturity of less than three months or less are cash equivalents. Therefore, on the Proprietary Funds' Statement of Cash Flows, the certificates of deposit with maturities of twelve months are deemed investments.

However, per GASBS No. 3, for disclosure purposes, the amounts are considered deposits (cash) and are included in the amounts above.

The City had no investments other than Certificates of Deposit (CDs) at September 30, 2018.

The City's CDs at September 30, 2018, were as follows:

Qualified Public Depository	<u>Balance/Fair Value</u>	<u>Rate</u>	<u>Term</u>	<u>Maturity</u>
First Federal Bank of Florida	\$ 1,009,189	1.73%	12 months	3/21/2019
First Federal Bank of Florida	248,779	0.83%	12 months	1/18/2019
First Federal Bank of Florida	<u>15,004</u>	0.62%	12 months	3/28/2019
Total certificates of deposit	<u>\$ 1,272,972</u>			

**NOTE 3. Receivables**

At September 30, 2018, the City was owed \$257,728 largely for billed services provided. The amounts and established allowances for uncollectible accounts are indicated below:

	<u>General</u>	<u>Water and Sewer</u>	<u>Gas</u>	<u>Sanitation</u>	<u>Totals</u>
Billed amounts	\$ 3,517	\$ 157,510	\$ 49,880	\$ 46,821	\$ 257,728
Allowance for doubtful accounts	<u>-</u>	<u>(34,628)</u>	<u>(10,966)</u>	<u>(10,294)</u>	<u>(55,888)</u>
Totals	<u>\$ 3,517</u>	<u>\$ 122,882</u>	<u>\$ 38,914</u>	<u>\$ 36,527</u>	<u>\$ 201,840</u>

The City has assessed approximately \$396,000 in code enforcement fines. During the year ending September 30, 2009, the City suspended all collections. In prior years, liens were filed in a number of instances. Due to the uncertainty of any future collections, the City has not recorded the fines receivable at the government wide level.

**NOTE 4. Due from Other Governments**

Due from other governmental units consists of the following amounts at September 30, 2018:

<u>Description</u>	<u>Amount</u>
State of Florida - Intergovernmental revenues	\$ 189,130
Hamilton County	
Animal control	4,275
Grant - other local unit	73,863
Court fines/investigations	<u>504</u>
Total	<u>\$ 267,772</u>

## NOTE 5. Capital Assets

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 241,442	\$ -	\$ -	\$ 241,442
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>241,442</u>	<u>-</u>	<u>-</u>	<u>241,442</u>
Capital assets being depreciated				
Buildings	402,445	-	-	402,445
Infrastructure/improvements	1,351,990	-	-	1,351,990
Equipment and furniture	400,489	8,039	90,333	318,195
Vehicles	1,043,317	30,498	10,853	1,062,962
Property under capital leases	-	-	-	-
Total capital assets being depreciated	<u>3,198,241</u>	<u>38,537</u>	<u>101,186</u>	<u>3,135,592</u>
Less accumulated depreciation for				
Buildings	(182,923)	(5,848)	-	(188,771)
Infrastructure/improvements	(544,365)	(28,380)	-	(572,745)
Equipment and furniture	(226,328)	(12,845)	82,719	(156,454)
Vehicles	(496,993)	(63,037)	10,853	(549,177)
Total accumulated depreciation	<u>(1,450,609)</u>	<u>(110,110)</u>	<u>93,572</u>	<u>(1,467,147)</u>
Total capital assets being depreciated, net	<u>1,747,632</u>	<u>(71,573)</u>	<u>194,758</u>	<u>1,668,445</u>
Governmental activities capital assets, net	<u>\$ 1,989,074</u>	<u>\$ (71,573)</u>	<u>\$ 194,758</u>	<u>\$ 1,909,887</u>
<b>Business-type activities</b>				
Water and Sewer				
Capital assets not being depreciated				
Land	\$ 667,039	\$ -	\$ -	\$ 667,039
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>667,039</u>	<u>-</u>	<u>-</u>	<u>667,039</u>
Capital assets being depreciated				
Buildings	288,160	-	-	288,160
Infrastructure/improvements	11,554,758	63,600	73,820	11,544,538
Equipment and furniture	578,473	23,444	69,167	532,750
Vehicles	351,681	-	3,200	348,481
Total capital assets being depreciated	<u>12,773,072</u>	<u>87,044</u>	<u>146,187</u>	<u>12,713,929</u>
Less accumulated depreciation for				
Buildings	(42,110)	(3,087)	-	(45,197)
Infrastructure/improvements	(5,110,030)	(232,973)	10,109	(5,332,894)
Equipment and furniture	(331,473)	(18,222)	69,167	(280,528)
Vehicles	(252,908)	(16,831)	3,200	(266,539)
Total accumulated depreciation	<u>(5,736,521)</u>	<u>(271,113)</u>	<u>82,476</u>	<u>(5,925,158)</u>
Total capital assets being depreciated, net	<u>7,036,551</u>	<u>(184,069)</u>	<u>228,663</u>	<u>6,788,771</u>
Water and Sewer capital assets, net	<u>\$ 7,703,590</u>	<u>\$ (184,069)</u>	<u>\$ 228,663</u>	<u>\$ 7,455,810</u>



Gas Utility				
Capital assets being depreciated				
Infrastructure/improvements	\$ 960,551	\$ -	\$ -	\$ 960,551
Equipment and furniture	48,739	10,909	1,725	57,923
Vehicles	<u>33,748</u>	<u>-</u>	<u>-</u>	<u>33,748</u>
Total capital assets being depreciated	<u>1,043,038</u>	<u>10,909</u>	<u>1,725</u>	<u>1,052,222</u>
Less accumulated depreciation for				
Infrastructure/improvements	(377,940)	(13,017)	-	(390,957)
Equipment and furniture	(20,844)	(1,455)	280	(22,019)
Vehicles	<u>(17,767)</u>	<u>(3,846)</u>	<u>-</u>	<u>(21,613)</u>
Total accumulated depreciation	<u>(416,551)</u>	<u>(18,318)</u>	<u>280</u>	<u>(434,589)</u>
Gas utility capital assets, net	<u>\$ 626,487</u>	<u>\$ (7,409)</u>	<u>\$ 2,005</u>	<u>\$ 617,633</u>

Sanitation				
Capital assets being depreciated				
Equipment and furniture	\$ 33,829	\$ -	\$ 10,795	\$ 23,034
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>33,829</u>	<u>-</u>	<u>10,795</u>	<u>23,034</u>
Less accumulated depreciation for				
Equipment and furniture	(22,166)	(1,036)	10,794	(12,408)
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>(22,166)</u>	<u>(1,036)</u>	<u>10,794</u>	<u>(12,408)</u>
Sanitation capital assets, net	<u>\$ 11,663</u>	<u>\$ (1,036)</u>	<u>\$ 21,589</u>	<u>\$ 10,626</u>

Depreciation expense was charged to the various functions as follows:

Governmental activities	
General government	\$ 19,374
Public safety	64,737
Transportation	19,454
Culture/recreation	<u>6,545</u>
Total governmental activities depreciation expense	<u>\$ 110,110</u>

Business type activities	
Water/sewer	\$ 271,114
Gas	18,318
Sanitation	<u>1,036</u>
Total business-type activities depreciation expense	<u>\$ 290,468</u>

**NOTE 6. Interfund Balances and Activity**

Interfund balances at September 30, 2018, were as follows:

Major funds	<u>Due from</u>	<u>Due to</u>
General	\$ 282,765	\$ -
Water and Sewer	28,375	373,496
Gas	90,731	-
Sanitation	-	28,375
Totals	<u>\$ 401,871</u>	<u>\$ 401,871</u>

The above amounts are short term loans. The City expects to extinguish all interfund receivables/payables in the subsequent year.

Interfund transfers during the year ending September 30, 2018, were as follows:

Major funds	<u>Transfer out</u>	<u>Transfer in</u>
General	\$ -	\$ 445,733
Water and Sewer	415,012	-
Gas	30,000	-
Total major funds	<u>445,012</u>	<u>445,733</u>
Nonmajor funds		
First Mortgage Receivable	721	-
Total all funds	<u>\$ 445,733</u>	<u>\$ 445,733</u>

The above amounts were payments of short-term interfund loans or budgetary transfers.

**NOTE 7. Long-term Obligations**

Governmental Activities – lease purchases

The City has the following lease purchase agreements:

Purchase agreement 8132202 with Ford Motor Credit for the purchase of 1 2015 Ford F-150 and 3 2015 Ford Interceptor Utilities with Police Equipment - the financed amount is \$136,626 which is paid in five installments of \$30,571. Payments two through five include interest of 5.95%.

Purchase agreement 8132203 with Ford Motor Credit for the purchase of 1 2015 Ford F-150 Super Crew Pickup – the financed amount is \$33,675 with four annual payments of \$9,224. Payments two through four include interest of 6.45%.

The following is a schedule of the future minimum lease payments under the above lease purchase agreements and the present value of the net minimum lease payments at September 30, 2018:

	Year ending September 30,	Governmental Activities
	2018	\$ 39,795
	2019	<u>30,571</u>
Total minimum lease payments		70,366
Less amount representing interest		<u>(5,612)</u>
Present value of future minimum lease payments		<u>\$ 64,754</u>

The gross amount of assets recorded under the capital leases is \$169,062. The accumulated depreciation for the aforementioned assets is \$47,402.

#### Business-type Activities – Notes payable

On June 12, 2012, the City refinanced the Utilities System Revenue Bond Series 1988, Bond Numbers\_1 & 2 via a note payable with First Federal Bank of Florida.

The note requires annual payments of \$90,847 including fixed interest of 3.99%; a note payment account, within which the annual debt service amount is to be accumulated; maintenance of the facilities in good condition, enforcement and collection of rates, and revenues sufficient to pay at least 125% of the principal and interest due each year. It disallows the rendering of free services.

Debt service requirements on business-type long-term debt at September 30, 2018, are as follows:

Year ending September 30,	<u>Business-type Activities</u>	
	<u>Bond Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 52,539	\$ 38,307
2020	54,537	36,310
2021	56,812	34,034
2022	59,079	31,768
2023	61,436	29,410
2024-2028	345,836	108,398
2029-2032	<u>329,832</u>	<u>33,553</u>
Totals	<u>\$ 960,071</u>	<u>\$ 311,780</u>

Pledge Future Revenues for the above debt is as follows:

Collateralized Debt - Revenue Refunding Bond	Water/sewer <u>Fund</u>
Pledged revenue required for future principal and interest on existing note payable	\$ 1,271,851
Term of commitment fiscal year ending September 30, 2018	14 years
Percentage of revenue pledged	100%
Current fiscal year pledged revenue	\$ 1,392,927
Current fiscal year principal and interest paid	\$ 90,847

Changes in long-term obligations for the year ended September 30, 2018, are as follows:

	<u>10/1/2017</u>	<u>Adds</u>	<u>Deletes</u>	<u>9/30/2018</u>	Amounts Due Within <u>One Year</u>
Governmental Activities					
Compensated absences	\$ 84,329	\$ 55,279	\$ 62,090	\$ 77,518	\$ -
OPEB liability *	66,798	2,288	-	69,086	-
Capital leases	98,598	-	33,844	64,754	35,899
Net pension liability	<u>1,711,599</u>	<u>451,979</u>	<u>168,275</u>	<u>1,995,303</u>	<u>-</u>
Totals	<u>\$ 1,961,324</u>	<u>\$ 509,546</u>	<u>\$ 264,209</u>	<u>\$ 2,206,661</u>	<u>\$ 35,899</u>

\* beginning balance established via prior period adjustment

	<u>10/1/2017</u>	<u>Adds</u>	<u>Deletes</u>	<u>9/30/2018</u>	Due Within <u>One Year</u>
Business-type Activities					
Compensated absences	\$ 55,851	\$ 39,833	\$ 54,401	\$ 41,283	\$ 41,283
OPEB liability *	57,255	1,961	-	59,216	-
Notes payable	1,010,595	-	50,524	960,071	52,539
Net pension liability	<u>434,809</u>	<u>115,483</u>	<u>42,999</u>	<u>507,293</u>	<u>-</u>
Totals	<u>\$ 1,558,510</u>	<u>\$ 157,277</u>	<u>\$ 147,924</u>	<u>\$ 1,567,863</u>	<u>\$ 93,822</u>

## NOTE 8. Fund Balance Reporting

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) provides a more structured classification of fund balance and improves the usefulness of fund balance reporting. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on their uses. It provides for two major types of fund balances for governmental funds, which are nonspendable and spendable.

Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and the principal of permanent or endowment funds. These items are not applicable to the City's governmental funds. However, it does have nonspendable funds relating to its permanent fund.

A hierarchy of spendable fund balances is as follows:

Restricted – Fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed – Fund balances that contain self-imposed constraints of the government from the City Council, its highest level of decision-making authority via action during a public meeting.

Assigned – Fund balances that contain self-imposed constraints of the City Council to be used for a particular purpose. This category includes any remaining positive amounts, for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed. No policy has been established to authorize any individual or political body the right to assign resources.

Unassigned – Fund balance of the general fund that is not constrained for any particular purpose.

The City has classified its fund balances with the following hierarchy:

**Spendable**

The City has classified the spendable fund balance as unassigned. At September 30, 2018, the unassigned general fund balance was \$754,326 or thirty-five percent of the General Fund’s total expenditures.

A summary of the fund balances at September 30, 2018, is as follows:

Description	<u>General Fund</u>	Other Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
Fund balances:			
Nonspendable			
Principal of Permanent Fund	\$ -	\$ -	\$ -
Unassigned	<u>754,326</u>	<u>-</u>	<u>754,326</u>
Total fund balance	<u>\$ 754,326</u>	<u>\$ -</u>	<u>\$ 754,326</u>

**NOTE 9. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Florida Municipal Insurance Trust. Under this insurance risk pool, the City pays annual premiums to the pool for its insurance coverage. The agreement for formation of the pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specific amounts. In addition, the City carries commercial insurance for dishonesty bonding.

Claims resulting from the above risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreements of the Florida Municipal Insurance Trust allow for the pool to make additional assessments to make the pools self-sustaining. It is not possible to estimate the amount of such additional assessments, which might have to be paid by the City.

**NOTE 10. Florida Retirement System (FRS) - Defined Benefit Pension Plan**

General Information

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective

July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. 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. Such provisions may be amended at any time by further action from the Florida Legislature.

The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site.

The City's pension expense (FRS \$395,326 and HIS \$51,309) totaled \$446,635 for the fiscal year ended September 30, 2018.

#### **FRS Pension Plan:**

Plan Description: The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

*Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

*Elected County Officers Class* – Members who hold specified elective offices in local government.

*Senior Management Service Class (SMSC)* – Members in senior management level positions.

*Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 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 except for members classified as special risk that are eligible for normal retirement benefits at age 55 or at any age after 25 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 except for members classified as special risk that are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan 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 to eligible participants.

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 participating 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided: 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 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 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 class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b>	<b><u>% Value</u></b>
<b><i>Regular Class members initially enrolled before July 1, 2011</i></b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b><i>Regular Class members initially enrolled on or after July 1, 2011</i></b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b><i>Elected County Officers</i></b>	3.00
<b><i>Senior Management Service Class</i></b>	2.00
<b><i>Special Risk Regular</i></b>	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by

dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were as follows:

Class	<u>Percent of Gross Salary</u>		Total
	<u>Employee</u>	<u>Employer (1)</u>	<u>Contribution Rate</u>
FRS, Regular	3.00%	6.20%	9.20%
FRS, Elected County Officers	3.00%	43.78%	46.78%
FRS, Senior Management Service	3.00%	20.99%	23.99%
FRS, Special Risk Regular	3.00%	21.55%	24.55%
FRS, Special Risk Administrative	3.00%	32.91%	35.91%
DROP - Applicable to member from all of the above classes	0.00%	11.60%	11.60%

Notes

1. Rates include the normal cost and unfunded liability contributions but do not include the 1.66 percent contribution for the Retiree Health Insurance Subsidy and the fee of 0.06 percent for administration of the FRS Investment Plan and provision of educational tools for both plans.

The City’s contributions, including employee contributions, to the Plan totaled \$178,622 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At September 30, 2018, the City reported a liability of \$1,964,272 for its proportionate share of the Plan’s net pension liability. 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 June 30, 2018. The City’s proportionate share of the net pension liability was based on the City’s 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the City’s proportionate share was .006523285 percent, which was an increase of .0007517566 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$395,326. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



<u>Description</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 317	\$ 154,126
Changes in assumptions	672,244	-
Net difference between projected and actual earnings on FRS pension plan investments	431,693	(426,823)
Changes in proportion and differences between City's FRS contributions and proportionate share of contributions	71,109	-
City FRS contributions subsequent to the measurement date	10,430	-
<b>Total</b>	<u>\$ 1,185,793</u>	<u>\$ (272,697)</u>

The deferred outflows of resources related to pensions, totaling \$44,963, resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending September 30	<u>Amount</u>
2019	\$ 20,945
2020	20,945
2021	20,945
2022	20,945
2023	20,945
Thereafter	8,378

Actuarial Assumptions: The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.00 percent

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used were developed as of a June 30, 2018, measurement date and are based on an actuarial valuation date of June 30, 2018. Valuations are performed annually.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. 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. The target

allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target <u>Allocation (1)</u>	Annual Arithmetic <u>Return</u>	Compound Annual (Geometric) <u>Return</u>	Standard <u>Deviation</u>
Cash	1.00%	2.90%	2.90%	1.80%
Fixed income	18.00%	4.40%	4.30%	4.00%
Global equity	54.00%	7.60%	6.30%	17.00%
Real estate	11.00%	6.60%	6.00%	11.30%
Private equity	10.00%	10.70%	7.80%	26.50%
Strategic investments	6.00%	6.00%	5.70%	8.60%
Assumed inflation - mean			2.60%	1.90%

1. As outlined in the FRS Pension Plan's investment policy available from Funds We Manage on the SBA's website at [www.sbafla.com](http://www.sbafla.com).

**Discount Rate:** The discount rate used to measure the total pension liability was 7.00 percent. 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.

**Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate:** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.00 percent) or 1 percentage-point higher (8.00 percent) than the current rate:

	1% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
City's proportionate share of the net pension liability	<u>\$ 3,584,879</u>	<u>\$ 1,964,272</u>	<u>\$ (3,310,282)</u>

**Pension Plan Fiduciary Net Position:** Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

**Payables to the Pension Plan:** At September 30, 2018, the City reported a payable of \$19,648 (FRS \$12,691, HIS \$2,388, INV \$441) for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2018.

## **HIS Pension Plan**

Plan Description: The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$24,370 for the fiscal year ended September 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2018, the City reported a net pension liability of \$538,624 for its proportionate share of the HIS Plan's net pension liability. 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 June 30, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the June 30, 2018, fiscal year contributions of all participating members.

At June 30, 2018, the City's proportionate share was .005086148 percent, which was an increase of .000097841 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the City recognized pension expense of \$26,938. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 8,789	\$ (915)
Changes in assumptions	64,795	(58,495)
Net difference between projected and actual earnings on FRS pension plan investments	-	283
Changes in proportion and differences between City's FRS contributions and proportionate share of contributions	94,640	(5,600)
City FRS contributions subsequent to the measurement date	4,791	-
<b>Total</b>	<u>\$ 173,015</u>	<u>\$ (64,727)</u>

The deferred outflows of resources, totaling \$6,082 was related to pensions resulting from City contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Fiscal year ending September 30	<u>Amount</u>
2019	\$ 13,766
2020	13,766
2021	13,766
2022	13,766
2023	13,766
Thereafter	16,519

Actuarial Assumptions The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent
Municipal bond rate	3.58 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the June 30, 2018, valuation was developed as of a June 30, 2018, measurement date, based on an actuarial valuation date of June 30, 2018. HIS plan valuations occur on a biennial basis.

Discount Rate The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.87 percent) or 1 percentage-point higher (3.87 percent) than the current rate:

	1% Decrease <u>2.87%</u>	Current Discount <u>3.87%</u>	1% Increase <u>4.87%</u>
City's proportionate share of the net pension liability	\$ <u>500,244.70</u>	\$ <u>439,219</u>	\$ <u>388,350.54</u>

Pension Plan Fiduciary Net Position Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan At September 30, 2018, the City reported a payable of \$1,728 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

### **FRS – Defined Contribution Pension Plan**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature.

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members.

Allocations to the investment member's accounts during the 2017-18 fiscal year were as follows:

Class	Contributions		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
FRS, Regular	3.00%	6.20%	9.20%
FRS, Elected County/Local Officers	3.00%	43.78%	46.78%
FRS, Senior Management Service	3.00%	20.99%	23.99%

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds.

Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. At September 30, 2018, the City does not know the amount of forfeited funds, if any, but estimates that the amount would be immaterial.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$33,339, for the fiscal year ended September 30, 2018.

## **Note 11. Postemployment Benefits Other Than Pensions (OPEB)**

### **General Information**

#### Plan description

The City of Jasper, Florida, sponsors and administers the single-employer OPEB unfunded plan. The plan covers twenty-two active employees with no inactive employees and beneficiaries currently receiving benefits and no inactive employees entitled to and not yet receiving benefits. The City's retirees' contribution requirement is an amount determined periodically by the City equal to one hundred percent of the applicable health insurance premium charged by the insurance carrier. There are no minimum required employer contributions. No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph 4 to pay for related benefits.

#### Benefits provided

Benefits are provided to regular, full-time employees of the City. Benefits provided are post-retirement medical benefits. The plan provides for post-retirement medical coverage to eligible employees under the same fully-insured plan that covers active employees. No explicit subsidy is provided to retirees. *Florida Statutes* 112.0801 requires the City to offer retirees health insurance on the same basis as employees provided that the retiree pays the full premium for the relevant coverage. There were no changes in benefit terms from the prior measurement date.

## Total OPEB Liability

The City's total OPEB liability of \$128,302, was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs: The total OPEB liability in the September 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.64% per annum: this rate was used to discount all future benefit payments and is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.
Salary increases	3.00% per annum
Cost of living increases	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare cost trend rates	Increases in healthcare costs are assumed to be 8.00% for the 2017/18 fiscal year graded down by 0.50% per year to 5.00% for the 2023/24 and later fiscal years.
Age related morbidity	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
Implied subsidy	Because the insurance carrier charges the same monthly rate for health insurance regardless of age an implied monthly subsidy of \$350.00 per individual has been assumed at age 62 for the 2017/18 fiscal year. At other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates. The implied subsidy is assumed to disappear at age 65.
Mortality basis	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table (general employees) or RP-2000 Blue Collar Mortality Table (firefighters and police officers), both with full generational improvements in mortality using Scale BB
Retirement	For general employees, retirement is assumed to occur at age 62. For firefighters and police officers, retirement is assumed to occur at age 55.
Other decrements	Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1 for general employees and Class 4 for firefighters and police officers).
Covered election	50% of eligible employees are assumed to elect medical coverage upon retirement or disability, with one-third of electing retirees also covering their spouse.
Spouses and dependents	Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.
COBRA	Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
Changes	No assumptions were changed since the prior measurement date

**Net OPEB liability at September 30, 2018:**

Total OPEB liability *	\$	128,302
Less fiduciary net position		<u>-</u>
Net OPEB liability **	\$	<u>128,302</u>

\* rolled forward from October 1, 2017

\*\* recognized as follows:

Long-term obligations	\$	69,086
Water/sewer Fund		<u>59,216</u>
Net OPEB liability	\$	<u>128,302</u>

**OPEB expense for Year Ending September 30, 2018:**

Service cost	\$	9,113
Other recognized changes in net pension		
Expected interest growth		4,675
Investment gain/loss		-
Demographic gain/loss		-
Employee contributions		-
Benefit payments & refunds		(9,539)
Administrative expenses		-
Changes in benefit terms		-
Assumption changes		<u>-</u>
OPEB expense *	\$	<u>4,249</u>

\* expense recognized as follows:

Statement of Activities - governmental	\$	2,288
Water/sewer Fund		<u>1,961</u>
Total OPEB expense recognized	\$	<u>4,249</u>

**Deferred Inflows of Resources and Deferred Inflows of Resources Related to OPEB**

There were no deferred inflows/outflows of resources related to the City's OPEB.

**Balance Equation**

Net OPEB liability as of September 30, 2017	\$	124,053
Plus OPEB expense for the year ending September 30, 2018		4,249
Minus employer contribution for the year ending September 30, 2018		-
Plus change in balance of deferred outflows of resources		-
Minus change in balance of deferred inflows of resources		<u>-</u>
Net OPEB liability as of September 30, 2018	\$	<u>128,302</u>



<b>Changes in the net OPEB liability</b>	<b>Total OPEB Liability</b>	<b>Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balance as of September 30, 2017	\$ 124,053	\$ -	\$ 124,053
Change due to:			
Service cost	9,113	-	9,113
Expected interest growth	4,675	-	4,675
Unexpected investment income	-	-	-
Demographic experience	-	-	-
Employer contributions	-	-	-
Employee contributions	-	-	-
Benefit payments & refunds	(9,539)	-	(9,539)
Administrative expenses	-	-	-
Changes in benefit terms	-	-	-
Assumption changes	-	-	-
Balance as of September 30, 2018	<u>\$ 128,302</u>	<u>\$ -</u>	<u>\$ 128,302</u>

**Comparison of net OPEB liability using alternative discount rates**

	<u>Discount Rate minus 1.00%</u>	<u>3.64% Discount Rate</u>	<u>Discount Rate plus 1.00%</u>
Total OPEB liability	\$ 140,189	\$ 128,302	\$ 117,831
Less fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 140,189</u>	<u>\$ 128,302</u>	<u>\$ 117,831</u>

**Comparison of net OPEB liability using Alternative Healthcare Cost Trend Rates**

	<u>Trend rates minus 1.00%</u>	<u>8.00% graded down to 5.00%</u>	<u>Trend rates plus 1.00%</u>
Total OPEB liability	\$ 114,582	\$ 128,302	\$ 145,064
Less fiduciary net position	-	-	-
Net OPEB liability	<u>\$ 114,582</u>	<u>\$ 128,302</u>	<u>\$ 145,064</u>

**Note 12. Economic Dependency**

The City receives a significant portion of its utility revenues from the Florida Department of Corrections – approximately fifty-three percent. If this customer ceased operations, the financial condition of City could be adversely affected.

**Note 13. Other Commitments**

**Refuse Collection**

On December 1, 2015, the City “amended in its entirety and replaced” its contract with Waste Pro of Florida, Inc., for the collection of residential, commercial, and front-end load collection of household refuse and yard waste.

The solid waste agreement is for the period December 1, 2015, to December 1, 2020. The agreement automatically is extended for successive five (5) year terms unless either party give the other party three hundred and sixty (360) days' notice in writing prior to the then current expiration date of its intention not to renew the Contract.

Per the agreement, residential rates are fixed for the period and commercial rates increase five (5) percent annually.

#### Regulatory Compliance Agreement

The City has an agreement with City Services, Inc., for “proper and necessary regulatory compliance services.”

The agreement is for a three-year period ending in May 2021. It automatically renews for successive three-year terms unless prior written notice is provided.

The fee for the services is as follows: 1. Monthly maintenance charge of \$650 2. \$60 per hour for on-site programs and procedures 3. Mileage of .85 per actual mile traveled 4. Per diem expense of \$165 per night of overnight stay.

#### Florida Department of Environmental Protection – Consent Order (Second Amendment)

The City is operating under a Consent Order from the Florida Department of Environmental Protection, OGC File No.: 15-0414.

The Consent Order requires the City to submit a proposal and a corrective action plan to the Department to meet and address final effluent limits for total nitrogen, ammonia and total nitrogen, unionized ammonia at the City's sewer plant and include a schedule to correct the fuel coming into the lift station, sample and monitor petroleum products entering the lift station for nine continuous months from May 2018 at the Loves Truck Stop. In addition, the City was required to pay \$4,250 to settle the regulatory matters addressed in the order.

Penalties of \$100 per day are stipulated if any of the Order's requirements are not met.

The City is in compliance with the Order through the date of the audit report.

#### **NOTE 14. Current/Future Accounting Pronouncements**

The following statements of the Governmental Accounting Standards Board were effective for the City's 2017-18 fiscal year:

*No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

*No. 85, Omnibus 2017*

*No. 86, Certain Debt Extinguishment Issues*

As required, the City adopted the above pronouncements. The financial statements reflect the use of the above pronouncement as applicable.

The following statements will be effective for the City's 2018-19 fiscal year (and beyond):

*No. 83, Certain Asset Retirement Obligations*

*No. 84, Fiduciary Activities*

*No. 87, Leases*

*No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

*No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*

*No. 90, Majority Equity Interests*

The City is evaluating the effects that these statements will have on its financial statements for the year ending September 30, 2019.

#### **Note 15. Subsequent Events**

The City's Management has evaluated subsequent events through the date of the audit report – February 22, 2019, the date which the financial statements were available for issuance.



**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



**CITY OF JASPER, FLORIDA**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND**

For the Year Ended September 30, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive <u>(Negative)</u>
Fund balance - beginning *	\$ -	\$ -	\$ 632,656	\$ 632,656
Estimated receipts				
Taxes	891,504	891,504	990,337	98,833
Licenses and permits	110,000	110,000	110,775	775
Intergovernmental revenue	229,928	229,928	256,498	26,570
Charges for services	128,004	128,004	149,933	21,929
Fines and forfeits	3,850	3,850	27,975	24,125
Miscellaneous	10,330	10,330	43,798	33,468
Other sources	<u>788,970</u>	<u>788,970</u>	<u>445,733</u>	<u>(343,237)</u>
Total estimated receipts and balances	<u>2,162,586</u>	<u>2,162,586</u>	<u>2,657,705</u>	<u>495,119</u>
Appropriations				
General government	579,961	579,961	524,419	55,542
Public safety	974,232	974,232	998,664	(24,432)
Physical environment	12,300	12,300	9,933	2,367
Transportation	461,330	461,330	353,337	107,993
Economic environment	1,200	1,200	434	766
Human services	4,250	4,250	4,347	(97)
Culture/recreation	129,313	129,313	12,245	117,068
Other uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total appropriations	<u>2,162,586</u>	<u>2,162,586</u>	<u>1,903,379</u>	<u>259,207</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 754,326</u>	<u>\$ 754,326</u>

\* as adjusted

**CITY OF JASPER, FLORIDA**

**NOTES TO BUDGETARY COMPARISON SCHEDULE**

For the Year Ending September 30, 2018

**NOTE 1. BUDGET**

An annual budget, as required by state statutes and Article V of the Charter of the City of Jasper, Florida, is adopted on a basis consistent with GAAP for all governmental funds. All annual appropriations lapse at fiscal year-end. The budget process is as follows:

On or before September 1, all department heads submit requests for appropriations to the City Manager who compiles the requests and submits a comprehensive budget request to the City Council. The City Council conducts public hearings on the proposed budget after September 1, but prior to September 30. On or before September 30, the budget is adopted by the City Council.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the City Manager. The legal level of budgetary control is the fund level. Any budget amendments affecting expenditures at the fund level must be approved by the City Council.

The City made no supplementary budget amendment for the fiscal year ending September 30, 2018.

**NOTE 2. EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS AND GAAP REVENUES AND EXPENDITURES**

		<u>General Fund</u>
Sources/inflows of resources		
Financial statement major funds		
Actual amount (budgetary basis) of the estimated receipts and balances from the budgetary comparison schedules	\$	2,657,705
Adjustments		
Budgetary fund balance is an amount available for appropriation but is not considered a revenue for GAAP reporting		(632,656)
Transfers in are available for appropriation but are not revenues for GAAP reporting		(445,733)
Total revenues reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$	<u>1,579,316</u>
Uses/outflows of resources		
Actual amounts (budgetary basis) "Total appropriations" from the budgetary comparison schedules	\$	<u>-</u>



**CITY OF JASPER, FLORIDA**  
**SCHEDULES OF PROPORTINATE SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS\***

**Florida Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Jasper, Florida's proportion of the net pension liability (asset)	0.006523%	0.005772%	0.005276%	0.005037%	0.004800%
City of Jasper, Florida's proportionate share of the net pension liability (asset)	\$ 1,964,847	\$ 1,707,765	\$ 1,457,315	\$ 745,470	\$ 292,858
City of Jasper, Florida's covered-employee payroll	\$ 1,468,047	\$ 1,377,037	\$ 1,277,609	\$ 1,254,727	\$ 1,245,908
City of Jasper, Florida's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	133.84%	124.02%	114.07%	59.41%	23.51%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

**Health Insurance Subsidy Program**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Jasper, Florida's proportion of the net pension liability (asset)	0.005086%	0.004108%	0.004040%	0.004156%	0.038232%
City of Jasper, Florida's proportionate share of the net pension liability (asset)	\$ 538,324	\$ 439,218	\$ 470,815	\$ 423,842	\$ 3,574,813
City of Jasper, Florida's covered-employee payroll	\$ 1,468,047	\$ 1,377,037	\$ 1,277,609	\$ 1,254,727	\$ 1,245,908
City of Jasper, Florida's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36.67%	31.90%	36.85%	33.78%	286.92%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

\* Information is presented for those years available

**Notes to Schedules**

**Note 1. Measurement Date**

The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

**Note 2. Covered Employees**

Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**CITY OF JASPER FL  
SCHEDULES OF EMPLOYER CONTRIBUTIONS  
LAST 10 FISCAL YEARS\***

**Florida Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 243,108	\$ 186,982	\$ 154,030	\$ 146,404	\$ 137,500
Contributions in relation to the contractually required contribution	<u>243,108</u>	<u>186,982</u>	<u>154,030</u>	<u>146,404</u>	<u>137,500</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Jasper, Florida's covered-employee payroll	\$ 1,468,047	\$ 1,377,037	\$ 1,277,609	\$ 1,254,727	\$ 1,245,908
Contributions as a percentage of covered-employee payroll	16.56%	13.58%	12.06%	11.67%	11.04%

**Health Insurance Subsidy Program**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 24,370	\$ 22,859	\$ 21,208	\$ 16,997	\$ 15,963
Contributions in relation to the contractually required contribution	<u>24,370</u>	<u>22,859</u>	<u>21,208</u>	<u>16,997</u>	<u>15,963</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Jasper, Florida's covered-employee payroll	\$ 1,468,047	\$ 1,377,037	\$ 1,277,609	\$ 1,254,727	\$ 1,245,908
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.35%	1.28%

\* Information is presented for those years available

**Note to Schedules**

Note 1. Covered Employees

Covered employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**CITY OF JASPER, FLORIDA**  
**SCHEDULES OF OPEB LIABILITY AND COVERED PAYROLL**  
**LAST TEN FISCAL YEARS \***

<u>Measurement Date</u>	<u>Total OPEB Liability</u>	<u>Fiduciary Net Position</u>	<u>Net OPEB Liability</u>	<u>Funded Percentage</u>	<u>Covered Payroll</u>	<u>Net OPEB Liability as a % of Covered Payroll</u>
9/30/2018	\$ 128,302	\$ -	\$ 128,302	\$ -	\$ 856,156	14.99%
9/30/2017	124,053	-	124,053	-	856,156	14.49%

\* Information is presented for those years available

**CITY OF JASPER, FLORIDA**  
**SCHEDULES OF CHANGES IN THE OPEB LIABILITY BY SOURCE**  
**LAST TEN FISCAL YEARS \***

<u>Fiscal Year</u>	<u>Service Cost</u>	<u>Expected Interest Growth</u>	<u>Unexpected Investment Income</u>	<u>Demographic Experience</u>	<u>Employer Contribution</u>	<u>Employee Contribution</u>	<u>Benefit Payments &amp; Refunds</u>	<u>Administrative Expenses</u>	<u>Changes in Benefit Terms</u>	<u>Assumption Changes</u>
9/30/2018	\$ 9,113	\$ 4,675	\$ -	\$ -	\$ -	0.00%	\$ (9,536)	\$ -	\$ -	\$ -

\* Information is presented for those years available

Notes to Schedule

1. Changes in Benefit Terms

There were no changes in the benefit terms.

2. Changes of Assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used for each fiscal year:

<u>Year</u>	<u>Rate</u>
2018	3.64%



**COMPLIANCE**  
**SECTION**



**KENNETH M. DANIELS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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

To the Honorable Mayor and City Council Members  
City of Jasper, Florida

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* 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 City of Jasper, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Jasper, Florida's basic financial statements, and have issued my report thereon dated February 22, 2019.

**Internal Control Over Financial Reporting**

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Jasper, Florida's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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.



Kenneth M. Daniels  
Certified Public Accountant  
February 22, 2019



**KENNETH M. DANIELS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**INDEPENDENT ACCOUNTANT'S REPORT**

Honorable Mayor and City Council  
City of Jasper, Florida

I have examined the City of Jasper, Florida's compliance with *Florida Statutes* 218.415 during the period October 1, 2017, to September 30, 2018. Management of the City of Jasper, Florida, is responsible for the City of Jasper's compliance with those requirements. My responsibility is to express an opinion on the City of Jasper, Florida's compliance based on my examination.

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that I plan and perform the examination to obtain reasonable assurance about whether the City of Jasper, Florida, complied in all material respects with the specified requirements above. An examination involves performing procedures to obtain evidence about whether the City of Jasper, Florida, complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on my judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. I believe that my examination provides a reasonable basis for my opinion.

My examination does not provide a legal determination on the City of Jasper, Florida's compliance with the specified requirements.

In my opinion, the City of Jasper, Florida, complied in all material respects, with the aforementioned requirements for the period October 1, 2017, to September 30, 2018.



Kenneth M. Daniels  
Certified Public Accountant  
February 22, 2019

**KENNETH M. DANIELS**  
**CERTIFIED PUBLIC ACCOUNTANT**

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**MANAGEMENT LETTER**

To the Honorable Mayor and City Council Members  
Jasper, Florida

**Report on the Financial Statements**

I have audited the financial statements of the City of Jasper, Florida, as of and for the fiscal year ended September 30, 2018, and have issued my report thereon dated February 22, 2019.

**Auditor's Responsibility**

I conducted my 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.

**Other Reports**

I have issued my Independent Auditor's 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 that report, which is dated February 22, 2019, should be considered in conjunction with this management letter.

**Prior year findings**

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that I determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

**2016-002 Utility (Water) Meters (Finding's Third Year)**

Criteria: Water meters should be replaced and/or tested periodically to ensure that billings are correct based on consumption.

Condition: Per estimate by the prior Utility Director, the City's residential water meters average between twenty-five to thirty years of age with the life of an accurate meter estimated to be ten years.

Context: After two years of significant declining billings (September 2015), the City replaced the water meters at Hamilton Correctional Institution (HCI). Revenues recovered. Based on the analysis/comparison of the fiscal years since 2014, the annual loss could range from \$88,500 to \$395,000 annually (unable to determine exactly given numerous factors that affect billings).

Effect: The failure to systematically replace or repair the City's water meters could result in a significant loss of revenue and incorrect billings. For the year ending September 30, 2018, HCI represents approximately sixty percent of the City's water sales by gallons billed and approximately fifty-three percent of the water sales by dollars billed. In relative terms, if the loss per residential were comparable to the prior loss at HCI, the loss of revenue for the most recent year would be estimated at \$88,500.

Recommendation: Develop a plan to determine the accuracy of the current water meters in use. If inaccurate, replace and develop a plan to test meters to ensure continued accuracy.

### **2017-001 Delinquent Utility Billings Policy (Finding's Second Year)**

Criteria: The City should develop a policy which will guide the finance department in the submission of inactive accounts for further collections.

Condition: There were 171 inactive accounts as of January 2019 totaling \$38,196.

Context: Twenty of the 171 accounts were tested. The dates that the corresponding utility deposit was applied ranged from March 17, 2018, to October 15, 2018.

Effect: The lack of remittance for further collection efforts reduces the likelihood of collections.

Cause: The issue began in the year ending September 30, 2017, and continued into the current year.

Recommendation: Develop a policy that consistently handles the amounts that are classified as inactive. Consider remitting for further collection efforts after the deposit is applied. Remittances for further collection efforts should at least be made annually.

### **Current year findings**

#### **2018-001 Property Inventory**

Criteria: Per Florida Administrative Code 69I-73.006, each governmental unit shall ensure a complete inventory of all property is taken annually and whenever there is a change of custodian or change of custodian's delegate.

Condition: Inventories of the City's property were taken in 2017 and 2018.

Context: In the prior year, the City's custodian delegates took the inventory and, via inventory, ensured that all assets had been located. In the current year, a new custodian was appointed. The new custodian's delegate was unable to locate \$259,894 in assets which ranged in age from six to twenty-two years.

Effect: Potential loss of assets.

Cause: The failure to perform a complete and accurate inventory led to the overstatement of assets.

Recommendation: Rotate custodian delegates to ensure that an accurate inventory is taken. Upon completion, the results of the inventory should be presented to the City Council for review and acceptance or further action.

### **2018-002 Travel**

Criteria: The City should reimburse employee travel in accordance with *Florida Statutes* 112.061 and its travel policy.

Condition: One travel voucher did not indicate the times of travel to substantiate the reimbursement of meals in the amount of \$190. Another voucher was not reviewed and approved by the City Manager prior to payment – voucher totaled \$401.

Context: Nineteen travel vouchers were tested from the City's five general ledger travel accounts.

Effect: Potential payment of unsubstantiated/incorrect amounts.

Cause: The failure to fully complete and review travel vouchers submitted for payment.

Recommendation: Prior to payment, ensure that all travel vouchers are completed accurately. Document the review by the signature of the appropriate individual.

### **2018-003 Cut-off Compliance**

Criteria: Page eight of the City's loan agreement with First Federal Bank of Florida states that the City "shall diligently enforce and collect all rates" and "will not render or cause to be rendered any free services."

Condition: From my test of cut-off compliance (inactive accounts indicated "99" on pages 161 to 180 of the month end Accounts Receivable Report) I noted two instances in which homes were indicated as vacant but had continued meter activity. Per further review of the January 2019 Monthly Water Consumption Report, I noted thirty-six instances in which the utility billing clerks had noted instances in which meter readings were questionable. Work orders had been issued on the questionable readings which ranged in date from December 2017 to November 2018; however, the work orders remained unresolved.

Context: Twenty inactive accounts were tested for cut-off compliance. Pages four through seven of the Monthly Water Consumption Report for January 2019 were reviewed for questionable accounts.

Effect: Potential violation of First Federal Loan Agreement.

Cause: Lack of action on those meter readings deemed questionable by the utility clerks.

Recommendation: Review those accounts for which work orders have been issued – take action to remedy the questionable readings: confirm (minimal) usage, repair/replace meter, discontinue service.

### **2018-004 Water Loss**

Criteria: Water pumped verses water billed should be monitored on a monthly basis to determine any unusual loss of water between the City’s wells and meters.

Condition: From the annual comparison of water pumped (as reported monthly to the Florida Department of Environmental Protection) to the water billed, I noted a significant loss of approximately 24% (sixty-one million gallons) between the master meter readings at the City’s water wells and the amounts billed to its customers.

Context: Over the past twelve years, the water loss has averaged 11.63%. The variance in the 2017-18 fiscal year effectively doubled.

Effect: Significant loss of water for which the City is receiving no economic benefit but incurring expense in pumping and treating.

Cause: No monitoring of the monthly pumped/billed amounts to determine if significant leaks exist.

Recommendation: On a monthly basis, compare the meter readings as reported to DEP to the monthly gallons billed to the City’s water customers. Significant variances should be investigated for appropriate action.

### **2018-005 Debt Agreement Compliance**

Criteria: Section 10B of the loan agreement between the City and the First Federal Bank of Florida states “rates . . . which shall be available for payment of the bond, will produce revenues in each year which shall be sufficient to pay at least one hundred twenty-five percent (125%) of the principal, interest on the bond for such year, pay any reserve requirements relating to the facilities for such year and pay the operating expenses for such year.”

Condition: Per the calculation on the rate requirement, I noted that a deficit of approximately \$100,000, existed between the required amounts and the actual available amounts.

Context: The condition is a circumstance of the 2017-18 fiscal year.

Effect: Noncompliance with loan agreement.

Cause: Reduced utility revenues.

Recommendation: Monitor revenues and expenses to determine that the loan stipulation is met or exceeded.

## **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. See Note 1. The City of Jasper Florida's financial statements included no component units.

## **Financial Condition**

Section 10.554(1)(i)5. a. and 10.556(7), *Rules of the Auditor General*, require that I apply appropriate procedures and report the result of my determination as to whether or not the City of Jasper, Florida, has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and to identify the specific condition(s) met. In connection with my audit, I determined that the City of Jasper, Florida, 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*, I applied financial condition assessment procedures. It is management's responsibility to monitor the City of Jasper's financial condition, and my financial assessment was based in part on representations made by management and the review of financial information provided by the same. The financial condition assessment was performed as of September 30, 2018.

Section 10.554(1)., *Rules of the Auditor General*, requires that I communicate any recommendations to improve financial management. See the above findings.

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7) *Rules of the Auditor General*, requires me to apply appropriate procedures and communicate the results of my determination as to whether the annual financial report for the City of Jasper, Florida, for the fiscal year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2018. In connection with my audit, I determined that these two reports were in agreement.

## **Special District Component Units**

Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires, if appropriate, that I communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), *Florida Statutes*. In connection with my audit, I determined that there was no activity in the applicable special district component units and, therefore, nothing to report. As a result, I did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), *Florida Statutes*.

### **Additional Matters**

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires me 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 which warrants the attention of those charged with governance. In connection with my audit, I did not have any such findings.

### **Purpose of this Letter**

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



Kenneth M. Daniels  
Certified Public Accountant  
February 22, 2019





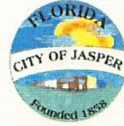
**CITY'S  
RESPONSE TO  
AUDIT FINDINGS**



COUNCIL MEMBERS

DARNELL LUMPKIN, *Mayor*  
GERALD LEWIS, *Vice Mayor*  
JAY DAIGLE, *Chairperson*  
LABARFIELD BRYANT, *Council Member*  
WILLIAM S. MITCHELL, V, *Council Member*

*City of Jasper*



MARCUS COLLINS  
*City Manager*

MARGARET HARPER  
*Chief Financial Officer*

February 22, 2019

Kenneth Daniels, CPA  
107 2nd Avenue SE  
Jasper, FL 32052

RE: 2018 Management Letter Findings

Dear Mr. Daniels:

Please find below the City's responses to the referenced findings as indicated in the Audit's Management Letter, pages 58-63:

2016-002 Utility (Water) Meters

Due to the sizable outlay required to replace the City's water meters, a CDBG application is in the process of being filed. Based on the scoring system in place, the City appears to have an excellent chance of receiving the grant. If awarded, the City plans to replace all water and gas meters. In addition, the grant is expected to fund the sealing of damaged sewer lines.

As a result of the above, the City is in the process of attempting to implement the finding.

2017-001 Delinquent Utility Billings Policy

The City will develop a policy regarding the removal/write-off of delinquent utility accounts. The policy will define the length of time that the amount should remain in the billing system after the applicable deposit has been applied and a time frame for which the amount will be held before forwarding to a collection agency.

2018-001 Property Inventory

Custodians will be rotated at least biannually. After each inventory, the City Manager will review the inventory and provide the City Council with the results.

2018-002 Travel

All future travel will be reimbursed only if the voucher is complete and signed by the appropriate individual.

**PHONE: (386)792-1212 \* FAX: (386)792-3468 \* 208 W. HATLEY STREET \* JASPER, FLORIDA 32052**

2018-003 Cut-off Compliance

Work orders issued will be reviewed weekly for timely completion. Based on the order's findings, action will be taken (if required) whether repairing or replacing the meter or discontinuing service.

2018-004 Water Loss

On a monthly basis, the master meter readings at the City's wells will be compared to the total gallons billed. These variances will be adjusted for the documented losses of water. Significant losses will be investigated.

2018-005 Debt Agreement Compliance

The City is in the process of adjusting its utility rates. The increase should eliminate the deficiency noted in the finding.

The City remains committed to providing the highest quality financial records to its residents.

Sincerely,



Margaret Harper  
Chief Financial Officer  
City of Jasper, Florida

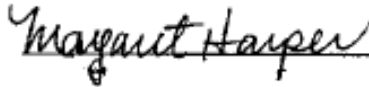
**CITY OF JASPER, FLORIDA  
AFFIDAVIT OF COMPLIANCE  
FLORIDA STATUTES 163.31801**

**For the Year Ending September 30, 2018**

BEFORE ME, the undersigned authority, personally appeared Margaret Harper, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of the City of Jasper, Florida, which is a local governmental entity of the State of Florida;
2. The City of Jasper, Florida, adopted Ordinance No. **2005-02-03** implementing an impact fee; and
3. The City of Jasper, Florida, has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

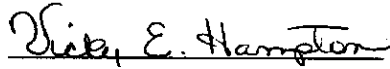
FURTHER AFFIANT SAYETH NAUGHT.

  
\_\_\_\_\_

Margaret Harper, Chief Financial Officer

STATE OF FLORIDA  
COUNTY OF Hamilton

SWORN TO AND SUBSCRIBED before me this 22<sup>th</sup> day of February, 2019.

  
\_\_\_\_\_

NOTARY PUBLIC  
Vicky Hampton

Personally known   X   or produced identification \_\_\_\_\_

Type of identification produced: N/A

My Commission Expires:

12-19-20