

TOWN OF JENNINGS, FLORIDA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

TOWN OF JENNINGS
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council
Town of Jennings
Jennings, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jennings, Florida, ("the Town") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedules of revenues and expenditures – grant budget and actual are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules, the schedules of revenues and expenditures – grant budget and actual, and the schedule of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statements and schedules, and schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

March 5, 2019

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Town's financial statement (beginning on page 1).

Financial Highlights

- The following major funds had revenues over expenditures/expenses as follows:
 - Local Option Gas Tax Fund - \$18,456
 - Garbage Fund - \$3,269
- The following major funds had expenditures/expenses over revenue (before capital contributions, when applicable) as follows:
 - General fund - \$25,499
 - Water & Sewer Fund - \$107,382 (including depreciation expense of \$164,819)
- The Town utilized a loan for water and sewer improvements from the State of Florida in the amount of \$217,125. All but \$28,443 is expected to be forgiven.
- The Town received cost share assistance for water and sewer improvements from the Suwannee River Waste Management District in the amount of \$67,265.

Using This Annual Report

The financial statement's focus is on both the Town as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the Town's accountability.

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business. The focus is on major funds, rather than fund types. The statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. The statements include a Statement of Net Position and a Statement of Activities that are designed to provide consolidated financial information about the governmental activities of the Town presented on the accrual basis of accounting. The government-wide financial statements can be found on pages 1-2 of this report.

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

The Statement of Net Position presents information on all of the Town's assets, deferred inflows of resources, liabilities, deferred outflows of resources with the difference reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The assets of the Town of Jennings exceeded its liabilities (net position) at September 30, 2018 by \$5,991,767 and at September 30, 2017 by \$5,818,688, an increase in net assets in the current year over prior year of \$173,079 or 2.99%. Of these amounts, \$1,397,403 (unrestricted net position) at September 30, 2018, as compared to \$1,432,122 at September 30, 2017, may be used to meet the Town's ongoing obligations to citizens and creditors (an increase of \$34,719 or 2.42%).

The Town's total net assets increased by \$173,079 and \$195,800 during the years ended September 30, 2018 and 2017, respectively. The significant difference in the current year and prior year increase can be largely attributed increased expenditures in the general fund reduced by additional capital grant contributions received of over prior year.

The Statement of Activities presents information showing how the Town's net position changed during the 2018 and 2017 fiscal year. The focus is on both the gross and net costs of various activities, both governmental and business-type that are supported by the government's general tax and other revenues. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes earned). This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services. An increase or decrease in net assets is an indication of whether the Town's financial health is improving or deteriorating.

Both of the financial statements distinguish the functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, public safety, and roads and streets.

During the current year, the Town of Jennings had revenues over expenditures of \$21,245 in the governmental activities and \$151,834 in the business-type activities. This represents a decrease of \$81,518 of revenues over expenditures over prior year in the governmental activities and an increase of \$58,797 of revenues over expenses over prior year in the business-type activities. The decrease in revenues over expenditures in the governmental activities over prior year is largely attributed an increase in expenditures of \$69,991 over prior year, decrease of \$35,883 in grant revenues, offset by an increase in general revenue and charges for services of \$24,356 . For more details see the Governmental Funds section on page x. The increase of revenues over expenses over prior year in business-type activities is largely attributed to an additional \$41,478 in capital contributions received from grantors in the current year over prior year.

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental and proprietary. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, readers may better understand the long-term impact of the Town's near-term financing decisions.

The Town maintains four governmental funds and information on these funds is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances.

The Town adopts an annual appropriated budget for its governmental funds and a project-length budget for its capital project fund. Budgetary comparison statements have been provided for the general fund and the local option gas tax fund to demonstrate compliance with the budget and are presented as required supplementary information.

The basic governmental fund financial statements can be found on pages 3-5 of this report.

Proprietary Funds

The Town maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses one enterprise fund to account for its water and sewer and another to account for its garbage collection service. The proprietary fund statement provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 6 - 8 of this report.

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 9-26 of this report.

Infrastructure Assets

The Town has implemented the major model portions of GASB Statement 34. Historically a government's largest group of assets (infrastructure – roads, traffic signals, and underground pipes not associated with a utility, etc.) have not been reported nor depreciated in governmental financial statements. This statement requires that these assets be valued and reported within the governmental column of government-wide statements. The Town has elected, in accordance with GASB Statement 34, to record only governmental infrastructure assets acquired after October 1, 2003.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This section is used to present condensed financial information from the government-wide statements that compare the current year to the prior year. Please refer to Table 1 and Table 2 for comparative information.

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Statement of Net Position

The following schedule reflects the condensed Statement of Net Position.

Table 1

Condensed Statement of Net Position
September 30, 2018 and 2017

	Governmental Funds		Proprietary Funds		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Current assets	\$ 785,105	\$ 777,313	\$ 1,350,488	\$ 1,346,289	\$ 2,135,593	\$ 2,123,602
Capital assets	388,790	404,164	3,997,076	3,858,148	4,385,866	4,262,312
TOTAL ASSETS	1,173,895	1,181,477	5,347,564	5,204,437	6,521,459	6,385,914
Current liabilities	31,319	40,853	158,693	189,560	190,012	230,413
Noncurrent liabilities	51,477	70,770	288,203	266,043	339,680	336,813
TOTAL LIABILITIES	82,796	111,623	446,896	455,603	529,692	567,226
NET POSITION						
Net investment in capital assets	371,773	378,066	3,666,956	3,495,027	4,038,729	3,873,093
Restricted	544,910	502,336	10,725	11,137	555,635	513,473
Unrestricted	174,416	189,452	1,222,987	1,242,670	1,397,403	1,432,122
TOTAL NET POSITION	\$ 1,091,099	\$ 1,069,854	\$ 4,900,668	\$ 4,748,834	\$ 5,991,767	\$ 5,818,688

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Statement of Activities

The following schedule reflects revenues and expenses for the current and prior year.

Table 2

Change in Net Position
For the Years Ended September 30, 2018 and 2017

	Governmental Funds		Proprietary Funds		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
REVENUES						
Charges for services	\$ 67,197	\$ 61,152	\$ 349,838	\$ 328,794	\$ 417,035	\$ 389,946
Grants and contributions:						
Operating	275,356	309,639	-	-	275,356	309,639
Capital	-	1,000	255,947	214,469	255,947	215,469
General revenues:						
Taxes	94,703	89,576	57,785	56,290	152,488	145,866
Intergovernmental	128,272	115,318	-	-	128,272	115,318
Miscellaneous	4,223	4,945	-	-	4,223	4,945
Investment earnings	635	283	528	448	1,163	731
Total Revenues	570,386	581,913	664,098	600,001	1,234,484	1,181,914
EXPENDITURES/EXPENSES						
General government	161,386	125,708	-	-	161,386	125,708
Public safety	154,254	184,051	-	-	154,254	184,051
Roads and streets	199,435	147,676	-	-	199,435	147,676
Parks and recreation	18,416	18,415	-	-	18,416	18,415
Urban redevelopment/housing	10,626	-	-	-	10,626	-
Interest on long-term debt	5,024	3,300	-	-	5,024	3,300
Water and sewer	-	-	447,575	446,090	447,575	446,090
Garbage	-	-	64,689	60,874	64,689	60,874
Total Expenditures/ Expenses	549,141	479,150	512,264	506,964	1,061,405	986,114
CHANGE IN NET POSITION						
Net position, beginning	1,069,854	967,091	4,748,834	4,655,797	5,818,688	5,622,888
Net position, ending	\$ 1,091,099	\$ 1,069,854	\$ 4,900,668	\$ 4,748,834	\$ 5,991,767	\$ 5,818,688

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

This section provides an analysis of the balances and transactions of individual funds. Please refer to Table 3 and Table 4 for comparative information. As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The Town's governmental funds reported combined ending fund balances of \$773,079 for the year ended September 30, 2018 and \$756,385 for the year ended September 30, 2017, an increase of \$16,694 or 2.2%. Of this amount, \$228,169 was unassigned in the year ended September 30, 2018 and \$254,049 in the year ended September 30, 2017, a decrease of \$25,880 or 10.19%.

During the current year, the Town had revenues over expenditures of \$16,694 as compared to \$116,593 in the prior year. This decrease can be largely attributed to an increase of expenditures in all departments of the general fund in the current year over prior year.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the business-type activities column of the government-wide financial statements, but in more detail.

Total net position of the enterprise funds as of September 30, 2018, was \$4,900,668, of which \$1,155,687 was unrestricted. As of September 30, 2017, total net position was \$4,748,834, of which \$1,156,435 was unrestricted. This was increase in total net position of \$151,834 and a decrease in unrestricted net position of \$748.

During the current year, the Town had revenues over expenses of \$151,834 as compared to \$93,037 in the prior year, an increase of \$58,797. The increase in total net position in the current year was primarily due an increase of \$41,478 in capital contributions from grantors in the Water and Sewer Fund over the prior year.

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Fund Balance Sheet

The following schedule reflects the condensed Balance Sheet/Statement of Net Position.

Table 3

Condensed Balance Sheet
September 30, 2018 and 2017

	Governmental Funds		Proprietary Funds		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
ASSETS						
Current and other assets	\$ 843,665	\$ 826,699	\$ 1,379,557	\$ 1,371,514	\$ 2,223,222	\$ 2,198,213
Net capital assets	-	-	3,997,076	3,858,148	3,997,076	3,858,148
TOTAL ASSETS	\$ 843,665	\$ 826,699	\$ 5,376,633	\$ 5,229,662	\$ 6,220,298	\$ 6,056,361
LIABILITIES AND FUND BALANCE/NET ASSETS						
Liabilities						
Long-term debt	\$ -	\$ -	\$ 332,009	\$ 303,780	\$ 332,009	\$ 303,780
Other liabilities	70,586	70,314	143,956	177,048	214,542	247,362
TOTAL LIABILITIES	70,586	70,314	475,965	480,828	546,551	551,142
FUND BALANCE						
Restricted	544,910	502,336	-	-	544,910	502,336
Unassigned	228,169	254,049	-	-	228,169	254,049
NET POSITION						
Net investment in capital assets	-	-	3,734,256	3,581,262	3,734,256	3,581,262
Restricted for bonded debt	-	-	10,725	11,137	10,725	11,137
Unrestricted	-	-	1,155,687	1,156,435	1,155,687	1,156,435
TOTAL FUND BALANCE/NET POSITION	773,079	756,385	4,900,668	4,748,834	5,673,747	5,505,219
TOTAL LIABILITIES AND FUND BALANCE/NET POSITION						
	\$ 843,665	\$ 826,699	\$ 5,376,633	\$ 5,229,662	\$ 6,220,298	\$ 6,056,361

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Fund Change in Fund Balance/Net Position

The following schedule reflects revenues and expenses for the current and prior year.

Table 4

Changes in Fund Balance/Net Position
For the Years Ended September 30, 2018 and 2017

	Governmental Funds		Proprietary Funds		Total Primary Government	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
REVENUES						
Taxes	\$ 94,703	\$ 89,576	\$ 57,785	\$ 56,290	\$ 152,488	\$ 145,866
Intergovernmental	403,628	425,957	-	-	403,628	425,957
Charges for services	67,197	61,152	349,701	328,276	416,898	389,428
Proceeds from disposal	-	-	-	-	-	-
Miscellaneous	15,247	4,945	137	518	15,384	5,463
Investment	635	283	-	-	635	283
Total Revenues	581,410	581,913	407,623	385,084	989,033	966,997
EXPENDITURES/EXPENSES						
General government	162,018	124,268	-	-	162,018	124,268
Public safety	199,925	255,324	-	-	199,925	255,324
Roads and streets	192,147	153,532	-	-	192,147	153,532
Urban redevelopment/housi	10,626	-	-	-	10,626	-
Water and sewer	-	-	435,447	433,454	435,447	433,454
Garbage	-	-	64,426	60,414	64,426	60,414
Total Expenditures/ Expenses	564,716	533,124	499,873	493,868	1,064,589	1,026,992
NONOPERATING REVENUE (EXPENSES)						
Proceeds from borrowing	-	67,804	-	-	-	67,804
Capital contribution - grants	-	-	255,947	214,469	255,947	214,469
Interest income	-	-	528	448	528	448
Interest expense	-	-	(12,391)	(13,096)	(12,391)	(13,096)
Total Nonoperating Revenues(Expenses)	-	67,804	244,084	201,821	244,084	269,625
EXCESS OF REVENUE (UNDER) OVER EXPENSES						
	16,694	116,593	151,834	93,037	168,528	209,630
Net Assets/Position - beginning	756,385	639,792	4,748,834	4,655,797	5,505,219	5,295,589
Net Assets/Position - ending	\$ 773,079	\$ 756,385	\$ 4,900,668	\$ 4,748,834	\$ 5,673,747	\$ 5,505,219

TOWN OF JENNINGS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

General Fund Budgetary Highlights

There were only minor differences between the original and final budget of the Town.

Capital Assets and Long Term Debt

Capital additions of \$31,507 and \$307,353 in the governmental activities and business-type activities, respectively, increased net capital assets, whereas, depreciation expense of \$45,881 in the governmental activities and \$168,425 in the business-type activities decreased net capital assets, respectively. The net change in capital assets for the current year was a decrease of \$15,374 in the governmental activities and an increase of \$138,928 in the business-type activities.

Existing bonded debt was reduced by \$10,000 for the years ended September 30, 2018 and 2017. Other long-term debt (excluding capital leases) increased by a net of \$23,955 and \$66,834 for the years ended September 30, 2018 and 2017, respectively. The net increase in the current year was as a result of funds borrowed to finance water and sewer improvements. Capital leases decreased by \$13,147 as compare to a \$14,285 in the prior year. Detailed information about the Town's capital assets and long-term debt can be found in notes 5 and 6 to the Town's financial statements.

Requests for Information

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have any questions about the report or need additional financial information, contact the Town Clerk at Jennings, FL, telephone 386-938-4131.

TOWN OF JENNINGS
GOVERNMENT – WIDE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 198,435	\$ 1,194,042	\$ 1,392,477
Accounts receivable	28,122	32,625	60,747
Certificates of deposit - unrestricted	55,502	80,015	135,517
Restricted:			
Cash	503,046	39,472	542,518
Certificates of deposit	-	4,334	4,334
Capital assets:			
Land	46,955	70,556	117,511
Construction in progress	-	67,300	67,300
Other capital assets, net of accumulated depreciation	341,835	3,859,220	4,201,055
Total assets	<u>1,173,895</u>	<u>5,347,564</u>	<u>6,521,459</u>
LIABILITIES			
Accounts payable and accrued expenses	10,019	103,800	113,819
Internal balances	2,007	(2,007)	-
Long-term liabilities			
Water deposits	-	43,806	43,806
Due within one year:			
Note payable	10,604	-	10,604
Capital lease payable	8,689	2,094	10,783
Bond payable	-	11,000	11,000
Due in more than one year:			
Note payable	43,149	-	43,149
Capital lease payable	8,328	726	9,054
State Revolving loan payable	-	38,477	38,477
Bond payable	-	249,000	249,000
Total liabilities	<u>82,796</u>	<u>446,896</u>	<u>529,692</u>
NET POSITION			
Net investment in capital assets	371,773	3,666,956	4,038,729
Restricted for:			
Public safety	88,306	-	88,306
Roads and streets	454,132	-	454,132
Culture and recreation	2,472	-	2,472
Bonded debt	-	10,725	10,725
Unrestricted	174,416	1,222,987	1,397,403
Total net position	<u>\$ 1,091,099</u>	<u>\$ 4,900,668</u>	<u>\$ 5,991,767</u>

See accompanying notes to the financial statements.

TOWN OF JENNINGS
GOVERNMENT –WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Function/Programs:	Net (Expense) Revenue and Changes in Net Position					
	Expenses	Program Revenues			Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental activities						
General government	\$ 161,386	\$ 2,102	\$ 32,379	-	\$ (126,905)	\$ (126,905)
Public safety	154,254	48,952	17,000	-	(88,302)	(88,302)
Roads and streets	199,435	16,143	215,351	-	32,059	32,059
Parks and recreation	18,416	-	-	-	(18,416)	(18,416)
Urban redevelopment and housing	10,626	-	10,626	-	-	-
Interest on long-term debt	5,024	-	-	-	(5,024)	(5,024)
Total governmental activities	<u>549,141</u>	<u>67,197</u>	<u>275,356</u>	<u>-</u>	<u>(206,588)</u>	<u>(206,588)</u>
Business-type activities:						
Water and sewer	447,575	281,880	-	255,947	\$ 90,252	90,252
Garbage	64,689	67,958	-	-	3,269	3,269
Total business-type activities	<u>512,264</u>	<u>349,838</u>	<u>-</u>	<u>255,947</u>	<u>93,521</u>	<u>93,521</u>
Total primary government	<u>\$ 1,061,405</u>	<u>\$ 417,035</u>	<u>\$ 275,356</u>	<u>\$ 255,947</u>	<u>(206,588)</u>	<u>93,521</u>
General revenues:						
Taxes				94,703	57,785	152,488
Intergovernmental (sales and use taxes)				128,272	-	128,272
Investment earnings				635	528	1,163
Miscellaneous				4,223	-	4,223
Total general revenues				<u>227,833</u>	<u>58,313</u>	<u>286,146</u>
Change in net position				21,245	151,834	173,079
Net position - beginning				<u>1,069,854</u>	<u>4,748,834</u>	<u>5,818,688</u>
Net position - ending				<u>\$ 1,091,099</u>	<u>\$ 4,900,668</u>	<u>\$ 5,991,767</u>

See accompanying notes to the financial statements.

TOWN OF JENNINGS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Local Option Gas Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash:				
Unrestricted	\$ 198,435	\$ -	\$ -	\$ 198,435
Restricted	<u>2,472</u>	<u>317,748</u>	<u>182,826</u>	<u>503,046</u>
Total cash	200,907	317,748	182,826	701,481
Certificates of deposit	9,033	-	46,469	55,502
Receivables:				
Intergovernmental	13,607	-	10,626	24,233
Other receivables	3,889	-	-	3,889
Interfund balances	<u>42,422</u>	<u>2,053</u>	<u>14,085</u>	<u>58,560</u>
Total assets	<u><u>\$ 269,858</u></u>	<u><u>\$ 319,801</u></u>	<u><u>\$ 254,006</u></u>	<u><u>\$ 843,665</u></u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	4,218	1,696	2,978	8,892
Payroll liabilities	721	406	-	1,127
Interfund balances	<u>34,278</u>	<u>10,725</u>	<u>15,564</u>	<u>60,567</u>
Total liabilities	39,217	12,827	18,542	70,586
Fund balances:				
Restricted for:				
Culture and recreation	2,472	-	-	2,472
Roads and streets	-	306,974	147,158	454,132
Public safety	-	-	88,306	88,306
Unassigned	<u>228,169</u>	<u>-</u>	<u>-</u>	<u>228,169</u>
Total fund balances	<u>230,641</u>	<u>306,974</u>	<u>235,464</u>	<u>773,079</u>
Total liabilities and fund balances	<u><u>\$ 269,858</u></u>	<u><u>\$ 319,801</u></u>	<u><u>\$ 254,006</u></u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	388,790
Capital leases payable are not due and payable in the current period and therefore are not reported in the funds.	<u>(70,770)</u>
Net position of governmental activities	<u><u>\$ 1,091,099</u></u>

See accompanying notes to the financial statements.

TOWN OF JENNINGS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Local Option Gas Tax Fund	Other Governmental Funds	Total Governmenta Funds
REVENUES				
Property taxes:				
Franchise	\$ 38,576	\$ -	\$ -	\$ 38,576
Real estate	56,127	-	-	56,127
Intergovernmental:				
Sales and use taxes	128,272	199,161	-	327,433
Revenue sharing	32,379	-	33,190	65,569
Grant	-	-	10,626	10,626
Other	-	-	-	-
Charges for services:				
Mowing and maintenance	11,200	-	26,977	38,177
Fines and forfeitures	21,975	-	-	21,975
Other services	2,102	4,943	-	7,045
Insurance proceeds	7,401	-	3,023	10,424
Investment earnings	171	-	464	635
Miscellaneous	3,626	58	1,139	4,823
Total revenues	<u>301,829</u>	<u>204,162</u>	<u>75,419</u>	<u>581,410</u>
EXPENDITURES				
General government	162,018	-	-	162,018
Public safety	165,310	-	34,615	199,925
Roads and streets	-	185,706	6,441	192,147
Urban redevelopment and housing	-	-	10,626	10,626
Total expenditures	<u>327,328</u>	<u>185,706</u>	<u>51,682</u>	<u>564,716</u>
Excess (deficiency) of revenues over (under) expenditures	(25,499)	18,456	23,737	16,694
OTHER FINANCING SOURCES (USES)				
Proceeds from borrowing	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(25,499)	18,456	23,737	16,694
Fund balances - beginning	<u>256,140</u>	<u>288,518</u>	<u>211,727</u>	<u>756,385</u>
Fund balances - ending	<u>\$ 230,641</u>	<u>\$ 306,974</u>	<u>\$ 235,464</u>	<u>\$ 773,079</u>

See accompanying notes to the financial statements.

TOWN OF JENNINGS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds	\$ 16,694
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. This is the amount by which depreciation (\$45,881) exceeded capital outlay (\$31,507) in the current period.	(14,374)
Proceeds from the disposal of capital assets are a current source of revenue in the governmental funds, but only the gain or loss is reported in the statement of net position. This is the basis in the asset sold needed to properly report the loss in the statement of net position.	(1,000)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments.	<u>19,925</u>
Change in net position of governmental activities	<u><u>\$ 21,245</u></u>

See accompanying notes to the financial statements.

TOWN OF JENNINGS
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2018

	Enterprise Funds		
	Water & Sewer Fund	Garbage Fund	Total
ASSETS			
Current assets:			
Cash:			
Unrestricted	\$ 1,105,886	\$ 88,156	\$ 1,194,042
Restricted	39,472	-	39,472
Total cash	<u>1,145,358</u>	<u>88,156</u>	<u>1,233,514</u>
Accounts receivable (net of allowance for bad debt in the Water and Sewer Fund)	27,678	4,747	32,425
Due from former employee	-	200	200
Certificates of deposit:			
Unrestricted	65,252	14,763	80,015
Restricted	4,334	-	4,334
Interfund balances	29,069	-	29,069
Total current assets	<u>1,271,691</u>	<u>107,866</u>	<u>1,379,557</u>
Noncurrent assets:			
Capital assets:			
Land	70,556	-	70,556
Construction in progress	67,300	-	67,300
Equipment and vehicles	132,923	20,958	153,881
Buildings and improvements	6,949,757	-	6,949,757
Less accumulated depreciation	<u>(3,226,775)</u>	<u>(17,643)</u>	<u>(3,244,418)</u>
Total noncurrent assets	<u>3,993,761</u>	<u>3,315</u>	<u>3,997,076</u>
Total assets	<u>5,265,452</u>	<u>111,181</u>	<u>5,376,633</u>
LIABILITIES			
Current liabilities:			
Accounts payable	100,075	-	100,075
Accrued interest	975	-	975
Payroll liabilities	2,251	499	2,750
Interfund balances	-	27,062	27,062
Capital lease payable	-	2,094	2,094
Revenue bonds payable	11,000	-	11,000
Total current liabilities	<u>114,301</u>	<u>29,655</u>	<u>143,956</u>
Noncurrent liabilities:			
Water deposits	43,806	-	43,806
Capital lease payable, less current portion	-	726	726
State revolving loans payable	38,477	-	38,477
Revenue bonds payable, less current portion	249,000	-	249,000
Total noncurrent liabilities	<u>331,283</u>	<u>726</u>	<u>332,009</u>
Total liabilities	<u>445,584</u>	<u>30,381</u>	<u>475,965</u>
NET POSITION			
Net investment in capital assets	3,733,761	495	3,734,256
Restricted for bonded debt	10,725	-	10,725
Unrestricted	1,075,382	80,305	1,155,687
Total net position	<u>\$ 4,819,868</u>	<u>\$ 80,800</u>	<u>\$ 4,900,668</u>

See accompanying notes to the financial statements.

TOWN OF JENNINGS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Funds		
	Water & Sewer Fund	Garbage Fund	Total
OPERATING REVENUES			
Charges for services	\$ 281,743	\$ 62,861	\$ 344,604
Public service tax	57,785	-	57,785
Franchise fee	-	4,999	4,999
Miscellaneous	137	98	235
Total operating revenues	<u>339,665</u>	<u>67,958</u>	<u>407,623</u>
OPERATING EXPENSES			
Depreciation	164,819	3,605	168,424
Personnel services	114,307	22,587	136,894
Utilities	74,904	-	74,904
Repairs and maintenance	24,790	1,049	25,839
Contract services	-	28,131	28,131
Supplies	24,281	290	24,571
Insurance	8,999	5,000	13,999
Lab fees	5,373	-	5,373
Other expenses	11,285	394	11,679
Professional fees	2,885	1,025	3,910
Fuel	3,804	2,345	6,149
Total operating expenses	<u>435,447</u>	<u>64,426</u>	<u>499,873</u>
Operating income (loss)	<u>(95,782)</u>	<u>3,532</u>	<u>(92,250)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	528	-	528
Interest expense	(12,128)	(263)	(12,391)
Total nonoperating revenues (expenses)	<u>(11,600)</u>	<u>(263)</u>	<u>(11,863)</u>
Income (loss) before capital contribution	<u>(107,382)</u>	<u>3,269</u>	<u>(104,113)</u>
CAPITAL CONTRIBUTIONS			
Capital contribution - grants	<u>255,947</u>	<u>-</u>	<u>255,947</u>
Income (loss)	148,565	3,269	151,834
Total net position - beginning	<u>4,671,303</u>	<u>77,531</u>	<u>4,748,834</u>
Total net position - ending	<u>\$ 4,819,868</u>	<u>\$ 80,800</u>	<u>\$ 4,900,668</u>

See accompanying notes to the financial statements.

TOWN OF JENNINGS
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Enterprise Funds		
	Water & Sewer Fund	Garbage Fund	Total
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 284,688	\$ 68,261	\$ 352,949
Receipts of taxes from utility companies	57,785	-	57,785
Payments to employees or for their benefit	(112,446)	(22,587)	(135,033)
Payments on interfund transactions	(8,876)	1,837	(7,039)
Payments to suppliers	(189,407)	(40,473)	(229,880)
Net cash provided (used) by operating activities	<u>31,744</u>	<u>7,038</u>	<u>38,782</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital equipment	(307,353)	-	(307,353)
Principal paid on capital debt	(10,698)	(3,367)	(14,065)
Proceeds from capital grants	348,782	-	348,782
Proceeds from borrowing	34,799	-	34,799
Interest paid on capital debt	(12,166)	(263)	(12,429)
Net cash provided (used) by capital and related financing activities	<u>53,364</u>	<u>(3,630)</u>	<u>49,734</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	528	-	528
Increase in investment in certificates of deposit	(476)	-	(476)
Net cash provided by investing activities	<u>52</u>	<u>-</u>	<u>52</u>
Net increase (decrease) in cash	85,160	3,408	88,568
Balances - beginning	1,060,198	84,748	1,144,946
Balances - ending	<u>\$ 1,145,358</u>	<u>\$ 88,156</u>	<u>\$ 1,233,514</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (95,782)	\$ 3,532	\$ (92,250)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	164,819	3,605	168,424
Change in assets and liabilities:			
Accounts receivable	(3,261)	303	(2,958)
Deposits	6,069	-	6,069
Interfund balance	(8,876)	1,837	(7,039)
Accounts payable and accruals	(31,225)	(2,239)	(33,464)
Net cash provided by operating activities	<u>\$ 31,744</u>	<u>\$ 7,038</u>	<u>\$ 38,782</u>

See accompanying notes to the financial statements.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Jennings (“the Town”), was established by municipal charter in 1919. The Town operates under a Council-Manager form of government. The Town’s major operations include police and fire protection, public works, parks and recreation and general administrative services. In addition, the Town owns and operates a water and sewer system.

The Town’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental 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, established in GAAP and used by the Town, are discussed below.

A. Reporting Entity

The Governmental Accounting Standards Board sets forth criteria for determining whether related organizations are included in the reporting entity. The definition of the financial reporting entity is primarily based on the concept of financial accountability. Financial accountability exists if the primary government appoints a majority of an organization’s governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific benefit to, or impose specific burdens on, the primary government.

Based upon these criteria, the financial statements of the Town contain no component units.

B. Basic Financial Statements – Government-wide Statements

The Town’s basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town’s police and fire protection, roads and streets, parks and recreation and general administrative services are classified as governmental activities. The Town’s water, sewer and garbage services are classified as business-type activities. Neither fiduciary funds nor component units that are fiduciary in nature are included.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resources measurement focus, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town’s net position is reported in three parts – net investment in capital assets; restricted; and unrestricted. Restricted net position are liquid assets (generated from revenues and not bond proceeds) that have a third party (statutory, bond covenant, or granting agency) limitation on their use. The Town would typically use restricted amounts first, as appropriate opportunities arise, but reserve the right to selectively defer the use thereof to a future project or replacement equipment acquisition.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general administration, public safety, etc.). The functions are also supported by general government revenues (intergovernmental revenue, property taxes, charges for services, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general administration, public safety, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (intergovernmental revenue, property taxes, charges for services, etc.).

The government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activity.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred inflows of resources, liabilities, deferred outflows of resources, fund equity/net position, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column in the fund financial statements. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major funds.

The Town's major funds are the General Fund, Local Option Gas Tax Fund, Water and Sewer Fund and the Garbage Fund. The Eighth Cent Motor Fuel Tax Fund, the Volunteer Fire Department Fund and the CDBG Capital Projects Fund are nonmajor funds.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following fund types are used by the Town:

1. **Governmental Funds:** The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:
 - a. General Fund - is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
 - b. Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes, other than debt service or capital projects. The Town has three special revenue funds:
 - i. Local Option Gas Tax Fund - used to account for receipt and expenditure of local gas tax revenues, which are restricted to payment of transportation expenditures in accordance with Section 336.025, Florida Statutes.
 - ii. Eighth Cent Motor Fuel Tax Fund - used to account for proceeds of the eighth cent motor fuel tax which is restricted to payment of certain road and street, drainage and right-of-way expenditures pursuant to Section 206.605(3), Florida Statutes.
 - iii. Volunteer Fire Department Fund - used to account for monies received and expended for firefighting and fire prevention.
 - c. Capital Project Fund – used to account for large capital projects funded by grants.
2. **Proprietary Funds:** The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. Goods or services from such activities provided to outside parties are accounted for in enterprise funds. The generally accepted accounting principles applicable are similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:
 - a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities. Non-operating revenues and expenses include subsidies, interest expense from financing and investment earnings resulting from non-exchange transactions or auxiliary activities.
 - i. Water and Sewer Fund - used to account for the revenues and related expenses of providing water and sewer services to the Town's residents.
 - ii. Garbage Fund - used to account for the revenues and related expenses of providing garbage removal service to the Town's residents.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

1. Government-wide and Proprietary Fund Financial Statements:

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements and donations. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Governmental Fund Financial Statements:

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash

Cash shown on the balance sheets and statements of cash flows includes amounts in demand deposits and short-term investments with a maturity date within six months of the date acquired by the Town.

Restricted cash in the proprietary funds consists of funds held in bond reserve and debt service accounts and restricted to payment of bonded debt service. Also included are funds restricted to payment of customer deposits.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Investments

The Town’s policy is to limit investment of surplus funds to the following, as provided in Chapter 218, Part IV, Section 218.415(15), Florida Statutes:

- a. Local Government Surplus Funds Trust.
- b. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- c. Savings accounts or certificates of deposit in certified qualified public depositories as defined in F.S. Section 280.02.
- d. Direct obligations of the U.S. Treasury.
- e. Federal agencies and instrumentalities.

3. Receivables and Property Taxes

Accounts receivable are recorded in the governmental funds for taxes receivable and amounts due from other governments. The accounts receivable for water, sewer and garbage are recorded net of the associated allowance for doubtful accounts in the proprietary fund.

The property tax rate for the year ended September 30, 2018 was 4.8500 per \$1,000 of assessed valuation and current tax collection for the year then ended was 97.93% of the tax levied. The full year property tax calendar is as follows:

January 1	Enforceable lien date
November 1	Full year levy assessed for current fiscal year
November 30	Bills paid during November grant 4% discount
December 31	Bills paid during December grant 3% discount
January 31	Bills paid during January grant 2% discount
February 28	Bills paid during February grant 1% discount
March 31	Gross amount of levy due
April - May	Taxes are delinquent
May 31	Delinquent real properties sold at annual tax sale

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant, and equipment.

Assets that have an original cost of \$1,000 or more are capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are listed below:

Buildings	40 years
Water and sewer system	40 years
Machinery and equipment	5-10 years
Improvements	10-20 years
Other Infrastructure	10-50 years

GASBS No. 34 requires the Town to report and depreciate infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town.

5. Interfund Activity

Interfund activity is reported either 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 cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Receipts and/or payments to or from other governmental units included in the reporting entity of the Town are not reported as transfers. They are classified according to the purpose for which the receipt or payment has been made.

Interfund balances are primarily for amounts due to and from other funds for: (1) one third share of the state revenue sharing income received by the general fund but due to the Eighth Cent Motor Fuel Fund and (2) insurance expenses paid out of the general fund that are allocable to the proprietary funds.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Revenues

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Revenues of the governmental funds susceptible to accrual are sales and franchise taxes, local communication service tax, and Department of Transportation maintenance. Subsidies and grants to general or special revenue funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Program revenues reported on the statement of activities are: fines and forfeitures, licenses and permits, mowing and maintenance, firefighting, and local government shared revenue.

7. Expenditures

Expenditures are recognized when the related fund liability is incurred. Prepaid expenses are recorded when an expense is incurred but benefits are for a subsequent period.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Fund Balances and Net Position

Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classification that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

1. Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
2. Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the entity or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
3. Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Council through the adoption of a resolution. The Council also may modify or rescind the commitment.
4. Assigned – Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposed, but are neither restricted nor committed. Through resolution the Council can authorize the Town Manager to assign fund balances.
5. Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criteria.

Flow Assumption

When both restricted and unrestricted amounts of the fund balance or net position are available for use for expenditures/expenses, it is the Town’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town’s policy to use fund balances in the following order: (a) committed, (b) assigned, (c) unassigned.

Net Position

Contributed capital is recorded in proprietary funds that have received grants from federal, state or private sources designated for the specific activity or monies received from other funds entities of the Town. These contributions are combined with net position of the enterprise activity.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 - CASH

Cash balances are as follows:

	Carrying Amount	Bank Balance
Governmental activities		
Deposits		
General Fund	\$ 200,357	\$ 201,416
Other governmental funds	500,574	500,573
Petty cash	550	-
Total governmental activities	\$ 701,481	\$ 701,989
Business-type activities		
Proprietary Funds		
Water and Sewer Fund	\$ 1,145,358	\$ 1,148,381
Garbage Fund	88,156	88,157
Total business-type activities	1,233,514	1,236,538
Total cash	\$ 1,934,995	\$ 1,938,527

Custodial Credit Risk

The Town has cash on deposit at one financial institution. This financial institution is rated as Qualified by the Florida Security for Public Depositors Program. Under Chapter 280, Florida Statute, no public depositor shall be liable for any loss resulting from the default or insolvency of any qualified depository in the absence of negligence or misconduct on its part.

Interest Rate Risk

The Town has made no investments that would subject it to interest rate risk.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 2 – CASH (CONTINUED)

Restricted Cash and Certificates of Deposit

Restricted cash and certificates of deposit are as follows:

Governmental activities:

General Fund

Restricted by a civic organization for the annual Peanut Festival \$ 2,472

Local Option Gas Tax Fund

Restricted for transportation expenditures pursuant to Section 336.025,
Florida Statutes 317,748

Nonmajor funds

Restricted for fire fighting and safety expenditures 95,585

Restricted for certain road and street, drainage and right-of-way expenditures
pursuant to Section 206.605(3), Florida Statutes 87,241

Total governmental activities \$ 503,046

Business-type activities:

Water and Sewer Fund

Restricted for customer water deposits and bonded debt

Cash \$ 39,472

Portion of certificate of deposit 4,334

Total business-type activities \$ 43,806

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 3 - RECEIVABLES AND ALLOWANCE FOR BAD DEBT

Intergovernmental receivables and other receivables are detailed below:

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>	<u>Total</u>
Receivables:			
Intergovernmental:			
State of Florida:			
Half cent sales tax	\$ 4,588	\$ -	\$ 4,588
Discretionary sales tax	8,289	-	8,289
CDBG Grant	10,626	-	10,626
Hamilton County:			
Fines and forfeitures	730	-	730
Progress Energy Florida:			
Franchise tax	3,889	-	3,889
Municipal utility tax	-	4,638	4,638
Charges for services:			
Water and sewer	-	25,540	25,540
Sanitation	-	4,747	4,747
Less: allowance for bad debt	-	(2,500)	(2,500)
Other	-	200	200
	<u> </u>	<u> </u>	<u> </u>
Total receivables	<u>\$ 28,122</u>	<u>\$ 32,625</u>	<u>\$ 60,747</u>

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 4 - INTERFUND BALANCES

Interfund balances consisted of the following:

	Interfund Balances		
	Receivable	Payable	Net
Governmental Funds			
General Fund:			
Local Option Gas Tax Fund	\$ 10,725	\$ -	\$ 10,725
Volunteer Fire Department Fund	6,688	\$ -	6,688
Nonmajor governmental fund	-	(14,085)	(14,085)
Water & Sewer Fund	-	(20,193)	(20,193)
Garbage Fund	25,009	-	25,009
Local Option Gas Tax Fund			
General fund	-	(10,725)	(10,725)
Garbage Fund	2,053	-	2,053
Volunteer Fire Dept. Fund			
General fund	-	(6,688)	(6,688)
Nonmajor governmental fund			
General fund	14,085	-	14,085
Water & Sewer Fund	-	(8,876)	(8,876)
Total governmental funds	58,560	(60,567)	(2,007)
Enterprise Funds			
Water and Sewer Fund:			
General Fund	20,193	-	20,193
Nonmajor fund	8,876	-	8,876
Garbage Fund:			
General Fund	-	(25,009)	(25,009)
Local Option Gas Tax Fund	-	(2,053)	(2,053)
Total Enterprise Funds	29,069	(27,062)	2,007
Total government	\$ 87,629	\$ (87,629)	\$ -

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS

The summary of capital asset activity is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Sold/ Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 47,955	\$ -	\$ (1,000)	\$ 46,955
Total capital assets not being depreciated	<u>47,955</u>	<u>-</u>	<u>(1,000)</u>	<u>46,955</u>
Capital assets being depreciated				
Equipment and vehicles	393,709	19,007	-	412,716
Furniture and fixtures	2,762	-	-	2,762
Buildings and improvements	<u>311,921</u>	<u>12,500</u>	<u>-</u>	<u>324,421</u>
Total assets being depreciated	<u>708,392</u>	<u>31,507</u>	<u>-</u>	<u>739,899</u>
Less accumulated depreciation for:				
Equipment and vehicles	(230,779)	(33,815)	-	(264,594)
Furniture and fixtures	(2,762)	-	-	(2,762)
Buildings and improvements	<u>(118,642)</u>	<u>(12,066)</u>	<u>-</u>	<u>(130,708)</u>
Total accumulated depreciation	<u>(352,183)</u>	<u>(45,881)</u>	<u>-</u>	<u>(398,064)</u>
Total capital assets being depreciated, net	<u>356,209</u>	<u>(14,374)</u>	<u>-</u>	<u>341,835</u>
Total Governmental activities capital assets, net	<u>\$ 404,164</u>	<u>\$ (14,374)</u>	<u>\$ (1,000)</u>	<u>\$ 388,790</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 70,556	\$ -	\$ -	\$ 70,556
Construction in progress	<u>86,235</u>	<u>67,300</u>	<u>(86,235)</u>	<u>67,300</u>
Total capital assets not being depreciated	<u>156,791</u>	<u>67,300</u>	<u>(86,235)</u>	<u>137,856</u>
Capital assets being depreciated				
Equipment and vehicles	153,879	-	-	153,879
Waste water treatment plant and renovations	<u>6,623,470</u>	<u>326,288</u>	<u>-</u>	<u>6,949,758</u>
Total assets being depreciated	<u>6,777,349</u>	<u>326,288</u>	<u>-</u>	<u>7,103,637</u>

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 5 – CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Equipment and vehicles	(88,827)	(13,496)	-	(102,323)
Waste water treatment plant and renovations	<u>(2,987,165)</u>	<u>(154,929)</u>	<u>-</u>	<u>(3,142,094)</u>
Total accumulated depreciation	<u>(3,075,992)</u>	<u>(168,425)</u>	<u>-</u>	<u>(3,244,417)</u>
Total capital assets being depreciated, net	<u>3,701,357</u>	<u>157,863</u>	<u>-</u>	<u>3,859,220</u>
Total Business-type activities capital assets, net	<u>\$ 3,858,148</u>	<u>\$ 225,163</u>	<u>\$ (86,235)</u>	<u>\$ 3,997,076</u>

Depreciation expense was charged to divisions as follows:

Governmental activities:

General government	\$ 1,616
Public safety	14,929
Parks and recreation	18,416
Roads and streets	<u>10,920</u>

Total depreciation expense - governmental activities	<u>\$ 45,881</u>
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Business-type activities:

Water and Sewer Fund	\$ 164,819
Garbage Fund	<u>3,606</u>

Total depreciation expense - business-type activities	<u>\$ 168,425</u>
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THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – LONG-TERM DEBT

Governmental Activities

On April 11, 2017, the Town entered into a note payable in the amount of \$67,804.05 for the purpose of financing two police vehicles. Note payments of \$1,107.93, including interest at 5.5%, are due monthly until April 11, 2023.

Business-type Activities:

Proprietary fund type/Enterprise fund:

Revenue Bonds Payable

The principal long-term obligations of the Town are revenue bonds to the U.S. Department of Agriculture/Rural Economic Community Development used for the construction and improvement of the Town's water and sewer systems. The payment of these bonds is provided from system revenues and, if necessary, from funds received from the Town's other taxes. The original amount of the obligation was \$400,000, at an interest rate of 4.5% per annum, due in installment until year 2035.

State Revolving Fund Loans Payable

SRF Clean Water, Phase I Loan. On January 26, 2016, the Town entered into a Clean Water State Revolving Fund Loan agreement with the State of Florida (Department of Environmental Protection), for improvements to the Town's water and sewer systems (phase 1). The total amount of the loan is \$10,034, with an interest rate of 0% per annum. Forty payments in the amount of \$250.83 are due semiannually, beginning October 15, 2019.

SRF Clean Water, Phase II Loan. On March 5, 2018, the Town entered into a Clean Water State Revolving Fund Design Loan agreement with the State of Florida (Department of Environmental Protection), for improvements to the Town's water and sewer systems (phase 2). The total amount of the loan awarded is \$248,500, less estimated principal forgiveness of \$198,800, at an interest rate of .26% per annum. The estimated principal amount of the loan to repay is \$49,700. The Town will also be obligated to pay a loan service fee, up to \$4,970, which is based on 2% of the original loan amount in the award. After the final disbursement of the loan proceeds, the loan principal will be adjusted to reflect the actual dates and amounts of the disbursements. Accordingly, the semiannual loan payment shall be adjusted, taking in consideration any previous payments. Until the principal amount of the loan is amended, beginning October 15, 2019, semiannual loan payments shall be in the amount of \$1,406. The term of the loan is twenty years. As of September 30, 2018, the grant award utilized is \$53,840 and the loan amount is \$13,460.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – LONG-TERM DEBT (CONTINUED)

SRF Drinking Water Loan. On March 14, 2018, the Town entered into a Drinking Water State Revolving Fund Construction Loan agreement with the State of Florida (Department of Environmental Protection), to rehabilitate the Town’s elevated storage tank. The total amount of the loan awarded is \$156,960, less estimated principal forgiveness of \$141,264, at an interest rate of 1.11% per annum. The estimated principal amount of the loan to repay is \$15,696. The Town will also be obligated to pay a loan service fee, up to \$314, which is based on 2% of the original loan amount in the award. After the final disbursement of the loan proceeds, the loan principal will be adjusted to reflect the actual dates and amounts of the disbursements. Accordingly, the semiannual loan payment shall be adjusted, taking in consideration any previous payments. Until the principal amount of the loan is amended, beginning June 15, 2019, semiannual loan payments shall be in the amount of \$450. The term of the loan is twenty years. As of September 30, 2018, the grant award utilized is \$134,842 and the loan amount is \$14,983.

Summarized below are the Town’s long-term obligations which are outstanding at year end and transactions during the year:

	Beginning Balance <u>10/1/17</u>	Additions	Reductions	Ending Balance <u>9/30/18</u>	Amount Due in One Year
Governmental activities:					
Note payable	\$ 64,597	\$ -	\$ (10,844)	\$ 53,753	\$ 10,604
Total governmental activities	<u>64,597</u>	<u>-</u>	<u>(10,844)</u>	<u>53,753</u>	<u>10,604</u>
Business-type activities:					
Bonds Payable - 4th series	270,000	-	(10,000)	260,000	11,000
SRF Clean Water, Phase I	3,678	6,356	-	10,034	-
SRF Clean Water, Phase II		13,460	-	13,460	-
SRF Drinking Water	-	14,983	-	14,983	-
Total business-type activities	<u>273,678</u>	<u>34,799</u>	<u>(10,000)</u>	<u>298,477</u>	<u>11,000</u>
Total	<u>\$338,275</u>	<u>\$ 34,799</u>	<u>\$ (20,844)</u>	<u>\$352,230</u>	<u>\$ 21,604</u>

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Summary of long-term debt service schedule:

Year Ended September 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$10,604	\$ 2,691	\$13,295	\$ 11,000	\$ 11,700	\$ 22,700
2020	11,197	2,099	13,296	13,358	11,205	24,563
2021	11,834	1,461	13,295	15,214	10,710	25,924
2022	12,502	794	13,296	16,214	10,215	26,429
2023	7,616	140	7,756	17,213	9,675	26,888
2024-2028	-	-	-	82,626	39,285	121,911
2029-2033	-	-	-	96,008	21,600	117,608
2034-2038	-	-	-	46,341	2,790	49,131
2039	-	-	-	503	-	503
Total	<u>\$53,753</u>	<u>\$ 7,185</u>	<u>\$60,938</u>	<u>\$298,477</u>	<u>\$117,180</u>	<u>\$415,657</u>

Total interest cost incurred and recorded as a direct functional expense, in the current year, was \$3,815 and \$12,112 in the governmental funds and water and sewer fund, respectively. No interest was capitalized in the current year. The general fund is being used to liquidate the note payable and the Water and Sewer Fund has been used in the past to liquidate the bond payable. The Water and Sewer Fund is also expected to be used to liquidate the State Revolving Fund loan payable.

Provisions of the revenue bonds require a monthly reserve fund contribution until such time as the reserve account equals the maximum annual debt service requirement. The Town’s reserve met bond ordinance requirements for the year.

Capital Leases Payable (Governmental Activities and Business-Type Activities)

Lease #1. On June 17, 2013, the Town entered into a capital lease in the amount of \$23,206 for the purpose of financing a truck. Lease payments of \$445.88, including interest at 5.95%, are due monthly until May 17, 2018. Payments on the lease are being funded as follows: governmental activities (Local Option Gas Tax Fund) – 40%, business-type activities – 60% (Water and Sewer Fund – 20% and Garbage Fund – 40%). The lease was paid off in the current year.

Lease #2. On February 9, 2015, the Town entered into a capital lease in the amount of \$19,125 for the purpose financing a truck. Lease payments of \$367.47, including interest at 5.95%, are due monthly until January 9, 2020. Payments on the lease are being funded as follows: governmental activities (Local Option Gas Tax Fund) – 50% and business-type activities (Garbage Fund) – 50%.

THE TOWN OF JENNINGS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Lease #3. On June 17, 2015, the Town entered into a capital lease in the amount of \$31,500 for the purpose of financing a truck. Lease payments of \$605.24, including interest at 5.95%, are due monthly beginning November 3, 2015 until October 3, 2020.

<u>Capital Lease Payable</u>	<u>Beginning Balance 10/1/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 9/30/18</u>	<u>Amount Due in One Year</u>
Vehicle					
Governmental activities:					
Local Option Gax Tax Fund					
Lease #1	\$ 1,396	\$ -	\$ (1,396)	\$ -	\$ -
Lease #2	4,792	-	(1,973)	2,819	2,093
Volunteer Fire Dept. Fund					
Lease #3	19,910	-	(5,712)	14,198	6,596
Total governmental activities	<u>26,098</u>	<u>-</u>	<u>(9,081)</u>	<u>17,017</u>	<u>8,689</u>
Business-type activities:					
Water/Sewer & Garbage Fund					
Lease #1	2,093	-	(2,093)	-	\$ -
Lease #2	4,793	-	(1,973)	2,820	2,094
Total business-type activities	<u>6,886</u>	<u>-</u>	<u>(4,066)</u>	<u>2,820</u>	<u>2,094</u>
Total	<u><u>\$ 32,984</u></u>	<u><u>\$ -</u></u>	<u><u>\$(13,147)</u></u>	<u><u>\$ 19,837</u></u>	<u><u>\$ 10,783</u></u>

Payments on the capital lease are due as follows:

<u>Year Ended September 30</u>	<u>Governmental Funds</u>			<u>Enterprise Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,690	\$ 778	\$ 9,468	\$ 2,094	\$ 111	\$ 2,205
2020	7,725	272	7,997	726	9	735
2021	602	3	605	-	-	-
Total	<u><u>\$ 17,017</u></u>	<u><u>\$1,053</u></u>	<u><u>\$18,070</u></u>	<u><u>\$ 2,820</u></u>	<u><u>\$ 120</u></u>	<u><u>\$ 2,940</u></u>

Interest expense of \$1,209 and \$279 was incurred and paid in the governmental activities and business-type activities, respectively.

THE TOWN OF JENNINGS
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The carrying amount of the assets under notes payable or capital leases are as follows: a 2014 Ford F-150 truck with a cost of \$19,125 and accumulated depreciation of \$14,025 and a 2016 Ford F-250 with a cost of \$31,500 and accumulated depreciation of \$8,850. Amortization of assets recorded under capital leases is included with depreciation expense.

NOTE 7 - FUND BALANCE CLASSIFICATIONS

Fund balance classifications are as follows:

	<u>Amount</u>
RESTRICTED:	
Governmental activities:	
General Fund	
Contributions received from a civic organization are restricted for the purpose of beautification of the Town	\$ 2,472
Special Revenue Funds	
Local Option Gas Tax Fund	
The State of Florida restricts these funds to transportation expenditures.	306,974
Eighth Cent Motor Fuel Fund	
The State of Florida restricts these funds to transportation related services.	147,158
Volunteer Fire Department Fund	
These funds are restricted by Hamilton County and donors for firefighting and fire prevention purposes and debt service.	<u>88,306</u>
Total governmental activities	<u>\$544,910</u>
Business-type activities:	
Water and Sewer Fund	
Restricted for bonded debt	<u>\$ 10,725</u>

NOTE 8 – DEFERRED COMPENSATION PLAN

On December 4, 2012, the Town Council adopted a deferred compensation plan (Section 457). Plan provisions and contribution requirements of the plan are established by the Town Council and may be amended by the Town Council. The plans are administered by independent plan administrators (Florida Municipal Trust Fund) through administrative service agreements. The Town's staff administrative involvement is limited to transmitting amounts withheld from payroll to the plan administrator who performs investing functions. The Town Council approved plan amendments such that plan assets are held in trust for the benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. Therefore, the financial activities of the plan are not reported in the Town's financial statements.

The deferred compensation plan is available to all eligible employees for voluntary contributions and the Town will contribute up to a 3% match. Compensation that is deferred will not be available to employees until termination, retirement, death, disability or an unforeseeable emergency. The Town contributed \$7,093 to the plan for the year ended September 30, 2018.

NOTE 9 – RISK FINANCING ACTIVITY

Major categories of risk to which the entity is exposed consist of property damage from casualties such as fire or other causes, liability for injuries to employees while on the job, liability for injuries to others for which the Town is responsible, and losses due to theft or illegal acts by Town employees. The Town reduces these risks of loss by purchasing commercial insurance coverage. There were no instances in the last three years of insurance claims exceeding insurance coverage.

NOTE 10 – CONTINGENCIES - COMMITMENTS

During the current year and prior years, the Town received federal monies through the Community Development Block Grant Program and other state and federal programs. These programs are subject to review and audit by the grantor agency. Such audits could lead to a request for reimbursement to the grantor agency for expenses disallowed under the terms of the grant. Management believes that the Town will not incur significant losses on possible grant disallowances.

The Town is currently involved in a land dispute involving permitted use of certain motel properties. The town is in negotiations with the parties and an amicable settlement seems possible. However, at this time it is not possible to estimate the possible financial exposure of the Town.

The Town has received a statutory notice of a claim but, as of the date of these financial statements, a claim has not been filed. The Town's insurance carrier has agreed that this incident is covered by the terms of the Town's insurance policy and has assigned an attorney to represent the Town on this issue.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF JENNINGS
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual Amounts (Budgetary Basis) <u> </u>	Variance with Final Budget <u> </u>
Cash on hand and certificate of deposit, October 1	\$ 115,000	\$ 115,000	\$ 222,978	\$ 107,978
Resources (inflows):				
Property taxes:				
Franchise	36,000	36,000	38,576	2,576
Real estate	57,318	57,318	55,690	(1,628)
Intergovernmental:				
Discretionary sales tax	71,069	71,069	73,956	2,887
Half-cent sales tax	32,741	32,741	36,186	3,445
Revenue sharing	37,172	37,172	36,500	(672)
Communication services tax	15,417	15,417	15,995	578
Mobile home tax	1,000	1,000	1,101	101
Alcohol beverage tax	160	160	252	92
Charges for services:				
Mowing and maintenance	11,200	11,200	11,200	-
Fines and forfeitures	35,000	35,000	25,804	(9,196)
Licenses and permits	800	800	1,810	1,010
Other services	300	300	292	(8)
Investment earnings	100	100	171	71
Insurance proceeds	-	-	7,401	7,401
Miscellaneous	2,000	2,000	3,626	1,626
Amounts available for appropriation	<u>415,277</u>	<u>415,277</u>	<u>531,538</u>	<u>116,261</u>
Charges to appropriation (outflows):				
General government				
Direct				
Personnel services	110,800	110,800	110,409	391
Operating expenditures	126,279	126,279	54,942	71,337
Capital outlay	-	-	2,648	(2,648)
Total - general government	<u>237,079</u>	<u>237,079</u>	<u>167,999</u>	<u>69,080</u>

TOWN OF JENNINGS
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts Original</u>	<u>Budgeted Amounts Final</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
Public safety				
Direct				
Personnel services	128,800	128,800	105,557	23,243
Operating expenditures	34,948	34,948	42,131	(7,183)
Debt service	13,350	13,350	14,659	(1,309)
Capital outlay	1,100	1,100	2,648	(1,548)
Total - public safety	<u>178,198</u>	<u>178,198</u>	<u>164,995</u>	<u>13,203</u>
Total charges to appropriations	<u>415,277</u>	<u>415,277</u>	<u>332,994</u>	<u>82,283</u>
Budgetary cash balance, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,544</u>	<u>\$ 198,544</u>

TOWN OF JENNINGS
 BUDGETARY COMPARISON SCHEDULE – LOCAL OPTION GAS TAX FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts <u>Original</u>	Budgeted Amounts <u>Final</u>	Actual Amounts (Budgetary Basis) <u> </u>	Variance with Final Budget <u> </u>
Cash on hand, October 1	\$ 31,000	\$ 31,000	\$ 296,104	\$ 265,104
Resources (inflows):				
Intergovernmental:				
Local option gas tax	245,000	245,000	206,792	(38,208)
Other intergovernmental income	3,700	3,700	4,943	1,243
Other income	-	-	58	58
Amounts available for appropriation	<u>279,700</u>	<u>279,700</u>	<u>507,897</u>	<u>228,197</u>
Charges to appropriation (outflows):				
Roads and streets				
Direct				
Personnel services	91,200	91,200	89,414	1,786
Operating expenditures	145,500	145,500	69,551	75,949
Capital outlay	35,000	35,000	26,211	8,789
Debt service	8,000	8,000	3,632	4,368
Total charges to appropriations	<u>279,700</u>	<u>279,700</u>	<u>188,808</u>	<u>90,892</u>
Budgetary cash balance, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,089</u>	<u>\$ 319,089</u>

TOWN OF JENNINGS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

NOTE A - BUDGETS

The Town Council annually adopts the Budget Ordinance for all operating funds of the Town. Budgetary control is legally maintained at the fund level. Town Council action is required for the approval of a supplemental budget.

The Town prepares its annual budget on a basis (budget basis) that differs from generally accepted accounting principles (GAAP basis). The major fund's budget and all transactions are presented in accordance with the Town's method (budget basis) in the Budgetary Comparison Schedules to provide a meaningful comparison of actual results with the budget. The major differences between budget and GAAP basis in the General Fund and Local Option Gas Tax Fund are listed on the Budget-to-Actual Reconciliation following the Budgetary Comparison Schedules.

The budget for the year ended September 30, 2018 was adopted by the Town Council on September 7, 2017. Amendments were made to the budget and adopted by the Board on August 7, 2018.

TOWN OF JENNINGS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
SEPTEMBER 30, 2018

NOTE B – BUDGET TO-ACTUAL RECONCILIATION

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

	General Fund	Local Option Gas Tax Fund
	<u> </u>	<u> </u>
Sources/inflows of resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 531,538	\$ 507,897
Differences - budget to GAAP:		
Cash on hand at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes	(222,978)	(296,104)
GAAP basis adjustments	<u>(6,731)</u>	<u>(7,631)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 301,829</u>	<u>\$ 204,162</u>
Uses/outflows of resources:		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 332,994	\$ 188,808
Difference - budget to GAAP		
GAAP basis adjustments	<u>(5,666)</u>	<u>(3,102)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 327,328</u>	<u>\$ 185,706</u>

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

TOWN OF JENNINGS
NONMAJOR GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2018

	Eighth Cent Motor Fuel Tax Fund	Volunteer Fire Department Fund	Total Special Revenue Funds	CDBG Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash:					
Restricted	\$ 87,241	\$ 95,585	\$ 182,826	\$ -	\$ 182,826
Certificates of deposit	46,469	-	46,469	-	46,469
Due from grantor	-	-	-	10,626	10,626
Interfund receivable	14,085	-	14,085	-	14,085
Total assets	<u>\$ 147,795</u>	<u>\$ 95,585</u>	<u>\$ 243,380</u>	<u>\$ 10,626</u>	<u>\$ 254,006</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	637	591	1,228	1,750	2,978
Interfund payable	-	6,688	6,688	8,876	15,564
Total liabilities	<u>637</u>	<u>7,279</u>	<u>7,916</u>	<u>10,626</u>	<u>18,542</u>
Fund balances:					
Restricted for:					
Public safety	-	88,306	88,306	-	88,306
Roads and streets	147,158	-	147,158	-	147,158
Total fund balance	<u>147,158</u>	<u>88,306</u>	<u>235,464</u>	<u>-</u>	<u>235,464</u>
Total liabilities and fund balances	<u>\$ 147,795</u>	<u>\$ 95,585</u>	<u>\$ 243,380</u>	<u>\$ 10,626</u>	<u>\$ 254,006</u>

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

	Eighth Cent Motor Fuel Tax Fund	Volunteer Fire Department Fund	Total Special Revenue Funds	CDBG Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES					
Intergovernmental:					
Revenue sharing	\$ 16,190	\$ 17,000	\$ 33,190	\$ -	\$ 33,190
Grant revenue	-	-	-	10,626	10,626
Charges for services	-	26,977	26,977	-	26,977
Insurance proceeds	-	3,023	3,023	-	3,023
Other income	-	1,139	1,139	-	1,139
Interest	460	4	464	-	464
Total revenues	<u>16,650</u>	<u>48,143</u>	<u>64,793</u>	<u>10,626</u>	<u>75,419</u>
EXPENDITURES					
Current:					
Roads and streets	6,441	-	6,441	-	6,441
Public safety	-	34,615	34,615	-	34,615
Urban redevelopment and housing	-	-	-	10,626	10,626
Total expenditures	<u>6,441</u>	<u>34,615</u>	<u>41,056</u>	<u>10,626</u>	<u>51,682</u>
Excess (deficiency) of revenues over (under) expenditures	10,209	13,528	23,737	-	23,737
Fund balances - beginning	136,949	74,778	211,727	-	211,727
Fund balances - ending	<u>\$ 147,158</u>	<u>\$ 88,306</u>	<u>\$ 235,464</u>	<u>\$ -</u>	<u>\$ 235,464</u>

TOWN OF JENNINGS
NONMAJOR GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE – EIGHTH CENT MOTOR FUEL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget
Cash on hand and certificate of deposit, October 1	\$ 4,300	\$ 84,408	\$ 80,108
Resources (inflows):			
Intergovernmental			
Revenue sharing	14,400	13,885	(515)
Interest	-	-	-
Amounts available for appropriation	18,700	98,293	79,593
Charges to appropriation (outflows):			
Roads and streets			
Direct			
Operating expenditures	18,700	11,052	7,648
Total charges to appropriations	18,700	11,052	7,648
Budgetary cash balance, September 30	\$ -	\$ 87,241	\$ 87,241
Sources/inflows of resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule		\$ 98,293	
Differences - budget to GAAP:			
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes		(84,408)	
Other GAAP basis adjustments		2,765	
Total revenues as reported on the statement of revenues expenditures and changes in fund balances - governmental funds		\$ 16,650	
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule		\$ 11,052	
Difference - budget to GAAP			
GAAP basis adjustments		(4,611)	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds		\$ 6,441	

TOWN OF JENNINGS
NONMAJOR GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE – VOLUNTEER FIRE DEPARTMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts <u>Final</u>	Actual Amounts (Budgetary Basis) <u></u>	Variance with Final Budget <u></u>
Cash on hand, October 1	\$ 25,000	\$ 81,917	\$ 56,917
Resources (inflows):			
Intergovernmental			
Revenue sharing	17,000	17,000	-
Charges for services	10,000	26,977	16,977
Insurance proceeds	-	3,023	3,023
Other income	500	1,139	639
Interest	-	4	4
Amounts available for appropriation	<u>52,500</u>	<u>130,060</u>	<u>77,560</u>
Charges to appropriation (outflows):			
Roads and streets			
Direct			
Operating expenditures	45,200	27,817	17,383
Debt service	7,300	6,658	642
Total charges to appropriations	<u>52,500</u>	<u>34,475</u>	<u>18,025</u>
Budgetary cash balance, September 30	<u>\$ -</u>	<u>\$ 95,585</u>	<u>\$ 95,585</u>
Sources/inflows of resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule		\$ 130,060	
Differences - budget to GAAP:			
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes		<u>(81,917)</u>	
Total revenues as reported on the statement of revenues expenditures and changes in fund balances - governmental funds		<u>\$ 48,143</u>	
Uses/outflows of resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule		\$ 34,475	
Difference - budget to GAAP			
GAAP basis adjustments		<u>140</u>	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds		<u>\$ 34,615</u>	

TOWN OF JENNINGS
NONMAJOR GOVERNMENTAL FUNDS
BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND - CDBG
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Project-Length Budget Amount <u>Final</u>	Actual Amounts (Budgetary Basis) <u>Current Year</u>	Variance with Final Budget
Budgetary fund balance, October 1	\$ -		\$ -
Resources (inflows):			
Intergovernmental:			
Grant	<u>600,000</u>	<u>10,626</u>	<u>589,374</u>
Amounts available for appropriation	<u>600,000</u>	<u>10,626</u>	<u>589,374</u>
Charges to appropriation (outflows):			
Housing rehabilitation	<u>600,000</u>	<u>10,626</u>	<u>589,374</u>
Total charges to appropriations	<u>600,000</u>	<u>10,626</u>	<u>589,374</u>
Budgetary fund balance, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FEDERAL AND STATE COMPLIANCE

Independent Auditor's Report on Compliance with Section 218.415, Florida Statutes

To the Honorable Mayor and Town Council
Town of Jennings
Jennings, Florida

We have examined the Town of Jennings', Florida ("the Town") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2018. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our examination provided a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

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

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

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

March 5, 2019

INDEPENDENT AUDITOR'S LETTER TO MANAGEMENT

Honorable Mayor and Town Council
Town of Jennings, Florida

We have audited the financial statements of the Town of Jennings, Florida, as of and for the fiscal year ended September 30, 2018 and have issued our report thereon dated March 5, 2019.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Chapter 10.550, Rules of the Florida Auditor General. We have issued our 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 Audit Standards*, and Chapter 10.550, Rules of the Florida Auditor General and Schedule of Findings and Responses. Disclosures in those reports and schedule, if any, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which requires disclosure in the management letter 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 or State project amounts that is less than material but which warrants the attention of those charged with governance.

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address several findings and recommendations made in the previous annual financial audit reports, however, findings 2017-001 and 2017-002 currently are unable to be corrected and are recited as 2018-001 and 2018-002.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. We have the following recommendation: utilize management oversight of the accounting function to mitigate the risk resulting from inadequate segregation of accounting duties among personnel.
- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we had no such findings.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Town of Jennings, Florida was established by municipal charter, Chapter 8284, No. 502, Laws of Florida, 1919, as amended. The Town of Jennings had no component units at September 30, 2018.
- Section 10.554(1)(i)5.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of that specific condition met. In connection with our audit, we determined that the Town of Jennings met none of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.554(1)(i)5.c., Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by the same.

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

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

March 5, 2019

TOWN OF JENNINGS
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

State Agency & Program Title	State Contract/Grant Number	State Receipts	Total Receipts
Florida Department of:			
Environmental Protection			
Clean Water State Revolving Fund	WW235011		
Grant proceeds		\$ 53,840	\$ 53,840
Loan proceeds		13,460	13,460
Drinking Water State Revolving Fund	SW24020		
Grant proceeds		134,842	134,842
Loan proceeds		14,983	14,983
CDBG			
Neighborhood revitalization	18DB-OM-03-34-02-N 02	10,626	10,626
Transportation:			
Mowing/maintenance contract		11,200	11,200
Lighting contract		4,943	4,799
Total		<u>\$243,894</u>	<u>\$243,750</u>

**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 Town Council
Town of Jennings, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jennings, Florida (“the Town”), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated March 5, 2019.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as 2018-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Town's Response to Findings

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

Purpose of this Report

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

Valenti, Rackley & Assoc., LLC

Valenti, Rackley & Associates, LLC
Certified Public Accountants

March 5, 2019

TOWN OF JENNINGS
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

2018-001

Condition: Inadequate segregation of accounting duties among personnel.

Cause: Limited staff size

Effect: Certain functions are not segregated including collection/deposit of cash and recording of cash receipts and general ledger; cash receipts/disbursements and preparation of bank reconciliation; accounts payable and recording of general ledger and payroll processing and general ledger due to limited staff size.

Recommendation: We recommend that increased management oversight of the accounting function be utilized to mitigate risk.

Management Response: See management's Corrective Action Plan.

2018-002

Condition: Inadequate design of internal controls over the preparation of financial statements in accordance with GAAP.

Cause: Optimum internal control exists when an entity has the ability to prepare its own financial statements in conformity with *Generally Accepted Accounting Principles*.

Effect: Certain adjustments were required to be made to the accounting records subsequent to the start of the auditing process and management requested us to prepare a draft of the financial statements, including the related footnote disclosures. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements.

Recommendation: The outsourcing of these services to independent external auditors is common for governments of this size and is a result of management's cost benefit decision to outsource rather than incur this internal resource cost. Therefore, no practical solution exists in this case.

Management Response: See management's Corrective Action Plan.

TOWN OF JENNINGS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

AUDIT
REFERENCE
NUMBERS

2017-001, 2016-001, 2015-01 Unable to be corrected, therefore, it has been recited as 2018-001

2017-002, 2016-002, 2015-02 Unable to be corrected, therefore, it has been recited as 2018-002


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TOWN OF JENNINGS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018

2018-001 and 2018-002

Description: Inadequate segregation of duties among personnel, inadequate design of internal controls over the preparation of financial statements being audited.

Management Explanation/Rebuttal: Management concurs with these findings. However, due to limited staff size and economic constraints, no practical solution exists.



John Prine, Mayor

March 5, 2019