

TOWN OF JUPITER INLET COLONY
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON
ANNUAL AUDIT FOR THE YEAR ENDING
SEPTEMBER 30, 2018

TOWN OF JUPITER INLET COLONY
SEPTEMBER 30, 2018

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Commission
Town of Jupiter Inlet Colony, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Jupiter Inlet Colony, Florida as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Jupiter Inlet Colony, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Jupiter Inlet Colony, Florida as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, and budgetary comparison information on page 34 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019 on our consideration of the Town of Jupiter Inlet Colony, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 of Jupiter Inlet Colony, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
June 28, 2019

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A MUNICIPAL CORPORATION

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MANAGEMENT’S DISCUSSION AND ANALYSIS

The Town of Jupiter Inlet Colony’s discussion and analysis is designed to assist the reader by providing a narrative overview and analysis of the financial activities of the Town for the years ended September 30, 2018, and 2017. 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 statements that follow this section.

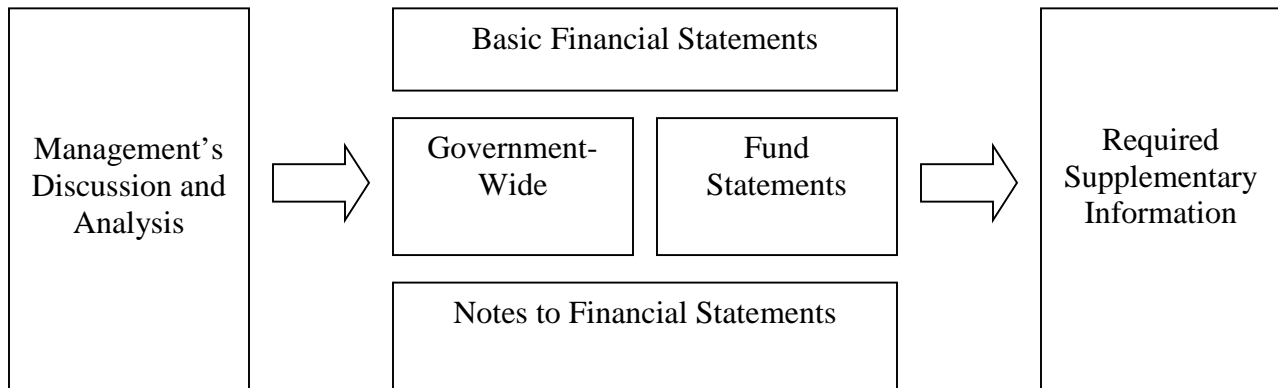
FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal years ended September 30, 2018, and 2017.

- The Town’s total assets exceeded its liabilities at September 30, 2018, and 2017 by \$6,866,119 and \$10,613,184, respectively (net position). Of this 2018 amount, unrestricted net position was \$38,144, \$5,268,181 was restricted, and \$1,559,794 was net investment in capital assets.
- The Town’s revenues for the governmental funds were \$3,187,465 and \$3,339,736 for the years ended September 30, 2018, and 2017, respectively. The expenditures for governmental funds were \$8,931,607 and \$6,891,522, respectively.
- The General Fund unassigned fund balance decreased by \$86,138 from \$450,267 in 2017 to \$364,129 in 2018.
- The Town’s long-term liabilities consists of three notes payable and compensated absences.

OVERVIEW OF FINANCIAL STATEMENTS

The Town is reporting under the GASB 34 reporting model. Management’s Discussion and Analysis is only a portion of the features of this format.



The basic financial statements are comprised of government-wide statements that offer a summary of financial activity and more specific fund statements that present more detailed information.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (pages 11 and 12) are designed to provide the reader with a broad overview of the Town's finances, in a manner similar to private-sector business. The statements include the statement of net position and the statement of activities. The *statement of net position* shows the total assets and liabilities for the Town with the difference being net position. The change in net position over time may be an indicator of the Town's financial health. The *statement of activities* provides a breakdown of revenues and expenditures by function. The functions primarily supported by taxes and intergovernmental revenues, such as police, fire and other public services are considered governmental activities.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than the previous reporting model's fund types. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal obligations. The Town has three major funds; the General Fund, the Debt Service Fund, and the Special Revenue Fund.

Governmental Funds (beginning on page 13) are used for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial 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 a government's near-term financing requirement. The Town has three governmental funds: General Fund, Debt Service Fund and Special Revenue Fund. The Town's basic services are reported in the General Fund. The Debt Service Fund (*Undergrounding Debt Service Fund*) is used to account for resources accumulated and payments made for principal and interest financed by the proceeds of a loan relating to the undergrounding of the electric, cable television, and telephone utility facilities in the Town, which are payable from a non-ad valorem special assessment. The Special Revenue Fund (*Neighborhood Rehabilitation Special Revenue Fund*) is used to account for the proceeds from the special assessment and pay the construction cost of the neighborhood rehabilitation project and repay the note payable.

Notes to the Financial Statements (beginning on page 17) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$6,867,518 as of September 30, 2018, and by \$10,613,184 as of September 30, 2017.

Town of Jupiter Inlet Colony Net Position

	Governmental Activities		Increase Decrease
	2018	2017	
Assets:			
Current and other assets	\$ 11,885,223	\$ 17,950,489	\$ (6,065,266)
Capital assets	5,122,473	3,405,757	1,716,716
Total assets	17,007,696	21,356,246	(4,348,550)
Liabilities:			
Current liabilities	428,574	351,245	77,329
Noncurrent liabilities	9,713,003	10,391,817	(678,814)
Total liabilities	10,141,577	10,743,062	(601,485)
Net position:			
Net investment in capital assets	1,559,794	838,942	720,852
Restricted net position	5,268,181	9,355,074	(4,086,893)
Unrestricted	38,144	419,168	(381,024)
Total net position	\$ 6,866,119	\$ 10,613,184	\$ (3,747,065)

The largest portion of the Town's net position reflects its special assessment receivable and investment in capital assets. Noncurrent liabilities continue to reflect applicable balances relating to the 2017 issuance of a note payable (2011 refunded note payable) to fund the underground utilities project, the note payable for the purchase of the new Town Hall, and the 2017 issuance of a note payable to fund construction of a gravity sewer system, rehabilitation and improvement to the existing storm water system, road restoration, and reconfiguration of the entry road.

Governmental Activities

Governmental activities decreased the Town's net position by \$3,745,666 for the year ended September 30, 2018, and net position for the year ended September 30, 2017, was increased by \$9,806,600. Key elements of the changes for both years are as follows:

Town of Jupiter Inlet Colony Changes in Net Position

	Governmental Activities		Increase (Decrease)
	2018	2017	
Revenues:			
Program revenues:			
Charges for services	\$ 381,340	\$ 9,760,857	\$ (9,379,517)
Contributions	246,026	606,935	(360,909)
General revenues:			
Property taxes	1,543,081	1,466,447	76,634
Franchise fees	37,184	36,077	1,107
Intergovernmental	117,062	161,549	(44,487)
Investment earnings	399,259	307,819	91,440
Total revenue	2,723,952	12,339,684	(9,615,732)
Expenses:			
Program expenses:			
General government	650,648	529,035	121,613
Public safety	1,115,142	1,117,584	(2,442)
Physical environment	443,618	249,826	193,792
Neighborhood rehab project	3,965,022	426,134	3,538,888
Interest expense	296,587	210,505	86,082
Total expenses	6,471,017	2,533,084	3,937,933
Increase/(decrease) in net position	(3,747,065)	9,806,600	(13,553,665)
Beginning Net position	10,613,184	806,584	9,806,600
Ending Net Position	\$ 6,866,119	\$ 10,613,184	\$ (3,747,065)

The changes in net position were primarily due to revenues relating to the Neighborhood Rehabilitation Project. The Town recorded assessment revenue of \$9,550,000 related to the Neighborhood Rehabilitation Project in fiscal year 2017. The Town incurred \$3,965,022 and \$426,134 in expenses related to this project in fiscal years 2018 and 2017.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2018, and 2017, the Town's General Fund reported an ending fund balance of \$639,679 and \$722,256 respectively, a decrease of \$82,577 and an increase of \$468,618, respectively, from prior years. This decrease for 2018 was due primarily to paying an additional \$100,000 principal on the Town Hall Note Payable. Unassigned fund balance decreased to \$364,129 in 2018.

At September 30, 2018, and 2017, the Undergrounding Debt Service Fund reported an ending fund balance of \$1,186 and of \$2,728, respectively.

During the fiscal year 2017, the Neighborhood Rehabilitation Special Revenue Fund was created to account for the replacement of existing septic tanks with a new sewer system and upgrade the existing storm water drainage system. At September 30, 2018, and 2017, the Neighborhood Rehabilitation Special Revenue Fund reported an ending fund balance of \$334,636 and \$5,994,659, respectively. The decrease was due to paying final project expenditures in 2018.

Budgetary Highlights - Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 34). The budget and actual schedule show the original budget, the final budget, actual results, and variance between the final budget and actual results for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of September 30, 2018, and 2017 amounted to \$5,122,473 and \$3,405,757, respectively. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

The additions in the Town's capital assets for the current fiscal year was \$1,973,881, this was primarily the stormwater and road improvements.

**Town of Jupiter Inlet Colony
Capital Assets**

	Governmental Activities		Increase Decrease
	2018	2017	
Land	\$ 940,754	\$ 940,754	\$
Construction in progress		1,940,213	(1,940,213)
Buildings and improvements	444,669	444,669	
Infrastructure	4,006,762	93,842	3,912,920
Equipment	224,733	223,559	1,174
Total capital assets	5,616,918	3,643,037	1,973,881
Less accumulated depreciation	(494,445)	(237,280)	(257,165)
Total	\$ 5,122,473	\$ 3,405,757	\$ 1,716,716

Additional information on the Town’s capital assets can be found in Footnote 5 of this report.

Debt Outstanding

At September 30, 2018, and 2017, the Town had notes payable in the amount of \$9,969,293 and \$10,371,667, respectively. The three notes are for the underground utility project, the purchase of the Town Hall, and the sewer system, road improvements and upgrading the existing storm water drainage system. Additional information on the Town’s long-term debt can be found in Footnote 6 of this report.

NEXT YEAR’S BUDGET AND ECONOMIC FACTORS

The Town’s 2019 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals include enhancing the level of services so as to provide the residents with the highest quality services at the lowest possible cost, increasing the responsiveness of the local government to the needs of the public, and planning and budgeting for Town improvement and beautification projects.

- Property taxes represent 77% of the General Fund budgeted revenues for 2019.
- The Town’s millage rate was lowered from 5.00 to 4.90 for 2019.
- Total assessed property values increased from \$329,440,316 to \$353,700,655 for 2019.
- Total taxable property values increased from \$318,586,621 to \$342,736,986 for 2019.
- The total budget decreased from \$2,174,561 to \$2,107,031 for 2019.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Town Administrator at the Town of Jupiter Inlet Colony, 50 Colony Road, Jupiter Inlet Colony, Florida 33469-3507.

TOWN OF JUPITER INLET COLONY, FLORIDA
Statement of Net Position
September 30, 2018

ASSETS

Current assets	
Cash and cash equivalents	\$ 499,467
Investments	9,490
Accounts receivable	10,715
Restricted assets	
Cash and cash equivalents	674,913
Special assessments receivable	10,101,884
Accrued interest on special assessments	321,821
Due from other governments	215,965
Due from other governments	24,033
Prepays	26,935
Total current assets	11,885,223
Capital assets	
Nondepreciable	940,754
Depreciable (net of depreciation)	4,181,719
Total assets	17,007,696

LIABILITIES

Accounts payable	305,880
Accrued liabilities	9,042
Deferred revenues	14,730
Accrued interest payable	98,922
Noncurrent liabilities:	
Due within one year	706,646
Due in more than one year	9,006,357
Total liabilities	10,141,577

NET POSITION

Net investment in capital assets	1,559,794
Restricted for debt service	85,764
Restricted for transportation	35,124
Restricted for neighborhood project/debt service	5,021,204
Restricted for administration of the Florida building code	126,089
Unrestricted net position	38,144
Total net position	\$ 6,866,119

Notes to the financial statements are an integral part of this statement.

TOWN OF JUPITER INLET COLONY, FLORIDA
Statement of Activities
For the Year Ended September 30, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				GOVERNMENTAL ACTIVITIES
	EXPENSES	CHARGES FOR SERVICES	CONTRIBUTIONS		
			OPERATING	CAPITAL	
Governmental activities:					
General government	\$ 650,648	\$ 379,562	\$ 14,661	\$	\$ (256,425)
Police	715,142	1,778	3,119		(710,245)
Fire	400,000				(400,000)
Public works	230,353		12,281		(218,072)
Roads and walkways	213,265				(213,265)
Neighborhood rehabilitation project	3,965,022			215,965	(3,749,057)
Interest expense	296,587				(296,587)
	<u>\$ 6,471,017</u>	<u>\$ 381,340</u>	<u>\$ 30,061</u>	<u>\$ 215,965</u>	<u>(5,843,651)</u>

GENERAL REVENUES:

Ad valorem taxes	1,543,081
Franchise fees	37,184
Interest - unrestricted	399,259
Intergovernmental	117,062
Total general revenues	<u>2,096,586</u>
Change in net position	(3,747,065)
Beginning net position	<u>10,613,184</u>
Ending net position	<u>\$ 6,866,119</u>

Notes to the financial statements are an integral part of this statement.

TOWN OF JUPITER INLET COLONY, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2018

	General Fund	Neighborhood Rehabilitation Special Revenue Fund	Undergrounding Debt Service Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 605,759	\$	\$	\$ 605,759
Restricted cash and cash equivalents	87,767	420,739	60,115	568,621
Investments	9,490			9,490
Accounts receivable	10,715			10,715
Special assessments receivable		8,435,550	1,666,334	10,101,884
Accrued interest on special assessments		256,567	65,254	321,821
Due from other funds		106,292		106,292
Due from other governments	24,033	215,965		239,998
Prepays	26,935			26,935
Total assets	\$ 764,699	\$ 9,435,113	\$ 1,791,703	\$ 11,991,515
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 38,485	\$ 267,395	\$	\$ 305,880
Accrued liabilities	9,042			9,042
Due to other funds	47,363		58,929	106,292
Deferred revenues	14,730			14,730
Total liabilities	109,620	267,395	58,929	435,944
Deferred inflows of resources				
Unavailable revenue	\$ 15,400	\$ 8,833,082	\$ 1,731,588	\$ 10,580,070
Fund Balance				
Nonspendable:				
Prepays	26,935			26,935
Restricted for debt service	87,402	164,938	50,000	302,340
Restricted for neighborhood project/debt service		169,698		169,698
Restricted for transportation	35,124			35,124
Restricted for administration of the Florida building code	126,089			126,089
Unassigned	364,129		(48,814)	315,315
Total fund balance	639,679	334,636	1,186	975,501
Total liabilities, deferred inflows of resources, and fund balance	\$ 764,699	\$ 9,435,113	\$ 1,791,703	\$ 11,991,515

Notes to the financial statements are an integral part of this statement.

TOWN OF JUPITER INLET COLONY, FLORIDA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2018

Fund balance of total governmental funds	\$	975,501
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Amounts reported for governmental activities
in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds

Governmental capital assets	\$ 5,616,918	
Less: accumulated depreciation	<u>(494,445)</u>	5,122,473

Revenue is recognized when earned in the government wide statements regardless of when it is collected. Governmental funds recognize revenue when it is both measurable and available.

Unavailable revenue		10,580,070
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued interest payable	(98,922)	
Compensated absences	(19,710)	
Notes payable	<u>(9,693,293)</u>	<u>(9,811,925)</u>

Net position of governmental activities	\$	<u><u>6,866,119</u></u>
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Notes to the financial statements are an integral part of this statement.

TOWN OF JUPITER INLET COLONY, FLORIDA
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

	<u>General Fund</u>	<u>Neighborhood Rehabilitation Special Revenue Fund</u>	<u>Undergrounding Debt Service Fund</u>	<u>Total</u>
Revenues				
Ad valorem taxes	\$ 1,543,081	\$	\$	\$ 1,543,081
Franchise fees	37,184			37,184
Licenses & permits	379,562			379,562
Fines & forfeitures	1,778			1,778
Interest	5,526	319,181	64,600	389,307
Special assessments		477,784	152,046	629,830
Contributions	14,661			14,661
Intergovernmental	117,062	75,000		192,062
Total revenues	<u>2,098,854</u>	<u>871,965</u>	<u>216,646</u>	<u>3,187,465</u>
Expenditures				
Current				
General government	427,051			427,051
Building department	200,651			200,651
Public safety	1,086,868			1,086,868
Public works	104,402			104,402
Roads and walkways	126,698			126,698
Capital outlay	37,646	1,943,250		1,980,896
Debt Service	187,402	627,305	225,312	1,040,019
Grants and aid		3,965,022		3,965,022
Total expenditures	<u>2,170,718</u>	<u>6,535,577</u>	<u>225,312</u>	<u>8,931,607</u>
Excess of revenues over (under) expenditures	<u>(71,864)</u>	<u>(5,663,612)</u>	<u>(8,666)</u>	<u>(5,744,142)</u>
Other financing sources (uses)				
Transfers in		3,589	7,124	10,713
Transfer out	(10,713)			(10,713)
Total other financing sources (uses)	<u>(10,713)</u>	<u>3,589</u>	<u>7,124</u>	
Net change in fund balances	(82,577)	(5,660,023)	(1,542)	(5,744,142)
Beginning fund balances	<u>722,256</u>	<u>5,994,659</u>	<u>2,728</u>	<u>6,719,643</u>
Ending fund balances	<u>\$ 639,679</u>	<u>\$ 334,636</u>	<u>\$ 1,186</u>	<u>\$ 975,501</u>

Notes to the financial statements are an integral part of this statement.

TOWN OF JUPITER INLET COLONY, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Governmental Funds
For the Year Ended September 30, 2018

Net change in fund balances of governmental funds \$ (5,744,142)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful life.

Expenditures for capital assets	\$ 1,973,883	
Less: current year depreciation	<u>(257,165)</u>	1,716,718

Repayment of long-term debt is reported as an expenditure on the governmental funds, but as a reduction of long-term liabilities in the statement of net position:

678,374

Governmental funds include revenues not collected within 90 days of year end as deferred revenue. Government-wide reporting recognizes revenues when they are earned, regardless of when they are collected.

Prior years' special assessments collected	(629,830)	
Current year's grants	156,365	
Accrued interest on special assessments	<u>9,952</u>	(463,513)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures of governmental funds.

Change in accrued interest payable	65,058	
Change in long-term compensated absences	<u>440</u>	<u>65,498</u>

Change in net position of governmental activities \$ (3,747,065)

Notes to the financial statements are an integral part of this statement.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Jupiter Inlet Colony (the “Town”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Town’s significant accounting policies are described below.

Reporting Entity

The Town of Jupiter Inlet Colony was incorporated on June 20, 1959, and the Town’s charter was approved by the Laws of Florida 59-1634. The Town operates under the Commission/Mayor form of government. The Town’s major operations include general government, public safety, streets, sanitation, environmental, public works, civil defense, prospective inspections, and general and administrative services.

As required by generally accepted accounting principles, these financial statements include the Town (the primary government) and its component units. Component units are legally separate entities for which the Town is financially accountable. The Town is financially accountable if:

- it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town,

or

- the organization is fiscally dependent on the Town and (1) there is a potential for the organization to provide specific financial benefits to the Town or (2) impose specific financial burdens on the Town.

Organizations for which the Town is not financially accountable are also included when doing so is necessary in order to prevent the Town’s financial statements from being misleading.

Based upon application of the above criteria, the Town of Jupiter Inlet Colony has determined that there are no legally separate entities to consider as potential component units.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements – GASB Statement #34

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. The Town does not accrue property tax revenues since the collection of these taxes coincides with the fiscal year in which levied, and since the Town consistently has no material uncollected property taxes at year end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough afterwards to pay liabilities of the current period. The Town considers revenues collected within 90 days of the year end to be available to pay liabilities of the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments are recorded only when payment is due.

Fines and permit revenues are not susceptible to accrual because generally, they are not measurable until received in cash. Property taxes, franchise taxes, licenses, interest revenue, intergovernmental revenues, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

The Town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources.

Undergrounding Debt Service Fund

The Undergrounding Debt Service Fund is used to account for the proceeds from the special assessment for the underground utility project and repay the note payable with TD Bank.

Neighborhood Rehabilitation Special Revenue Fund

The Neighborhood Rehabilitation Special Revenue Fund is used to account for the proceeds from the special assessment and pay the construction cost of the neighborhood rehabilitation project (the Project) and repay the note payable with TD Bank. The Project included (a) construction of a gravity sewer system, (b) rehabilitation of and improvements to the existing storm water system, (c) road restoration, and (d) reconfiguration of the entry road. The project was completed in 2018 and the gravity sewer system was transferred to the Loxahatchee River Environmental Control District.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in demand accounts and money market accounts.

Investments

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Town categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include plant, property, equipment, and infrastructure assets (e.g. roads, bridges, and sidewalks), are reported in the applicable governmental column in the governmental-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$750 and an estimated life greater than one year. Such assets are recorded at cost if purchased by the Town or at the fair market value of the assets at the time of contribution if the assets are donated to the Town. The Town is a Phase 3 government under GASB 34 and has elected not to report major general infrastructure assets retroactively. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings	10-40 years
Equipment	3-10 years
Infrastructure	15-50 years

Other Post Employment Benefits (OPEB)

The Town was required to implement Governmental Accounting Standards Board Statement 75 (GASB 75), *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* for the fiscal year ending September 30, 2018. The Town has determined that it does not provide any benefits that qualify as other post-employment benefits under GASB 75.

Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

All vacation, sick leave, and sabbatical leave is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

The Town passed Resolution 2011-22 to amend its Sick Leave Policy effective October 1, 2011. According to the amended policy, Town employees accrue sick time at a rate of four hours per pay period. Town employees may accrue up to 30 days, or a maximum of 240 hours, after which, no additional time may be accrued. Employees are not entitled to any payout or compensation for accrued and unused sick leave at the time the employee retires or otherwise leaves the employment of the Town.

Town employees also earn vacation time based upon the employee's anniversary date of hire. After one year of continuous employment, an employee will receive ten days of vacation time. Additional vacation time is received based upon length of service. This vacation time must be taken during the employee's anniversary year and cannot be accrued. In the case of resignation, removal, termination, etc., the employee will be paid only for the vacation time earned on his/her anniversary date prior to separation from employment.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflow of Resources

In addition to assets, the statement of net position/balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Town does not report any deferred outflows of resources.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has unavailable revenues that consists of receivables that are not collected within 90 days of the end of the fiscal year and do not meet the availability criterion of the modified accrual basis of accounting. These items are reported as deferred inflows only on the governmental funds balance sheet.

Net Position

Net position is the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources.

Net position is displayed in three categories: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net position invested in capital consist of capital assets reduced by accumulated depreciation and by any outstanding debt incurred to acquire, construct, or improve those assets. Net position is reported as restricted when there are legal limitations imposed on their use by Town legislation or external restrictions by other governments, creditors, or grantors. Unrestricted net position consist of all net position that does not meet the definition of any of the other two components.

Fund Equity

Fund balance is the assets and deferred outflows of resources less the liabilities and deferred inflows of resources reported in governmental funds. There are five possible components of fund balance:

- Nonspendable fund balance represents amounts that are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted fund balance represents amounts that can be spent only for specific purposes stipulated by external providers (e.g. creditors, grantors, contributor, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

- Committed fund balance represents amounts that can be used only for specific purposes pursuant to constraints imposed by the Town Commission by the adoption of an ordinance, the Town's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town Commission removes or changes the specified use by taking the same type of action employed to previously commit those amounts.
- Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes, as expressed by the Administrative Officer, that are neither considered restricted or committed. Any funds set aside as Assigned Fund Balance must be reported to the Town Commission at the next regular meeting. The Town Commission has the authority to remove or change the assignment of funds with a simple majority vote.
- Unassigned fund balance is the residual fund balance classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. The Town will first use committed fund balance, then assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include the collectability of accounts receivable, the use and recoverability of inventory, and the useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

Formal budgetary integration is employed as a management control device during the year for the General Fund. All budgets are legally enacted.

Budgets are prepared in accordance with generally accepted accounting principles. For budgeting purposes, current year encumbrances are not treated as expenditures. The Neighborhood Rehabilitation Special Revenue Fund and Undergrounding Debt Service Fund do not have an adopted budget.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to August 1, the Mayor submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.
4. Changes or amendments to the total budgeted expenditures of the Town must be approved by the Town Commission. Accordingly, the legal level of control is at the fund level.
5. Appropriations along with encumbrances lapse on September 30.

Budgeted amounts are as originally adopted, or as amended by appropriate action.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide.

The tax levy of the Town is established by the Town Commission prior to October 1 of each year, and the Palm Beach County Property Appraiser incorporates the Town's millages into the total tax levy, which includes Palm Beach County and Palm Beach County School Board tax requirements.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Property Taxes (Continued)

All property is reassessed according to its fair market value January 1 of each year, which is also the lien date. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all the appropriate requirements of state statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

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

Delinquent taxes on personal property bear interest of 18% per year until the tax is satisfied either by seizure and sale of the property or by the five year statute of limitations.

NOTE 3 - CASH AND INVESTMENTS

As of September 30, 2018, the carrying amounts of the Town's deposits were \$1,174,080 and the bank balances totaled \$1,232,807. All cash deposits are covered by the multiple financial institution collateral pool administered by the State of Florida. The collateral pool was created pursuant to the Florida Security for Deposits Act, Chapter 280, Florida Statutes. The collateral pool consists of assets pledged to the State Treasurer by financial institutions that comply with the requirements of Florida Statutes and have been thereby designated as "qualified public depositories".

Therefore, the Town's entire bank balance of \$1,232,807 is insured either by Federal Depository Insurance or is collateralized with securities pursuant to the Florida Security for Public Deposits Act.

The Town has adopted an investment policy in accordance Florida Statutes 218.415 (17). The policy authorizes investments in direct obligations of the U.S. Treasury, interest-bearing time deposits or savings accounts in qualified public depositories, the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Florida Statutes 163.01 and Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

In 2016, the Town implemented GASB *Statement No. 72, Fair Value Measurement and Application* issued in February 2015. The Town categorizes its investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs.

The State Board of Administration (SBA) administers the Florida PRIME investment pool, which is governed by Chapter 19-7 of the Florida Administrative Code and Chapters 218 and 215 of the Florida Statutes. These rules provide guidance and establish the policies and general operating procedures for the administration of the Florida PRIME. The investment in Florida PRIME is reported at amortized cost in accordance with GASB *Statement No. 79, Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB 79) and is exempt from reporting under the fair value hierarchy of GASB 72.

The investment in the Florida PRIME is not insured by FDIC or any other governmental agency. As of September 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

As of September 30, 2018, the Town of Jupiter Inlet Colony had \$9,490 invested in Florida PRIME.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Florida PRIME has a weighted average maturity of 72 days, resulting in minimal interest rate risk.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 3 - CASH AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk. At September 30, 2018, Florida PRIME was rated "AAA(m) by Standard and Poor's Rating Services.

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Town will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At September 30, 2018, the Town did not have any investments subject to custodial credit risk.

Concentrations of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single user. The Town places no limit on the amount they may invest in any one issuer.

NOTE 4 – SPECIAL ASSESSMENTS

The special assessments were calculated using a methodology that fairly and reasonably apportions the cost of the projects among the benefitted parcels in proportion to the benefits to such parcels. The calculation methodology used an equivalent benefit unit assigned for three categories: 1) improved safety 2) improved reliability and 3) improved aesthetics.

Undergrounding Special Assessment

On January 18, 2011, the Town adopted Resolution 2011-1, levying non-ad valorem special assessments on properties specially benefitted by a capital improvement project to place underground the overhead electric, cable television, and telephone utility facilities that serve a portion of the Town and its inhabitants. The special assessments were calculated using a methodology that fairly and reasonably apportions the cost of the project among the benefitted parcels in proportion to the benefits to such parcels.

Assessments shall be payable in 15 yearly installments. The amount assessed was \$2,496,860. See Note 6 for a discussion of the related financing for the project.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 4 – SPECIAL ASSESSMENTS (Continued)

Neighborhood Rehabilitation Project Special Assessment

On October 24, 2016, the Town adopted Resolution 2016-12, levying non-ad valorem special assessments on properties specially benefitted by a capital improvement project to construct a sanitary sewer system and drainage upgrades serving the Town and its inhabitants.

Assessments shall be prepaid in full or payable in 15 yearly installments, starting in the fiscal year ending September 30, 2018. The amount assessed was \$9,550,000. See Note 6 for a discussion of the related financing for the project.

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets not being depreciated				
Land	\$ 940,754	\$	\$	\$ 940,754
Construction in Progress	1,940,213	1,972,707	(3,912,920)	
Capital Assets being depreciated:				
Buildings and Improvements	444,669			444,669
Infrastructure	93,842	3,912,920		4,006,762
Equipment	223,559	1,174		224,733
Total at historical cost	<u>3,643,037</u>	<u>5,886,801</u>	<u>(3,912,920)</u>	<u>5,616,918</u>
Less accumulated depreciation for:				
Buildings and Improvements	40,552	17,799		58,351
Infrastructure	69,707	212,518		282,225
Equipment	127,021	26,848		153,869
Total accumulated depreciation	<u>237,280</u>	<u>257,165</u>		<u>494,445</u>
Total Capital Assets	<u>\$ 3,405,757</u>	<u>\$ 5,629,636</u>	<u>\$(3,912,920)</u>	<u>\$ 5,122,473</u>

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions and programs of the primary government as follows:

General government	\$ 21,329
Police department	23,318
Public works	125,951
Roads and walkways	<u>86,567</u>
	<u>\$ 257,165</u>

NOTE 6 – LONG-TERM LIABILITIES

2015 TD Bank Promissory Note

The Town Commission adopted Resolution No. 2015-05 authorizing the issuance of a note in the amount of \$800,000 with TD Bank to finance the purchase of the new Town Hall. Principal and interest payments are due bi-annually in the amount of \$43,701.61, with a final maturity date of February 1, 2025. The interest rate on the loan is 2.64% and is subject to adjustment in the event of taxability of the interest on this note. In the event of prepayment on the note, the Town may be required to pay a prepayment charge. Pledged revenues for the note are “Available Non Ad Valorem Revenues” less the amount “Essential Service Expenditures” exceeded ad valorem revenues, as defined by loan agreement. For the fiscal year ended September 30, 2018, pledged revenues were \$578,197. Principal and interest paid for the year was \$187,402 and principal and interest to maturity is \$491,743. The Town made an extra payment of \$100,000 to principal in 2018.

2016 TD Bank Promissory Note for Undergrounding

The Town Commission adopted Resolution No. 2016-20 authorizing the issuance of a note in the amount of \$2,191,750 to refund the SunTrust Undergrounding Note. The Town has levied a non-ad valorem special assessment against the properties specifically benefited by the project in accordance with Resolution No. 2011-1, and these revenues are pledged for the payment of debt service on the note. The note also requires the Town to budget sufficient non-ad valorem revenues to pay the principal and interest on the note if the pledged revenue is not adequate. Principal and interest payments are due annually in the amount of \$225,312, with a final maturity date of April 1, 2027. The interest rate on the loan is 2.37% and is subject to adjustment in the event of taxability of the interest on this note. For the fiscal year ended September 30, 2018, pledged revenues were \$223,700. Principal and interest paid for the year was \$225,312 and principal and interest to maturity is \$2,027,812.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 6 – LONG-TERM LIABILITIES (Continued)

2017 TD Bank Promissory Notes for Neighborhood Rehabilitation Project

The Town Commission adopted Resolution No. 2016-13, subsequently amended by Resolution 2016-19, authorizing the issuance of two notes in the amount of \$4,763,333 and \$3,000,000 to fund the Neighborhood Rehabilitation Project. The Project includes construction of a gravity sewer system, rehabilitation of and improvements to the existing storm water system, road restoration, and reconfiguration of the entry road. The Town has levied a non-ad valorem special assessment against the properties specifically benefited by the project in accordance with Resolution No. 2016-12, and these revenues are pledged for the payment of debt service on the notes. The notes also require the Town to budget sufficient non-ad valorem revenues to pay the principal and interest on the notes if the pledged revenue is not adequate.

For the \$4,763,333 note, interest payments are payable on June 1 and December 1 and principal payments principal are due on December 1. Total annual payments are \$402,417, with a final maturity date of December 1, 2032. The interest rate on the loan is 2.94% and is subject to adjustment in the event of taxability of the interest on this note.

For the \$3,000,000 note, interest payments are payable on June 1 and December 1 and principal payments principal are due on December 1. Total annual payments are \$257,336, with a final maturity date of December 1, 2032. The interest rate on the loan is 3.19% and is subject to adjustment in the event of taxability of the interest on this note.

For the fiscal year ended September 30, 2018, pledged revenues were \$800,554. Principal and interest paid for the year was \$627,305 and principal and interest to maturity is \$9,236,555.

Long-term liability activity for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 10,371,667	\$	\$ (678,374)	\$ 9,693,293	\$ 691,863
Compensated absences payable	<u>20,150</u>	<u>21,317</u>	<u>(21,757)</u>	<u>19,710</u>	<u>14,783</u>
Total	<u>\$ 10,391,817</u>	<u>\$ 21,317</u>	<u>\$ (700,131)</u>	<u>\$ 9,713,003</u>	<u>\$ 706,646</u>

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Annual debt service requirements to maturity for the Notes Payable are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 691,863	\$ 280,605	\$ 972,468
2020	711,320	261,147	972,467
2021	731,547	240,920	972,467
2022	752,244	220,222	972,466
2023	774,823	197,645	972,468
2024 to 2028	3,581,308	673,451	4,254,759
2029 to 2032	2,450,188	188,827	2,639,015
	<u>\$ 9,693,293</u>	<u>\$ 2,062,817</u>	<u>\$ 11,756,110</u>

NOTE 7 - DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN

On October 7, 1996, the Town authorized the establishment of a 403(b) plan (the "Plan"); in April 2006, the plan was converted to a 401(a) plan. All full-time employees who have completed one year of uninterrupted service from the date of hire are eligible to participate in the Plan. This defined contribution pension plan is administered by Florida Municipal Pension Trust Fund, which is a third party administrator. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. In prior years, the Town contributed an amount equal to 12.5% of the employee's yearly salary, paid quarterly, and, in October 2005, the Town increased its contribution percentage to 15% of the employee's yearly salary, paid quarterly. However, in October 2011, the Town reduced its contribution percentage to 12% of the employee's yearly salary, paid quarterly. The Town's contribution for each employee and investment earnings allocated to the employee's account vest immediately. Employees are eligible for normal retirement upon attainment of the age of 59-1/2.

The Town's total payroll for the fiscal year ended September 30, 2018, was \$581,267, with covered payroll of \$422,604. The Town's pension expense for the year was \$50,713, equaling 12% of covered payroll. There were no forfeitures during the year or payables at year end.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 8 – INTERLOCAL AGREEMENTS

Interlocal Agreements with the Village of Tequesta

On August 19, 2003, the Town entered into an agreement with the Village of Tequesta whereby the Village of Tequesta will provide the Town with emergency fire and medical services. The term of the agreement was for 10 years beginning on October 1, 1993 and extending through September 30, 2003. The agreement was amended on July 30, 2002, which extended the term for an additional ten years until September 30, 2015. The agreement was amended again on August 14, 2013, for 20 years on October 1, 2013, and extending through September 30, 2033. The current fiscal year annual service fee the Town paid under the agreement was \$400,000. For the first five years of the revised agreement the annual fee shall be \$400,000 per year. For years six through ten the annual fee shall be an amount equal to the previous years annual fee increased by 4%. For years eleven through twenty the annual fee shall be an amount equal to the previous years annual fee increased by 6%.

Interlocal Agreement for Public Safety Dispatch Services

On September 13, 2012, the Town entered into an agreement with the City of Palm Beach Gardens whereby the City of Palm Beach Gardens will provide the Town public safety dispatch services. The term of the agreement was for four years beginning on October 1, 2012 and extending through September 30, 2016. The agreement was renewed for an additional five-year term through September 30, 2021. The fee for each year under the contract will be based upon the budget of the North County Dispatch (NCDC) center prorated to each contracting municipality based on that municipalities cost share. If at the end any contract year a budget shortfall exists, each contracting municipality shall pay its share of the shortfall. Conversely, if at the end of any contract year a budget surplus exists, such surplus shall represent a committed fund balance to be utilized specifically for NCDC budgetary purposes. The current fiscal year annual service fee the Town paid under the agreement was \$35,692.

NOTE 9 – INTERFUND TRANSFERS

The transfer in the amount of \$7,124 from the General Fund to the Undergrounding Debt Service Fund was to pay for the Town's current year's assessment relating to the underground utility project. The transfer in the amount of \$3,589 from the General Fund to the Neighborhood Rehabilitation Special Revenue Fund was to pay for the Town's current year's assessment relating to the project.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2018

NOTE 10 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance.

The Town is covered by Florida Statutes under the Doctrine of Sovereign Immunity which effectively limits the amount of liability of municipalities to individual claims of \$200,000/\$300,000 for all claims relating to the same incident. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in federal courts.

There have been no significant reductions in insurance coverage in the prior year. No settlements exceeded insurance coverage for the past three years.

NOTE 11 – LITIGATION, CLAIMS, AND ASSESSMENT

At September 30, 2018, the Town was involved in various legal proceedings, as a defendant. All ongoing proceedings seek monetary damages as well as declaratory injunctive relief. The Town believes that losses, if any, resulting from the ultimate resolution of these proceeding will have no material adverse effect on the Town's financial position or changes in net position as the range of loss is within the Town's limits of liability insurance coverage.

NOTE 12 – NEW ACCOUNTING PRONOUNCEMENT

Below is a brief description and effective date of new accounting standards that could have a significant impact on the Town's financial statements. Management is currently evaluating the impact of the adoption of these statements on the Town's financial statements.

In May 2017 the GASB issued Statement No. 87, Leases. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement is effective for the fiscal year ending September 30, 2019.

TOWN OF JUPITER INLET COLONY, FLORIDA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 1,546,162	\$ 1,546,162	\$ 1,543,081	\$ (3,081)
Special assessments	234,904			
Franchise fees	34,200	34,200	37,184	2,984
Licenses & permits	244,980	396,930	379,562	(17,368)
Fines & forfeitures	1,100	8,850	1,778	(7,072)
Interest	1,600	5,600	5,526	(74)
Contributions		13,842	14,661	819
Sale of surplus property				
Intergovernmental	111,615	118,415	117,062	(1,353)
Total revenues	2,174,561	2,123,999	2,098,854	(25,145)
Expenditures				
General government	426,941	452,141	427,051	25,090
Building department	50,482	193,482	200,651	(7,169)
Public safety	1,066,717	1,092,717	1,086,868	5,849
Public works	106,000	106,000	104,402	1,598
Roads and walkways	94,700	124,700	126,698	(1,998)
Capital outlay	9,000	9,000	37,646	(28,646)
Debt service	412,713	187,401	187,402	(1)
Total expenditures	2,166,553	2,165,441	2,170,718	(5,277)
Excess of revenues over (under) expenditures	8,008	(41,442)	(71,864)	(30,422)
Other financing sources (uses)				
Transfers out	(8,008)	(8,008)	(10,713)	(2,705)
Appropriated fund balance		49,450		(49,450)
Total other financing sources (uses)	(8,008)	41,442	(10,713)	(52,155)
Net change in fund balance	\$	\$	(82,577)	\$ (82,577)
Beginning fund balance			722,256	
Ending fund balance			\$ 639,679	

Note 1 - Basis of Accounting

Generally accepted accounting principles (GAAP) serve as the budgetary basis of accounting.

Note 2 - Stewardship, Compliance, and Accountability

The General Fund expenditures were \$5,277 over budget for the fiscal year.



NOWLEN, HOLT & MINER, P.A.

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

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To the Honorable Mayor and Members of the Town Commission
Town of Jupiter Inlet Colony, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Jupiter Inlet Colony, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Jupiter Inlet Colony, Florida’s basic financial statements and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

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

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

corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described below that we consider to be a material weakness.

Finding: 2016-1 Policies and Procedures Manual

Condition: We noted that the Town’s Policies and Procedures Manual has not been updated to reflect changes in the Town’s personnel and fund structure. We also noted areas such as monthly and year end closings where the current procedures need to be improved and that the policies are not being consistently followed.

Criteria: A Policies and Procedures Manual needs to be periodically updated to reflect changes in the Town’s structure and current best practices.

Effect: The procedures are not being consistently followed and do not adequately address the current environment.

Recommendation: We recommend that management review the existing Policies and Procedures Manual and make changes where appropriate.

Management Response: The Town has hired a consultant to assist in the process of reviewing and updating the Policies and Procedures Manual.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Jupiter Inlet Colony, Florida’s financial statements are free of 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*.

Town of Jupiter Inlet Colony, Florida's Response to Findings

The Town of Jupiter Inlet Colony, Florida's response to the finding identified in our audit is described above. The Town of Jupiter Inlet Colony, Florida'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.

West Palm Beach, Florida
June 28, 2019

Nowlen, Holt & Mimes, P.A.



NOWLEN, HOLT & MINER, P.A.

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

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The Honorable Mayor and Members of the Town Commission
Town of Jupiter Inlet Colony, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Jupiter Inlet Colony, Florida, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 28, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 28, 2019, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Finding 2016-1 continues to apply from the preceding two years.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Jupiter Inlet Colony, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Jupiter Inlet Colony, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2018.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Jupiter Inlet Colony, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Town of Jupiter Inlet Colony, Florida.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we have the following findings.

Finding 2018-1 Debt Compliance

Criteria: The Town's 2016 Promissory Note for Undergrounding with TD Bank requires that the special assessments collected shall be equal to or greater than the principal and interest payable on the note.

Condition: The special assessments collected were \$1,542 less than the principal and interest payable.

Cause: Discounts taken for early payment caused the special assessments collected to be less than the principal and interest payable.

Effect: Noncompliance with the debt agreement.

Recommendation: We recommend that management develop checklists of significant compliance requirements of the Town's debt agreements, monitor the compliance requirements, and take appropriate action when it appears likely there will be noncompliance.

Management Response: The Town will review all debt agreements to develop appropriate checklists to monitor all compliance requirements to avoid any noncompliance issues in the future.

Finding 2018-2 Expenditures in Excess of Appropriations

Condition: As indicated in Note 2 to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, the General Fund had \$5,277 of expenditures in excess of appropriations.

Criteria: Florida Statutes prohibit expenditures in excess of appropriations.

Cause: Infrastructure Surtax funds were used to fund a portion of the Neighborhood Rehabilitation Project without a corresponding budget adjustment.

Effect: Noncompliance with budgetary requirements.

Recommendation: We recommend that management review monthly budget to actual comparisons and propose budget amendments as necessary

Management Response: The Town will continue to monitor monthly and annual budget to actual comparisons and prepare appropriate budget amendments when necessary.

Single Audits

The Town expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2018 and was not required to have a federal single audit or a state single audit.

Town of Jupiter Inlet Colony, Florida's Response to Findings

The Town of Jupiter Inlet Colony, Florida's response to the findings identified in our audit are described above. The Town of Jupiter Inlet Colony, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, management, Town Commission, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimer, P.A.

June 28, 2019
West Palm Beach, Florida



NOWLEN, HOLT & MINER, P.A.

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**INDEPENDENT ACCOUNTANT’S REPORT
ON COMPLIANCE WITH SECTION 218.415,
FLORIDA STATUTES**

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The Honorable Mayor and Members of the Town Commission
Town of Jupiter Inlet Colony, Florida

We have examined the Town of Jupiter Inlet Colony, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2018. Management is responsible for the Town of Jupiter Inlet Colony, Florida’s compliance with those requirements. Our responsibility is to express an opinion on the Town of Jupiter Inlet Colony, Florida’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 of Jupiter Inlet Colony, Florida’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town of Jupiter Inlet Colony, Florida’s compliance with specified requirements.

In our opinion, the Town of Jupiter Inlet Colony, Florida 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 Legislative Auditing Committee, members of the Florida Senate and Florida House of Representative, the Florida Auditor General, applicable management, and the Town Commission, and is not intended to be and should not be used by anyone other than these specified parties.

West Palm Beach, Florida
June 28, 2019

Nowlen, Holt & Miner, P.A.