

**TOWN OF MAYO, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
**September 30, 2018**

**TOWN OF MAYO, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
**September 30, 2018**  
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## **INTRODUCTORY SECTION**

**TOWN OF MAYO, FLORIDA**  
**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2018**

**MAYOR**

**Ann Murphy**

**TOWN COUNCIL**

**Wayne Hamlin**

**Jessica Lawson**

**Virginia McCray**

**Mamie Thomas**

**TOWN CLERK**

**Linda Cone**

**OPERATIONS MANAGER**

**Sampson Edwards**

**ATTORNEY**

**Angela Ball**

**FINANCIAL SECTION**



Richard C. Powell, Jr., CPA  
Marian Jones Powell, CPA

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Lake City, Florida 32025  
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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members  
of the Town Council  
Town of Mayo, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Mayo, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

### *Opinion*

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, and each major fund of the Town of Mayo, Florida, as of September 30, 2018, and the respective changes in financial position and where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension schedules 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.

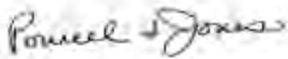
### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Mayo, Florida's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 schedule of expenditures of federal awards is 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 June 6, 2019, on our consideration of the Town of Mayo, Florida'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 of Mayo, Florida's internal control over financial reporting and compliance.



**POWELL & JONES**  
Certified Public Accountants  
June 6, 2019



**TOWN OF MAYO, FLORIDA**  
**Management's Discussion and Analysis**

This discussion and analysis is intended to be an easily readable analysis of the Town of Mayo (Town) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

**Report Layout**

The Town has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as law enforcement and fire control, public works, parks and recreation, community development and general governmental administration. The Town's water, sewer, and solid waste management services are reported as business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

*Basic Financial Statements*

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the Town owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long been reporting capital assets and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the Town's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The Town has two major governmental funds which are presented in separate columns. Statements for the Town's proprietary fund follows the governmental funds and include net position, revenue, expenses and changes in net position, and cash flows.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

**Town as a Whole**

*Government-wide Financial Statements*

A condensed version of the Statement of Net Position at September 30, 2018 and 2017, follows:

**Net Position at September 30, 2018 and 2017**

	Governmental	Business-type	Total Government	
	Activities	Activities	2018	2017
<b>Assets</b>				
Cash and investments	\$ 104,985	\$ 178,647	\$ 283,632	\$ 247,853
Other assets	296,671	32,656	329,327	58,838
Capital assets	304,374	800,270	1,104,644	1,190,133
Total assets	<u>706,030</u>	<u>1,011,573</u>	<u>1,717,603</u>	<u>1,496,824</u>
Deferred outflows of resources	<u>198,312</u>	<u>59,234</u>	<u>257,546</u>	<u>272,380</u>
<b>Liabilities</b>				
Current liabilities	320,701	81,370	402,071	131,741
Long-term liabilities	<u>371,283</u>	<u>117,348</u>	<u>488,631</u>	<u>483,583</u>
Total liabilities	<u>691,984</u>	<u>198,718</u>	<u>890,702</u>	<u>615,324</u>
Deferred inflows of resources	<u>40,309</u>	<u>12,040</u>	<u>52,349</u>	<u>29,298</u>
<b>Net Position</b>				
Net investment in capital assets	65,005	800,270	865,275	895,179
Unrestricted	<u>107,044</u>	<u>59,779</u>	<u>166,823</u>	<u>230,158</u>
Total net position	<u>\$ 172,049</u>	<u>\$ 860,049</u>	<u>\$ 1,032,098</u>	<u>\$ 1,125,337</u>

84% of the Town's net position reflect its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedule provides a summary of the changes in net position. The decrease in Business-type net position is due primarily to the inability of these operations to fully fund depreciation. The decrease during the year through Governmental Activities net position is due primarily to the inability of these activities to fund depreciation as well as large increases in the actuarially determined pension expense.

A condensed version of the Statement of Activities follows:

**Change in Net Position**  
For the Fiscal Years ended September 30, 2018 and 2017

	Governmental Activities	Business-type Activities	Total Government	
			2018	2017
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 1,000	\$ 449,808	\$ 450,808	\$ 428,490
Grants and contributions	644,786	-	644,786	
General revenues				247,601
Taxes	253,561	-	253,561	52,629
Franchise fees	60,546	-	60,546	4,150
Licenses	5,550	-	5,550	93,373
State shared revenues	95,921	-	95,921	1,054
Fines and forfeitures	1,542	-	1,542	7,572
Interest and other	32,114	1,038	33,152	834,869
Total revenues	<u>1,095,020</u>	<u>450,846</u>	<u>1,545,866</u>	<u>834,869</u>
<b>Expenses</b>				
General government	309,493	-	309,493	334,627
Public safety	39,836	-	39,836	47,748
Transportation	129,701	-	129,701	81,881
Economic environment	644,786	-	644,786	-
Health and human services	8,149	-	8,149	8,412
Culture/recreation	29,827	-	29,827	27,687
Water, sewer and garbage services	-	477,313	477,313	482,868
Total expenses	<u>1,161,792</u>	<u>477,313</u>	<u>1,639,105</u>	<u>983,223</u>
Change in net position	(66,772)	(26,467)	(93,239)	(148,354)
Beginning net position	238,821	886,516	1,125,337	1,273,691
Ending net position	<u>\$ 172,049</u>	<u>\$ 860,049</u>	<u>\$ 1,032,098</u>	<u>\$ 1,125,337</u>

**Governmental activities:**

Taxes provide 23% of the revenues for Governmental Activities, while state shared revenues provide 9%, and franchise fees provide 6%. Most of the Governmental Activities resources are spent for General Government 27%, Transportation 11%, and Public Safety 3%.

**Business-type activities:**

Business-type activities decreased the Town's net position by \$26,467. Key elements of this decrease are as follows:

- Operating expenses exceeded operating revenues by \$25,289.
- Operating revenues increased by \$21,113 from the prior year.
- Operating expenses decreased by \$4,917 from the prior year.

## Budgetary Highlights

At the end of the year, there were a multiple departments with budget shortfalls due to unexpected events. In total, the General Fund's budget was over by \$7,908. Key elements of this shortfall are as follows:

### Capital Assets and Debt Administration

#### Capital Assets

At September 30, 2018, the Town had \$1.1 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, roads, bridges and water and sewer facilities.

#### Capital Assets at September 30, 2018 and 2017

	Governmental Activities	Business-type Activities	Total Government	
			2018	2017
Land	\$ 76,812	\$ 117,764	\$ 194,576	\$ 194,576
Buildings and improvements	469,741	2,962,504	3,432,245	3,432,245
Equipment	176,412	163,120	339,532	322,318
Subtotal	722,965	3,243,388	3,966,353	3,949,139
Accumulated depreciation	(418,591)	(2,443,118)	(2,861,709)	(2,759,006)
Capital assets, net	\$ 304,374	\$ 800,270	\$ 1,104,644	\$ 1,190,133

#### Debt Outstanding

At year-end, the Town had \$553,663 in debt outstanding versus \$548,430 last year, a decrease of \$5,233.

#### Debt Outstanding at September 30, 2018 and 2017

	Governmental Activities	Business-type Activities	Total Government	
			2018	2017
Revenue bonds	\$ -	\$ -	\$ -	\$ 29,000
Compensated absences	4,451	12,073	16,524	13,362
Net pension liability	409,569	122,337	531,906	511,301
Total	\$ 414,020	\$ 134,410	\$ 548,430	\$ 553,663

More detailed information on the Town long-term liabilities is presented in the notes to the financial statements.

## **OTHER FINANCIAL INFORMATION**

### **Economic Factors and Rates**

- The current unemployment rate for the Town was 3.6%, which is the approximate same rate as for Lafayette County.
- The population of the Town in 2018 is estimated to be 1,237 by the United States Census Bureau.
- The Town's ad valorem tax rate for 2018 was 6.000 mills which is the same as the prior year.

### **Financial Contact**

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 questions about the report or need additional financial information, please contact the Town Clerk at P.O. Box 56, Mayo, Florida 32066.

## **Basic Financial Statements**

**TOWN OF MAYO, FLORIDA**  
**STATEMENT OF NET POSITION**  
**September 30, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 104,985	\$ 127,548	\$ 232,533
Accounts receivable, net	8,440	41,357	49,797
Due from other governmental units	279,530	-	279,530
Internal balances	8,701	(8,701)	-
Total current assets	<u>401,656</u>	<u>160,204</u>	<u>561,860</u>
Noncurrent assets			
Restricted assets			
Cash and cash equivalents			
Customer deposits	-	21,447	21,447
Sewer reserves	-	29,652	29,652
Total restricted assets	<u>-</u>	<u>51,099</u>	<u>51,099</u>
Capital assets - net	<u>304,374</u>	<u>800,270</u>	<u>1,104,644</u>
Total assets	<u>706,030</u>	<u>1,011,573</u>	<u>1,717,603</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension related	<u>198,312</u>	<u>59,234</u>	<u>257,546</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current liabilities (payable from current assets)			
Accounts payable	269,273	13,262	282,535
Accrued liabilities	8,691	12,400	21,091
Compensated absences	1,780	4,829	6,609
Net pension liability	40,957	12,234	53,191
Total current liabilities (payable from current assets)	<u>320,701</u>	<u>42,725</u>	<u>363,426</u>
Current liabilities (payable from restricted assets)			
Deposits	<u>-</u>	<u>38,645</u>	<u>38,645</u>
Noncurrent liabilities			
Compensated absences	2,671	7,244	9,915
Serial bonds payable	-	-	-
Net pension liability	368,612	110,104	478,716
Total noncurrent liabilities	<u>371,283</u>	<u>117,348</u>	<u>488,631</u>
Total liabilities	<u>691,984</u>	<u>198,718</u>	<u>890,702</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	<u>40,309</u>	<u>12,040</u>	<u>52,349</u>
<b>NET POSITION</b>			
Net investment in capital assets	304,374	800,270	1,104,644
Unrestricted	(132,325)	59,779	(72,546)
Total net position	<u>\$ 172,049</u>	<u>\$ 860,049</u>	<u>\$ 1,032,098</u>

**TOWN OF MAYO, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended September 30, 2018**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business - type Activities	Total
<b>Governmental activities</b>						
General government	\$ 309,493	\$ 1,000	\$ -	\$ (308,493)	\$ -	\$ (308,493)
Public safety	39,836	-	-	(39,836)	-	(39,836)
Transportation	129,701	-	-	(129,701)	-	(129,701)
Economic environment	644,786	-	644,786	-	-	-
Health and human services	8,149	-	-	(8,149)	-	(8,149)
Culture/recreation	29,827	-	-	(29,827)	-	(29,827)
<b>Total governmental activities</b>	<b>1,161,792</b>	<b>1,000</b>	<b>644,786</b>	<b>(516,006)</b>	<b>-</b>	<b>(516,006)</b>
<b>Business-type activities</b>						
Water utility services	138,143	160,560	-	-	22,417	22,417
Sewer utility services	193,708	127,771	-	-	(65,937)	(65,937)
Solid waste services	144,000	161,477	-	-	17,477	17,477
Debt service -interest expense	1,462	-	-	-	(1,462)	(1,462)
<b>Total business-type activities</b>	<b>477,313</b>	<b>449,808</b>	<b>-</b>	<b>-</b>	<b>(27,505)</b>	<b>(27,505)</b>
<b>Total government</b>	<b>\$ 1,639,105</b>	<b>\$ 450,809</b>	<b>\$ 644,786</b>	<b>(516,006)</b>	<b>(27,505)</b>	<b>(543,511)</b>
<b>General revenues</b>						
Property taxes				140,364	-	140,364
Sale and use taxes				68,594	-	68,594
Franchise fees				60,546	-	60,546
Utility services taxes				32,789	-	32,789
Communications service taxes				11,814	-	11,814
Licenses and permits				5,550	-	5,550
State shared revenues				95,921	-	95,921
Fines and forfeitures				1,542	-	1,542
Interest				71	284	355
Miscellaneous				32,043	754	32,797
<b>Total general revenues</b>				<b>449,234</b>	<b>1,038</b>	<b>450,272</b>
<b>Internal activities</b>				<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net position</b>				<b>(66,772)</b>	<b>(26,467)</b>	<b>(93,239)</b>
Net position beginning				238,821	886,516	1,125,337
Net position ending				\$ 172,049	\$ 860,049	\$ 1,032,098



**TOWN OF MAYO, FLORIDA  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
September 30, 2018**

	General Fund	CDBG Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash	\$ 104,985	\$ -	\$ 104,985
Accounts receivable	8,440	-	8,440
Due from other governmental units	11,924	267,606	279,530
Due from other funds	8,701	-	8,701
<b>Total assets</b>	<b>\$ 134,050</b>	<b>\$ 267,606</b>	<b>\$ 401,656</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 1,667	\$ 267,606	\$ 269,273
Accrued liabilities	8,691	-	8,691
<b>Total liabilities</b>	<b>10,358</b>	<b>267,606</b>	<b>277,964</b>
<b>FUND BALANCE</b>			
Assigned - equipment replacement	65,005	-	65,005
Unassigned	58,687	-	58,687
<b>Total fund balances</b>	<b>123,692</b>	<b>-</b>	<b>123,692</b>
<b>Total liabilities and fund balances</b>	<b>\$ 134,050</b>	<b>\$ 267,606</b>	<b>\$ 401,656</b>

Fund balance - governmental funds \$ 123,692

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	304,374
Deferred outflows/inflows are not available resources, and therefore, are not reported in the funds	158,003
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds	(414,020)
<b>Net position of governmental activities</b>	<b>\$ 172,049</b>

**TOWN OF MAYO, FLORIDA**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended September 30, 2018**

	General Fund	CDBG Fund	Total
<b>REVENUES</b>			
Taxes	\$ 314,107	\$ -	\$ 314,107
Licenses and permits	5,550	-	5,550
Intergovernmental	95,921	644,786	740,707
Charges for services	1,000	-	1,000
Fines and forfeitures	1,542	-	1,542
Miscellaneous	32,114	-	32,114
<b>Total revenues</b>	<b>450,234</b>	<b>644,786</b>	<b>1,095,020</b>
<b>EXPENDITURES</b>			
<b>Current expenditures</b>			
General government	264,319	-	264,319
Public safety	39,563	-	39,563
Transportation	123,467	-	123,467
Economic environment	-	644,786	644,786
Health	5,595	-	5,595
Culture/recreation	5,063	-	5,063
<b>Capital outlay</b>			
General government	1,794	-	1,794
Transportation	2,150	-	2,150
<b>Total expenditures</b>	<b>441,951</b>	<b>644,786</b>	<b>1,086,737</b>
<b>Excess of revenues over expenditures</b>	<b>8,283</b>	<b>-</b>	<b>8,283</b>
<b>Net change in fund balances</b>	<b>8,283</b>	<b>-</b>	<b>8,283</b>
Fund balances at beginning of year	115,409	-	115,409
Fund balances at end of year	<b>\$ 123,692</b>	<b>\$ -</b>	<b>\$ 123,692</b>

**TOWN OF MAYO, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2018**

Net change in fund balances - total governmental funds \$ 8,283

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

Governmental funds report capital outlay as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	3,944	
Less current year depreciation	(30,529)	(26,585)

Some expenditures reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds. Also, recognition of certain obligations related to prior and subsequent periods are not recognized in governmental funds but are recognized in the statement of activities.

Compensated absences	(1,814)	
Net pension liability	(19,399)	
Deferred outflows	(8,823)	
Deferred inflows	(18,434)	(48,470)

Change in net position of governmental activities \$ (66,772)

**TOWN OF MAYO, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF NET POSITION  
 September 30, 2018**

	Enterprise Fund
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 127,548
Accounts receivable-net	41,357
Total current assets	168,905
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	
Customer deposits	21,447
Sewer reserve	29,652
Total restricted assets	51,099
Fixed assets	
Land	117,764
Buildings	2,817,947
Improvements other than buildings	144,557
Equipment	163,120
Allowance for depreciation	(2,443,118)
Total fixed assets	800,270
Total assets	1,020,274
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related	59,234
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	13,262
Accrued liabilities	12,400
Due to other funds	8,701
Compensated absences	4,829
Net pension liability	12,234
Total current liabilities	51,426
Current liabilities - payable from restricted assets	
Deposits	38,645
Long-term liabilities	
Compensated absences	7,244
Net pension liability	110,104
Total noncurrent liabilities	117,348
Total liabilities	207,419
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related	12,040
<b>NET POSITION</b>	
Net investment in capital assets	800,270
Unrestricted	59,779
Total net position	\$ 860,049

**TOWN OF MAYO, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 For the Fiscal Year Ended September 30, 2018**

OPERATING REVENUES	<u>Enterprise Fund</u>
Charges for services	
Water utility revenue	\$ 160,560
Sewer utility revenue	127,771
Solid waste service revenue	161,477
Miscellaneous	754
Total operating revenues	<u>450,562</u>
<b>OPERATING EXPENSES</b>	
Water utility services	
Personnel services	52,825
Operating expenses	62,334
Depreciation expense	22,984
Total water utility services	<u>138,143</u>
Sewer utility services	
Personnel services	71,936
Operating expenses	72,581
Depreciation expense	49,191
Total sewer utility services	<u>193,708</u>
Solid waste services	
Contracted services	144,000
Total solid waste services	<u>144,000</u>
Total operating expenses	<u>475,851</u>
Operating loss	<u>(25,289)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest revenue	284
Interest expense	(1,462)
Total nonoperating revenues (expenses)	<u>(1,178)</u>
Change in net position	(26,467)
Net position, beginning of year	886,516
Net position, end of year	<u>\$ 860,049</u>

**TOWN OF MAYO, FLORIDA  
 PROPRIETARY FUND  
 STATEMENT OF CASH FLOWS  
 For the Fiscal Year Ended September 30, 2018**

	Enterprise Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from customers	\$ 452,365
Cash payments for goods and services	(269,476)
Cash payments to employees for services	(102,414)
Net cash provided by operating activities	80,475
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Purchase of fixed assets	(13,271)
Principal payments	(29,000)
Interest payments	(1,462)
Net cash used for financing activities	(43,733)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest received on investments	284
Net increase in cash	37,026
Cash, beginning of year	141,621
Cash, end of year	\$ 178,647
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH    PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating loss	\$ (25,289)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	72,175
Increase in accounts receivable	(2,262)
Increase in accounts payable	9,439
Increase in accrued liabilities	5,899
Increase in compensated absences	1,348
Increase in customer deposits	4,065
Increase in amounts due to other funds	3,265
Increase in deferred inflows and outflows	10,628
Increase in net pension liability	1,207
Total adjustments	105,764
Net cash provided by operating activities	\$ 80,475

# TOWN OF MAYO, FLORIDA

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Mayo (the Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As provided by GASB 34, the Town has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than ten million dollars. The Town has implemented all other applicable provisions of this Statement.

**A. Reporting Entity** - The Town of Mayo, Florida is a municipality created pursuant to provisions of Chapter 165, *Florida Statutes*, and specifically Chapter 23399, Number 4, *Laws of Florida*. It is governed by a five member Town Council, all individually elected, who select from among themselves one member to serve as Mayor. It is controlled by the Florida Constitution and various *Florida Statutes*, as well as its own local charter, ordinances and policies.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that no potential component units existed which should be included within the reporting entity.

**B. Measurement Focus and Basis of Accounting** - The basic financial statements of the Town are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

## **1. Government-wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, special assessments, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the Town also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

## **2. Fund Financial Statements**

The underlying accounting system of the Town is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements for the Town's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually, and any nonmajor funds in the aggregate for governmental and enterprise funds.

**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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are



recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Any non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**Proprietary Funds** - The Town's Enterprise Fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The Town applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

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

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

**C. Basis of Accounting** - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has two major funds as follows:

**1. Governmental Major Fund:**

**General Fund** - The 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.

**2. Proprietary Major Fund:**

**Enterprise Fund** - The Enterprise Fund accounts for the revenues, expenses, assets, and liabilities associated with the Town operated water, sewer, and solid waste disposal services.

**3. Non-current Governmental Assets/Liabilities:**

GASB Statement 34 requires non-current governmental assets, such as land and building, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net position.

**D. Assets, Liabilities and Net Position or Equity**

**1. Cash and Investments** - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.

**2. Cash Equivalents** - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2018, the Town's cash consisted solely of checking accounts and money market accounts; it has no cash equivalents.

**3. Allowance for Doubtful Accounts** - As applicable year-to-year, the Town provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2018, there were no amounts exceeding 180 days, therefore no allowance for doubtful accounts was reported. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectible as reported at September 30, 2018.

**4. Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for doubtful accounts. Any receivables in excess of 180 days would comprise the trade accounts receivable allowance for doubtful accounts.

**5. Inventories** - The costs of governmental and enterprise fund inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any inventory type goods on hand at year end would not be material.

**6. Restricted Assets** - Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond reserve" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account, and to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The cash proceeds of enterprise fund customer deposits are also shown as restricted assets.

**7. Fund Equity** - As applicable in fiscal periods, reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. At September 30, 2018, the Town had no such restricted fund balances.

**A. Governmental Funds**

As of September 30, 2018, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Town Council. The Town Council is the highest level of decision making authority for the Town Council.

Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Town Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only the Town Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2018, fund balances are composed of the following:

	General Fund	CDBG Fund
Assigned - equipment replacement	\$ 65,005	\$ -
Unassigned	58,687	-
	\$ 123,692	\$ -

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town Council has provided otherwise in its commitment or assignment actions.

**B. Proprietary Funds**

Restrictions of equity show amounts that are not appropriated for expenditures or are legally restricted for specific uses.

As of September 30, 2018, net position balances are composed of the following:

	Proprietary Fund
Net investment in capital assets	\$ 800,270
Unrestricted	59,779
	\$ 860,049

- 8. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.
- 9. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads

and bridges constructed prior to October 1, 1981 are not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town, as well as of component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building and improvements	20 - 50
Machinery and equipment	3 - 10
Streets and related infrastructure	20 - 40

10. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the Town did not have any capitalized interest.
11. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as deferred revenues.
12. **Accrued Compensated Absences** - The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
13. **Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town only has two items that qualify for reporting in this category. The first is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Town's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year. The second is the deferred charge of bond issue costs. Bond issue costs include the professional fees and registration fees associated with the issuance of bonds. These amounts will be amortized over the life of the bonds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position 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 only one type of item, which is related to pensions. Deferred inflows on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Town's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position.**

Total fund balances of the Town's governmental funds \$123,692 differs from "net position" of governmental activities \$172,049 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 722,965
Accumulated depreciation	(418,591)
	<u>\$ 304,374</u>

Long-term debt transactions

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2018, were:

Compensated absences	\$ (4,451)
Net pension liability	(409,569)
	<u>\$ (414,020)</u>

Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position in a future period while deferred inflows of resources represent an acquisition of net position in a future period and accordingly, are not reported in the governmental fund statements. However, the statement of net position included those deferred outflows/inflows of resources.

Deferred outflows	\$ 198,312
Deferred inflows	(40,309)
	<u>\$ 158,003</u>

**TOWN OF MAYO, FLORIDA**

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Deferred Outflows/ Inflows	Statement of Net Assets
<b>ASSETS</b>					
Cash and cash equivalents	\$ 104,985	\$ -	\$ -		\$ 104,985
Accounts receivable	276,046	-	-		276,046
Prepaid expenses	-	-	-	-	-
Due from other governmental units	11,924	-	-		11,924
Due from other funds	8,701	-	-		8,701
Capital assets - net	-	304,374	-		304,374
<b>Total assets</b>	<b>\$ 401,656</b>	<b>\$ 304,374</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 706,030</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related	-	-	-	198,312	198,312
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Current liabilities:</b>					
Accounts payable	\$ 269,273	\$ -	\$ -		\$ 269,273
Accrued liabilities	8,691	-	-		8,691
Compensated absences	-	-	4,451	-	4,451
Net pension liability	-	-	409,569	-	409,569
<b>Total liabilities</b>	<b>277,964</b>	<b>-</b>	<b>414,020</b>	<b>-</b>	<b>691,984</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related	-	-	-	40,309	40,309
<b>Fund balances/net position</b>	<b>\$ 123,692</b>	<b>\$ 304,374</b>	<b>\$ (414,020)</b>	<b>\$ 158,003</b>	<b>\$ 172,049</b>

**B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” for governmental funds, \$8,283, differs from the “change in net position” for governmental activities, \$(66,772), reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charges for the year.

Expenditures for capital assets	
Capital outlay	\$ 3,944
Current year depreciation	(30,529)
	<u>\$ (26,585)</u>

**Long-term debt related items**

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

Net increase in compensated absences	\$ (1,814)
Net decrease in net pension liability	(19,399)
	<u>\$ (21,213)</u>

**Deferred outflows/inflows of resources**

Recognition of certain obligations related to prior and subsequent periods are not recognized in governmental funds.

Net decrease in deferred outflows	\$ (8,823)
Net increase in deferred inflows	(18,434)
	<u>\$ (27,257)</u>

**TOWN OF MAYO, FLORIDA**

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**B. Explanation of Differences Between Government Fund Operating Statements and the Statement of Activities**

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Deferred Outflows/Inflows	Statement of Activities
<b>REVENUES</b>					
Taxes	\$ 314,107	\$ -	\$ -	\$ -	\$ 314,107
Licenses and permits	5,550	-	-	-	5,550
Intergovernmental	740,707	-	-	-	740,707
Charges for services	1,000	-	-	-	1,000
Fines and forfeitures	1,542	-	-	-	1,542
Investment earnings	71	-	-	-	71
Miscellaneous	32,043	-	-	-	32,043
<b>Total revenue</b>	<b>1,095,020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,095,020</b>
<b>EXPENDITURES</b>					
<b>Current expenditures</b>					
General government	264,319	90	45,085	-	309,493
Public safety	39,563	273	-	-	39,836
Transportation	123,467	2,848	3,385	-	129,701
Health and human services	5,595	2,554	-	-	8,149
Culture/recreation	5,063	24,764	-	-	29,827
<b>Capital outlay</b>					
General government	1,794	(1,794)	-	-	-
Transportation	2,150	(2,150)	-	-	-
<b>Total expenditures</b>	<b>1,086,737</b>	<b>26,585</b>	<b>48,470</b>	<b>-</b>	<b>1,161,792</b>
<b>Excess of revenues over (under) expenditures</b>	<b>8,283</b>	<b>(26,585)</b>	<b>(48,470)</b>	<b>-</b>	<b>(66,772)</b>
<b>Other financing sources (uses)</b>					
Interfund transfer out	-	-	-	-	-
Deferred outflows (inflows)	-	-	27,257	(27,257)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>27,257</b>	<b>(27,257)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>8,283</b>	<b>(26,585)</b>	<b>(21,213)</b>	<b>(27,257)</b>	<b>(66,772)</b>
<b>Fund balances at beginning of year</b>	<b>115,409</b>	<b>330,959</b>	<b>(392,807)</b>	<b>185,260</b>	<b>238,821</b>
<b>Fund balances at end of year</b>	<b>\$ 123,692</b>	<b>\$ 304,374</b>	<b>\$ (414,020)</b>	<b>\$ 158,003</b>	<b>\$ 172,049</b>



**NOTE 3. LEGAL COMPLIANCE–BUDGETS**

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

1. Prior to September 1, the Town Clerk develops 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 September 30, the budget is legally enacted by the Town Council through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the Town Council.
5. Budgets for all Town funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council. Individual amendments were not material in relation to the original appropriations which were not amended.
6. The following is a comparison of the appropriations to total expenses for the proprietary fund for the fiscal year ended September 30, 2018:

	<u>Appropriations</u>	<u>Expenses</u>	<u>Negative Variance</u>
Primary Government			
Enterprise fund:	<u>\$ 398,031</u>	<u>\$ 475,851</u>	<u>\$ (77,820)</u>

The variance was primarily due to depreciation not being included in budget appropriations.

**NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits. The bank balances of the Town deposits were fully insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the Town is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. The Town’s investments in the amount of \$51,099, consist of certificates of deposits in a qualified depository with original maturities in excess of ninety days. The investments were fully insured at September 30, 2018.

**NOTE 5. PROPERTY TAX REVENUES**

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2017-2018 fiscal year were levied in October 2017. All taxes are due and payable on November 1 or as soon as the

assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

**NOTE 6. CAPITAL ASSETS**

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

	Beginning Balance	Additions	Deletions	Ending Balance
<b><u>Governmental activities:</u></b>				
<b>Capital assets:</b>				
Land	\$ 76,812	\$ -	\$ -	\$ 76,812
Buildings and improvements	469,741	-	-	469,741
Equipment and vehicles	172,468	3,944	-	176,412
Total capital assets	<u>719,021</u>	<u>3,944</u>	-	<u>722,965</u>
Less accumulated depreciation	<u>(388,062)</u>	<u>(30,529)</u>	-	<u>(418,591)</u>
Governmental activities capital assets, net	<u>\$ 330,959</u>	<u>\$ (26,585)</u>	\$ -	<u>\$ 304,374</u>
<b><u>Business-type activities:</u></b>				
Land	\$ 117,764	\$ -	\$ -	\$ 117,764
Buildings	2,817,947	-	-	2,817,947
Improvements other than buildings	144,557	-	-	144,557
Equipment	149,850	13,270	-	163,120
Total capital assets	<u>3,230,118</u>	<u>13,270</u>	-	<u>3,243,388</u>
Less accumulated depreciation	<u>(2,370,944)</u>	<u>(72,175)</u>	-	<u>(2,443,118)</u>
Business-type activities capital assets, net	<u>\$ 859,174</u>	<u>\$ (58,905)</u>	\$ -	<u>\$ 800,270</u>

Depreciation expense was charged to functions/programs of the Town as follows:

<b>Governmental activities</b>	
General government	\$ 90
Public safety	273
Transportation	2,848
Culture and recreation	24,764
Health and human services	2,554
Total depreciation expense-governmental activities	<u>\$ 30,529</u>
<b>Business-type activities:</b>	
Water utility	\$ 22,984
Sewer utility	49,191
Total depreciation expense- business-type activities	<u>\$ 72,175</u>

**NOTE 7. INTERFUND RECEIVABLES/PAYABLES**

The following is a schedule of interfund receivables and payables at September 30, 2018.

Fund	Interfund Receivables	Interfund Payables
General	\$ 8,701	\$ -
Enterprise	-	8,701
	<u>\$ 8,701</u>	<u>\$ 8,701</u>

All interfund balances are anticipated to be liquidated during the coming fiscal year.

**NOTE 8. RECEIVABLES AND PAYABLES BALANCES**

**Receivables**

Receivables at September 30, 2018, were as follows:

	Accounts	Due from Other Governmental Units	Total Receivables
Governmental activities:			
General Fund	\$ 8,440	\$ 11,924	\$ 20,364
CDBG Fund	-	267,606	267,606
	<u>8,440</u>	<u>279,530</u>	<u>287,970</u>
Business-type activities			
Enterprise Fund	<u>\$ 41,357</u>	<u>\$ -</u>	<u>\$ 41,357</u>

**Payables**

Payables at September 30, 2018, were as follows:

	Accounts	Accrued	Total
Governmental activities:			
General Fund	\$ 1,667	\$ 8,691	\$ 10,358
CDBG Fund	267,606	-	267,606
	<u>\$ 269,273</u>	<u>\$ 8,691</u>	<u>\$ 277,964</u>
Business-type activities:			
Enterprise Fund	<u>\$ 13,262</u>	<u>\$ 12,400</u>	<u>\$ 25,662</u>

## NOTE 9. LONG-TERM LIABILITIES

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

	<u>Balance</u> <u>10/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/18</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Compensated absences	\$ 2,637	\$ 4,880	\$ (3,066)	\$ 4,451	\$ 1,780
Net pension liability	390,170	19,399	-	409,569	40,957
	<u>\$ 392,807</u>	<u>\$ 24,279</u>	<u>\$ (3,066)</u>	<u>\$ 414,020</u>	<u>\$ 42,737</u>

The compensated absences liability and net pension liability will be liquidated primarily by the General Fund.

## NOTE 10. PROPRIETARY LONG-TERM DEBT

### Revenue Bonds

The Town has issued bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The following revenue bonds were outstanding at September 30, 2018:

Sewer System Revenue Bonds, Series 1979 - Gross revenues from the operation of the sewer system were pledged to service this debt. In the current fiscal year the Town paid the remaining balance of \$29,000.

Sinking Fund. Monthly deposits were required by the bond ordinance to accumulate sufficient funds to meet principal and interest payments through transfers from the revenue accounts. Deposits in an amount equal to one-twelfth of annual payments coming due, were made into the respective sinking fund.

Reserve Account. A reserve was required by the bond ordinance to accumulate sufficient funds to be used for: (a) repair and replacement of the sewer system due to catastrophe, (b) constructing improvements to increase net revenues, and (c) payment of any principal and interest if the funds of the sinking funds had been insufficient. A reserve of at least \$15,100 was required to be maintained for the revenue bonds.

A summary of changes in proprietary long-term debt follows:

	October 1, 2017	Increases	Decreases	September 30, 2018	Due Within One Year
Sewer system revenue bonds	\$ 29,000	\$ -	\$ (29,000)	\$ -	\$ -
Compensated absences	10,725	7,100	(5,752)	12,073	4,829
Net pension liability	121,131	1,206	-	122,338	12,234
	<u>\$ 160,856</u>	<u>\$ 8,306</u>	<u>\$ (34,752)</u>	<u>\$ 134,410</u>	<u>\$ 17,063</u>

**NOTE 11. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREMENT HEALTH INSURANCE SUBSIDY PROGRAM**

**A. Florida Retirement System**

General Information - All of the Town’s employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**B. Pension Plan**

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6%

of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively, were as follows: Regular—7.92% and 8.26%; Special Risk Administrative Support—34.63% and 34.98%; Special Risk—23.27% and 24.50%; Senior Management Service—22.71% and 24.06%; Elected Officers'—45.50% and 48.70%; and DROP participants—13.26% and 14.03%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively.

The Town's contributions, including employee contributions, to the Pension Plan totaled \$53,161 for the fiscal year ended September 30, 2018.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At September 30, 2018, the Town reported a liability of \$465,720 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town's proportionate share of the net pension liability was based on the Town's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the Town's proportionate share was 0.001546187% percent, which was an increase of 2.69 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$57,083. In addition the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,453	\$ 1,432
Changes in assumptions	152,175	-
Net difference between projected and actual earnings on Pension Plan investments	-	35,983
Changes in proportion and differences between Board Pension Plan contributions and proportionate share of contributions	43,655	7,153
Town Pension Plan contributions subsequent to the measurement date	<u>11,971</u>	<u>-</u>
Total	<u>\$ 247,254</u>	<u>\$ 44,568</u>

The deferred outflows of resources related to the Pension Plan, totaling \$11,971 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2019	\$ 73,891
2020	50,428
2021	7,031
2022	33,578
2023	22,452
Thereafter	3,335
	<u>\$ 190,715</u>

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

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Real Estate	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
<b>Total</b>	<b>100.0%</b>			
Assumed Inflation - Mean			2.6%	1.9%

(1) As outlined in the Pension Plan's investment policy

**Discount Rate** - The discount rate used to measure the total pension liability was 7%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 7%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
	Town's proportionate share of the net pension liability	\$ 849,959	\$ 465,720



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

**Payables to the Pension Plan** - At September 30, 2018, the Town had \$4,587 payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

**C. HIS Plan**

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

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

**Contributions** - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the HIS contribution for the period October 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018 was 1.66% and 1.66%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Town's contributions to the HIS Plan totaled \$4,091 for the fiscal year ended September 30, 2018.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At September 30, 2018, the Town reported a liability of \$66,187 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Town's proportionate share of the net pension liability was based on the Town's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the Town's proportionate share was 0.000625337 percent, which was an increase of 1.43 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the Town recognized pension expense of \$1,407. In addition the Town reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,013	\$ 112
Changes in assumptions	7,361	6,998
Net difference between projected and actual earnings on HIS Plan investments	40	-
Changes in proportion and differences between Board HIS Plan contributions and proportionate share of contributions	1,022	671
Town HIS Plan contributions subsequent to the measurement date	856	-
<b>Total</b>	<b><u>\$ 10,292</u></b>	<b><u>\$ 7,781</u></b>

The deferred outflows of resources related to the HIS Plan, totaling \$856 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2019	\$ 1,149
2020	1,168
2021	819
2022	184
2023	(1,141)
Thereafter	(524)
	<b><u>\$ 1,655</u></b>

**Actuarial Assumptions** – The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.87%

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

**Sensitivity of the Towns Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 3.87%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Board's proportionate share of the net pension liability	<u>\$ 75,382</u>	<u>\$ 66,187</u>	<u>\$ 58,521</u>

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

**Payables to the Pension Plan** - At September 30, 2018, the Town had \$353 payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

**NOTE 12. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverage for the past three years. There has been no reduction in insurance coverage from the previous year.

**NOTE 13. CONTINGENT LIABILITIES**

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

**Required Supplementary Information**

**TOWN OF MAYO, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2018**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Taxes			
Ad valorem taxes			
Current	\$ 134,626	\$ 140,364	\$ 5,738
Non property taxes			
County infrastructure surtax	68,831	68,594	(237)
Franchise fees			
Electricity	50,000	60,546	10,546
Utility service taxes			
Electricity	33,000	28,758	(4,242)
Propane	3,800	4,031	231
Communications services tax	12,350	11,814	(536)
	<u>167,981</u>	<u>173,743</u>	<u>5,762</u>
Total taxes	<u>302,607</u>	<u>314,107</u>	<u>11,500</u>
Licenses and permits			
City professional and occupational	2,800	5,550	2,750
Total licenses and permits	<u>2,800</u>	<u>5,550</u>	<u>2,750</u>
Intergovernmental			
State shared revenues			
State revenue sharing	48,140	53,260	5,120
Mobile home licenses	350	343	(7)
Alcoholic beverage licenses	100	98	(2)
Local government half-cent sales tax	29,050	26,236	(2,814)
Parimutual tax	1,200	1,200	-
Fuel tax rebate	200	149	(51)
Traffic signals and lighting agreements	14,635	14,635	-
Total intergovernmental	<u>93,675</u>	<u>95,921</u>	<u>2,246</u>

(Continued)

**TOWN OF MAYO, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2018**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
Charges for services			
Zoning permits	1,100	1,000	(100)
Total charges for services	<u>1,100</u>	<u>1,000</u>	<u>(100)</u>
Fines and forfeitures			
Fines and forfeitures	1,000	1,542	542
Miscellaneous			
Interest	100	71	(29)
Other miscellaneous	6,500	32,043	25,543
Total miscellaneous	<u>6,600</u>	<u>32,114</u>	<u>25,514</u>
Total revenues	<u>407,782</u>	<u>450,234</u>	<u>42,452</u>
<b>EXPENDITURES</b>			
General government			
Legislative			
Personnel services	100,704	83,424	17,280
Financial and administrative			
Personnel services	104,151	108,914	(4,763)
Operating expenses	35,000	57,078	(22,078)
Capital Outlay	-	1,794	(1,794)
Total financial and administrative	<u>139,151</u>	<u>167,786</u>	<u>(26,841)</u>
Legal counsel			
Operating expenses	12,000	11,121	879
Other general government			
Operating expenses	24,250	3,782	20,468
Total general government	<u>276,105</u>	<u>266,113</u>	<u>11,786</u>
Public safety			
Law enforcement			
Operating expenses	32,000	26,667	5,333
Protective inspections			
Operating expenses	15,475	12,896	2,579
Total public safety	<u>47,475</u>	<u>39,563</u>	<u>7,912</u>
(Continued)			

**TOWN OF MAYO, FLORIDA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2018**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
Transportation			
Personnel services	34,533	39,394	(4,861)
Operating expenses	47,500	84,073	(36,573)
Capital outlay	-	2,150	(2,150)
Total transportation	<u>82,033</u>	<u>125,617</u>	<u>(43,584)</u>
Human services			
Health			
Operating expenses	-	5,595	(5,595)
Culture/recreation			
Parks and recreation			
Operating expenses	-	5,063	(5,063)
Total culture/recreation	<u>-</u>	<u>5,063</u>	<u>(5,063)</u>
Total expenditures	<u>405,613</u>	<u>441,951</u>	<u>(34,544)</u>
Excess of revenues over (under) expenditures	<u>2,169</u>	<u>8,283</u>	<u>7,908</u>
Net change in fund balance	2,169	8,283	7,908
Fund balance at beginning of year	<u>115,409</u>	<u>115,409</u>	<u>-</u>
Fund balance at end of year	<u>\$ 117,578</u>	<u>\$ 123,692</u>	<u>\$ 7,908</u>

**TOWN OF MAYO, FLORIDA**  
**CDBG FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended September 30, 2018**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
<b>REVENUES</b>			
Intergovernmental			
CDBG grant	\$ -	\$ 644,786	\$ 644,786
Total intergovernmental	<u>-</u>	<u>644,786</u>	<u>644,786</u>
Total revenues	<u>-</u>	<u>644,786</u>	<u>644,786</u>
<b>EXPENDITURES</b>			
Economic environment			
Operating expenses	-	644,786	(644,786)
Total expenditures	<u>-</u>	<u>644,786</u>	<u>(644,786)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at beginning of year	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**TOWN OF MAYO, FLORIDA  
NOTES TO STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
BUDGET ACTUAL  
SEPTEMBER 30, 2018**

**I. Stewardship, Compliance, and Accountability**

- A. Budgetary information.** The Town, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The Town prepares a tentative budget, which is used by the Town at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the Town's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the Town Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the Town Council, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

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

1. Prior to September 1, the Town Clerk submits to the Town Council 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 in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the Town Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE TOWN OF MAYO'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM**  
**LAST 10 FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town's proportion of the FRS net pension liability (asset)	0.001546187%	0.001505713%	0.001538443%	0.001587433%	0.001302494%
Town's proportionate share of the FRS net pension liability (asset)	\$ 465,720	\$ 445,380	\$ 388,458	\$ 205,038	\$ 79,471
Town's proportion of the HIS net pension liability (asset)	0.000625337%	0.000616520%	0.000613610%	0.033361733%	0.000616175%
Town's proportionate share of the HIS net pension liability (asset)	66,186	65,921	71,514	62,957	57,614
Town's proportionate share of the total net pension liability (asset)	<u>\$ 531,906</u>	<u>\$ 511,301</u>	<u>\$ 459,972</u>	<u>\$ 267,995</u>	<u>\$ 137,085</u>
Town's covered-employee payroll	\$ 206,100	\$ 198,120	\$ 190,057	\$ 189,378	\$ 186,353
Towns' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	258.08%	258.00%	242.02%	141.51%	73.56%
Plan fiduciary net position as a percentage of the total pension liability	79.86%	79.30%	79.36%	92.00%	96.09%

Note 1) The amounts presented for each year were determined as of the June 30 year end of the Florida Retirement System

\*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE TOWN OF MAYO'S CONTRIBUTIONS**  
**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM**  
**LAST 10 FISCAL YEARS\***

	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 53,161	\$ 46,387	\$ 36,033	\$ 44,283	\$ 37,350
Contractually required HIS contribution	4,091	3,861	5,902	2,827	2,384
<b>Total Contractually Required Contributions</b>	<b>57,252</b>	<b>50,248</b>	<b>41,935</b>	<b>47,110</b>	<b>39,734</b>
Contributions in relation to the contractually required contribution	(57,252)	(50,248)	(41,935)	(47,110)	(39,734)
Contribution deficiency (excess)	\$ -	\$ -	\$ 83,870	\$ -	\$ -
Town's covered-employee payroll	\$ 206,100	\$ 198,120	\$ 190,057	\$ 189,378	186353
Contributions as a percentage of covered-employee payroll	27.78%	25.36%	22.06%	24.88%	21.32

\*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
AND SCHEDULE OF CONTRIBUTIONS  
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM  
For the Fiscal Year End September 30, 2018**

**Net Pension Liability**

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2018, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 191,317,399	\$ 10,816,576
Plan fiduciary net position	(161,196,881)	(232,463)
	\$ 30,120,518	\$ 10,584,113
 Plan fiduciary net position as a percentage of the total pension liability	 84.26%	 2.15%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2018. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2018, and update procedures were used to determine liabilities as of July 1, 2018. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

**Basis for Allocation**

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2014, 2015, 2016, 2017 and 2018, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2018, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

### **Actuarial Methods and Assumptions**

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2018 for the period July 1, 2008 through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.60%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.10%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2018:

- **FRS:** The long-term expected rate of return was decreased from 7.10 percent to 7.00 percent, and the active member mortality assumption was updated.
- **HIS:** The municipal bonds rate used to determine total pension liability was increased from 3.58% to 3.87%.

**COMPLIANCE SECTION**

**TOWN OF MAYO, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For The Fiscal Year Ended September 30, 2018

Federal and State Grantor/Pass Through Grantor Program Title	CFDA#	GRANT #	PROGRAM OR AWARD AMOUNT	REPORTED IN PRIOR YEARS	REVENUES RECOGNIZED	EXPENDITURES
<b>FEDERAL AWARDS</b>						
<b>NONMAJOR PROGRAMS</b>						
<i>US Department of Housing and Urban Development</i> Community Development Block Grant	14.228	15-DB-OJ-03-44-02-H21	\$ 650,000	\$ 5,000	\$ 644,786	\$ 644,786
<b>Total federal awards</b>			<b>\$ 650,000</b>	<b>\$ 5,000</b>	<b>\$ 644,786</b>	<b>\$ 644,786</b>

## **TOWN OF MAYO, FLORIDA**

### **Notes to Schedule of Expenditures of Federal Awards**

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

#### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards of the Town of Mayo, Florida (the "Town") have been designed to conform to generally accepted counting principles as applicable to governmental units, including the reporting and compliance requirements of the Office of Management and Budget Uniform Guidance.

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

This reporting entity consists of the Town of Mayo, Florida. The Town includes a Schedule of Expenditures of Federal Awards in the Compliance Section for the purpose of additional analysis.

##### **B. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards. Under the modified accrual basis, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

##### **C. Grant Awards**

As required by OMB Uniform Guidance, federal grant awards drawn and expended during the year are included in the Schedule of Expenditures of Federal Awards and State Financial Assistance.



**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 Mayor and Members  
of the Town Council  
Town of Mayo, 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, and each major fund of the Town of Mayo, 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 Mayo, Florida's basic financial statements, and have issued our report thereon dated June 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Mayo, 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 Mayo, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Mayo, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we noted the following significant deficiencies:

**Finding 2011-1 (Excess of second preceding year)  
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency exists when the Town does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the Town is not capable of drafting the financial statements and all required footnote disclosures in accordance with general accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement

presentation requires a lower level of technical knowledge than the competence required preparing the financial statements and disclosures.

#### **MANAGEMENT'S RESPONSE**

***We agree with this finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both the Mayor and Town Council review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the Town Council.***

***At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.***

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Mayo, Florida'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*.

#### **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.



#### **POWELL & JONES**

Certified Public Accountants

June 6, 2019

## MANAGEMENT LETTER

Honorable Mayor and  
Members of the Town Council  
Town of Mayo, Florida

In planning and performing our audit of the financial statements of the Town of Mayo, Florida, for the year ended September 30, 2018, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. In addition to furnishing information required by Chapter 10.550, *Rules of the Auditor General*, and other compliance matters, the remaining sections of this report letter discuss these findings.

### PRIOR YEAR FINDINGS

#### 2016-1 Payroll Liabilities

During our audit in the prior and current years, we found that the payroll liability accounts were not being properly utilized and items that should have been in the liability accounts were in expense accounts and vice versa. The improper use of liability accounts reduces the accuracy of the reporting of payroll related expenses and decreases the likelihood that city management will be able to detect payroll errors. We again recommend the proper use of the payroll liability accounts and routine review of these balances to help ensure that payroll is being recorded correctly.

#### MANAGEMENT'S RESPONSE

**We will implement the proper use of payroll liability accounts and conduct a routine review these account balances monthly.**

#### 2016-2 Customer Deposits

During our audit in the prior and current years, we found that the utility billing software's customer deposit records did not match the financial reporting software. The utility billing reports displayed multiple customers with credit balances when those accounts had been closed. Management manually reviewed this log and updated it to reflect current balances. To prevent future errors and ensure accurate reporting, we again recommend that Management meet with the utility billing software vendor to locate and correct the source of these errors, as well as conducting routine reconciliation of the deposits on the utility billing software to the financial reporting software.

## MANAGEMENT'S RESPONSE

We have manually reviewed the customer deposit log and updated it to reflect current deposits. We will contact our utility billing software vendor to assist us in locating and correcting the source of the deposit posting errors. We will also conduct routine reconciliations of the deposits on the utility billing software to the financial reporting software.

## CURRENT YEAR FINDINGS

There were no other reportable findings in the current year.

## AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the Town of Mayo, Florida, for the fiscal year ended September 30, 2018.

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.544(1)(i)5.a and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part in representations made by management and the review of financial information they provided.

Financial Emergency Status - We determined that the Town had not met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Deteriorating Financial Conditions - From our audit procedures in the prior years, we found the following conditions which together comprised "deteriorating financial conditions" as defined by Chapter 10.550 *Rules of the Auditor General*:

The Enterprise Fund showed the following trends:

	<u>9/30/18</u>	<u>9/30/17</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
Net loss for the year ended	<u>\$ (26,467)</u>	<u>\$ (53,153)</u>	<u>\$ (59,220)</u>	<u>\$ (54,774)</u>	<u>\$ (25,394)</u>	<u>\$ (52,703)</u>
Unrestricted cash reserve balance at year end	<u>\$ 59,779</u>	<u>\$ 56,342</u>	<u>\$ 48,611</u>	<u>\$ 28,124</u>	<u>\$ 40,634</u>	<u>\$ 13,315</u>


To correct these deteriorating financial conditions we recommended that the Town implement strict measures during the prior budget cycle to assure that revenues are sufficient to fund expenditures and replenish needed fiscal reserves in the Enterprise Fund, as well as the General Fund. Finances were to be closely monitored during the current year to ensure that these objectives are met.

During the current year, the Enterprise Fund had a net loss of \$26,467, which was a \$26,686 improvement from the prior year. The unrestricted cash reserve was \$59,779, which was a \$3,437 increase from the prior year. This showed improvement but did not evidence full reversal of the Town's deteriorating financial conditions.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

## **CONCLUSION**

Again, we very much enjoyed the challenges and experiences associated with this year's audit of the Town. We look forward to working with you to ensure continued fiscal progress of the Town's operation.

A handwritten signature in cursive script, appearing to read "Powell & Jones", is positioned above the printed name of the firm.

**POWELL & JONES**  
Certified Public Accountants  
June 6, 2019

## INDEPENDENT ACCOUNTANT'S REPORT

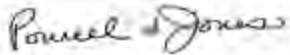
To the Mayor and Members of the  
Town Council  
Town of Mayo, Florida

We have examined the Town of Mayo, Florida's 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 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'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 of Mayo, Florida 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.



**POWELL & JONES**  
Certified Public Accountants  
June 6, 2019

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Mayor and Members of the Town Council  
Town of Mayo, Florida

We have audited the financial statements of the Town of Mayo, Florida for the year ended September 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Mayo, Florida are described Note 1 to the financial statements. As described in Note 11 to the financial statements, the Town changed accounting policies related to the recognition of the net pension liability of its Defined Benefit Pension Plans by adopting Statement of Governmental Accounting Standards (GASB statement) No. 68, Accounting and Financial Reporting for Pension Plans, in 2018. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the Town of Mayo, Florida's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 6, 2019.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

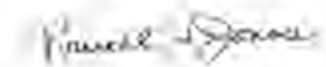
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor and management of the Town of Mayo, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**POWELL AND JONES**  
Certified Public Accountants  
June 6, 2019