

CITY OF JASPER, FLORIDA

FINANCIAL STATEMENTS

For the Year Ended September 30, 2017

CITY OF JASPER, FLORIDA

CITY OFFICIALS

September 30, 2017

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

CITY OF JASPER, FLORIDA

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Jasper, Florida

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jasper, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Jasper, Florida, as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 48-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated February 27, 2018, on my consideration of the City of Jasper, Florida's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Jasper, Florida's internal control over financial reporting and compliance.



Kenneth M. Daniels
Certified Public Accountant
February 27, 2018

**MANAGEMENT'S
DISCUSSION &
ANALYSIS**

CITY OF JASPER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended September 30, 2017

Our discussion and analysis of the City of Jasper, Florida's financial performance provides an overview of City's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the City's financial statements, which begin in page 10.

FINANCIAL HIGHLIGHTS

The City's significant financial accomplishments during the year ended September 30, 2017, were:

Improvements, including picnic tables and covered pavilions, to two City Parks were completed at a cost of \$100,000. The funding was provided via grants from the Florida Department of Environmental Protection.

Approximately 2,000 cubic yards of sand and grit was removed from holding tanks at the City's Sewage Treatment Plant at a cost of \$90,000. The cost of removal was funded via a Small Community Wastewater Treatment Grant.

USING THIS ANNUAL REPORT

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

Fund financial statements start on page 10. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Proprietary fund financial statements offer short and long-term financial information about the activities the government operates like businesses, such as the water/sewer, gas, and solid waste departments.

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

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

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 4. The Statement of Net Position and the Statement of Activities on pages 10 through 11 report information about the City as a whole and its activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the

current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

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

Reporting the City's Funds

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

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

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

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

The City as a Whole

As indicated below, the City's net position decreased approximately three percent or \$269,000. The adjustment of the City's pension liability under GASB 68 and infrastructure depreciation were the primary reasons for the slight decline.

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

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

Table 1
NET POSITION
(In Thousands)

	Governmental		Business type		Totals	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 814	\$ 796	\$ 1,796	\$ 1,693	\$ 2,610	\$ 2,489
Capital assets	<u>1,989</u>	<u>1,978</u>	<u>8,342</u>	<u>8,567</u>	<u>10,331</u>	<u>10,545</u>
Total assets	2,803	2,774	10,138	10,260	12,941	13,034
Deferred outflows of resources	<u>985</u>	<u>646</u>	<u>239</u>	<u>165</u>	<u>1,224</u>	<u>811</u>
Total assets and deferred outflows of resources	<u>\$ 3,788</u>	<u>\$ 3,420</u>	<u>\$ 10,377</u>	<u>\$ 10,425</u>	<u>\$ 14,165</u>	<u>\$ 13,845</u>
Other liabilities	\$ 159	\$ 168	\$ 369	\$ 308	\$ 528	\$ 476
Long term liabilities	<u>1,861</u>	<u>1,595</u>	<u>1,395</u>	<u>1,384</u>	<u>3,256</u>	<u>2,979</u>
Total liabilities	<u>2,020</u>	<u>1,763</u>	<u>1,764</u>	<u>1,692</u>	<u>3,784</u>	<u>3,455</u>
Deferred inflows of resources	<u>269</u>	<u>55</u>	<u>62</u>	<u>16</u>	<u>331</u>	<u>71</u>
Net position						
Invested in Cap Assets	1,890	1,848	7,331	7,507	9,221	9,355
Restricted	49	51	13	13	62	64
Unrestricted	<u>(440)</u>	<u>(297)</u>	<u>1,207</u>	<u>1,197</u>	<u>767</u>	<u>900</u>
Total net position	<u>1,499</u>	<u>1,602</u>	<u>8,551</u>	<u>8,717</u>	<u>10,050</u>	<u>10,319</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,788</u>	<u>\$ 3,420</u>	<u>\$ 10,377</u>	<u>\$ 10,425</u>	<u>\$ 14,165</u>	<u>\$ 13,845</u>

Explanation of Significant Changes Table 1

Governmental activities

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

Unrestricted net position declined due to a prior period adjustment caused by an FRS audit in which certain part-time workers were deemed subject to retirement and asset depreciation.

Business-type activities

Changes in deferred inflows and outflows of resources – see above. Increases in other liabilities were due to payable amounts (crane repair) and items related to Hurricane Irma. However, net position remained virtually flat.

Table 2
CHANGES IN NET POSITION
(In Thousands)

Statement of Activities	Governmental Activities		Business-type Activities		Total Primary Government	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Program revenues						
General government	\$ 146	\$ 141	\$ -	\$ -	\$ 146	\$ 141
Public safety	112	153	-	-	112	153
Physical environment	9	5	-	-	9	5
Transportation	27	107	-	-	27	107
Economic environment	-	-	-	-	-	-
Human services	-	-	-	-	-	-
Culture/recreation	105	6	-	-	105	6
Water/sewer utility	-	-	1,626	1,603	1,626	1,603
Natural gas utility	-	-	515	490	515	490
Sanitation	-	-	417	408	417	408
General revenues						
Taxes						
Property taxes	320	338	-	-	320	338
Local option fuel tax	445	322	-	-	445	322
Discretionary sales	128	122	-	-	128	122
Commx services	37	39	-	-	37	39
Franchise fees	102	105	-	-	102	105
Utility service tax	82	82	-	-	82	82
Interest	2	1	6	4	8	5
Miscellaneous	31	15	2	-	33	15
Total revenues	<u>1,546</u>	<u>1,436</u>	<u>2,566</u>	<u>2,505</u>	<u>4,112</u>	<u>3,941</u>
Program expenses						
General government	528	450	-	-	528	450
Public safety	1,051	985	-	-	1,051	985
Physical environment	6	9	-	-	6	9
Transportation	345	398	-	-	345	398
Economic environment	1	-	-	-	1	-
Human services	5	4	-	-	5	4
Culture/recreation	19	18	-	-	19	18
Interest on long term debt	8	-	-	-	8	-
Water/sewer utility	-	-	1,480	1,472	1,480	1,472
Natural gas utility	-	-	497	397	497	397
Sanitation	-	-	389	384	389	384
Total expenses	<u>1,963</u>	<u>1,864</u>	<u>2,366</u>	<u>2,253</u>	<u>4,329</u>	<u>4,117</u>
Excess (deficiency) before transfers	(417)	(428)	200	252	(217)	(176)
Transfers	<u>365</u>	<u>384</u>	<u>(365)</u>	<u>(384)</u>	<u>-</u>	<u>-</u>
Change in net position	<u>(52)</u>	<u>(44)</u>	<u>(165)</u>	<u>(132)</u>	<u>(217)</u>	<u>(176)</u>
Beginning net position	1,602	1,646	8,717	8,849	10,319	10,495
Adjustment to beginning net position	<u>(50)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50)</u>	<u>-</u>
Beginning net position restated	<u>1,552</u>	<u>1,646</u>	<u>8,717</u>	<u>8,849</u>	<u>10,269</u>	<u>10,495</u>
Ending net position	<u>\$ 1,500</u>	<u>\$ 1,602</u>	<u>\$ 8,552</u>	<u>\$ 8,717</u>	<u>\$ 10,052</u>	<u>\$ 10,319</u>

Explanation of Significant Changes Table 2

Government Activities

Governmental revenues increased/decreased as follows:

Public safety revenues decreased due to local grants from Hamilton County, in the prior year, to improve the fire department.

Transportation revenues decreased due to a FDOT paving grant awarded in the prior year.

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

Local option fuel tax increased due to a revised allocation agreement between Hamilton County and the City which is based on population.

Miscellaneous revenues increased due to the sale of scrapped assets.

Governmental expenditures increased 5.31 percent due to the sale of leave time in the general government function.

Business-type activities

Business-type revenues increased due to increases in the selling price of natural gas.

Expenses increased due to the cost of natural gas.

The City's Funds

At year-end, the City's governmental funds had a total fund balance of approximately \$682,000. The increase of \$80,000 is largely due to transfers from the City's utility funds.

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

<u>Governmental Funds</u>	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>Percent Change</u>
Total fund balances	\$ 682	\$ 604	\$ 78	12.9%
Unreserved Fund Balance				
<u>Major Funds</u>	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>Percent Change</u>
General	\$ 633	\$ 553	\$ 80	14.5%
Enterprise Fund Change in Net Position: Invested in Capital Assets				
	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>Percent Change</u>
	\$ 7,331	\$ 7,507	\$ (176)	-2.3%
Restricted				
	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>Percent Change</u>
	\$ 13	\$ 13	\$ -	0.0%
Unrestricted				
	<u>2017</u>	<u>2016</u>	<u>\$ Change</u>	<u>Percent Change</u>
	\$ 1,208	\$ 1,197	\$ 11	0.9%

The enterprise funds' net position decreased by approximately \$165,000. The decrease can be attributed to the transfers to the City's General Fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not amend its 2017 fiscal year budget. Actual expenditures were less than budgeted by approximately \$330,000. Actual expenditures were less than budgeted in all departments except Human Services.

CAPITAL ASSET AND DEBT ADMINISTRATION

At September 30, 2017, the City had \$18 million invested in capital assets, including police and fire equipment, buildings, park facilities, roads, and water and sewer lines. (See Table 4 below.) The increase in the capital assets is largely due to the park improvements indicated in the financial highlights.

Table 4
CAPITAL ASSETS (in Thousands)

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 241	\$ 241	\$ 667	\$ 667	\$ 908	\$ 908
Construction in progress	-	2	-	-	-	2
Buildings	403	403	288	288	691	691
Infrastructure/improvements	1,352	1,352	12,515	12,515	13,867	13,867
Equipment and furniture	400	275	661	599	1,061	874
Vehicles	1,043	1,043	385	375	1,428	1,418
Property under capital leases	-	-	-	-	-	-
Total capital assets, gross	<u>\$ 3,439</u>	<u>\$ 3,316</u>	<u>\$ 14,516</u>	<u>\$ 14,444</u>	<u>\$ 17,955</u>	<u>\$ 17,760</u>

Debt

At year-end, the City had \$3.4 million in outstanding debt. This was an increase of approximately \$286 thousand. The City's pension liability was the reason for the increase.

TABLE 5
OUTSTANDING DEBT AT YEAR-END
(in Thousands)

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Compensated absences	\$ 84	\$ 68	\$ 56	\$ 50	\$ 140	\$ 118
Capital leases	99	130	-	-	99	130
Notes payable	-	-	1,010	1,059	1,010	1,059
Pension liability	<u>1,712</u>	<u>1,429</u>	<u>435</u>	<u>374</u>	<u>2,147</u>	<u>1,803</u>
Totals	<u>\$ 1,895</u>	<u>\$ 1,627</u>	<u>\$ 1,501</u>	<u>\$ 1,483</u>	<u>\$ 3,396</u>	<u>\$ 3,110</u>

CURRENTLY KNOWN FACTS

The City's General Fund budget for the fiscal year 2017-18 totals \$2.2 million. Included in the budget is \$44,000 in capital outlay to be used for equipment purchases.

CONTACTING THE CITY 'S FINANCIAL MANAGEMENT

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

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



Charles Williams
City Manager
Jasper, Florida

**BASIC
FINANCIAL
STATEMENTS**

CITY OF JASPER, FLORIDA
STATEMENT OF NET POSITION

September 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash	\$ 570,763	\$ 1,311,056	\$ 1,881,819
Accounts receivable, net	1,078	259,405	260,483
Franchise fees receivable	10,407	-	10,407
Utility service tax receivable	6,824	-	6,824
Interfund receivables/payables	51,720	(51,720)	-
Due from other governments	123,704	-	123,704
Inventory	-	29,193	29,193
Restricted assets	-	248,450	248,450
Mortgages receivable, net	49,128	-	49,128
Capital assets			
Land	241,442	667,039	908,481
Other capital assets, net of depreciation	<u>1,747,633</u>	<u>7,674,702</u>	<u>9,422,335</u>
Total capital assets	<u>1,989,075</u>	<u>8,341,741</u>	<u>10,330,816</u>
Total assets	2,802,699	10,138,125	12,940,824
Deferred outflows of resources			
Pensions	<u>985,610</u>	<u>238,703</u>	<u>1,224,313</u>
Total assets and deferred outflows of resources	<u>\$ 3,788,309</u>	<u>\$ 10,376,828</u>	<u>\$ 14,165,137</u>
Liabilities			
Accounts payable	\$ 84,485	\$ 110,018	\$ 194,503
Accrued interest	-	12,152	12,152
Retirement and withholding payable	39,936	-	39,936
Deposits	1,060	140,171	141,231
Long-term liabilities			
Due within one year			
Compensated absences	-	55,851	55,851
Capital leases	33,845	-	33,845
Notes payable	-	50,524	50,524
Due in more than one year			
Compensated absences	84,329	-	84,329
Capital leases	64,753	-	64,753
Notes payable	-	960,071	960,071
Pension liability	<u>1,711,599</u>	<u>434,809</u>	<u>2,146,408</u>
Total liabilities	<u>2,020,007</u>	<u>1,763,596</u>	<u>3,783,603</u>
Deferred inflows of resources			
Business license fees	6,358	-	6,358
Pensions	<u>262,144</u>	<u>61,613</u>	<u>323,757</u>
Total deferred inflows of resources	<u>268,502</u>	<u>61,613</u>	<u>330,115</u>
Net position			
Invested in capital assets, net of related debt	1,890,477	7,331,146	9,221,623
Restricted			
Nonexpendable	49,128	-	49,128
Capital facilities	-	12,728	12,728
Unrestricted	<u>(439,805)</u>	<u>1,207,745</u>	<u>767,940</u>
Total net position	<u>1,499,800</u>	<u>8,551,619</u>	<u>10,051,419</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,788,309</u>	<u>\$ 10,376,828</u>	<u>\$ 14,165,137</u>

CITY OF JASPER, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities							
General government services	\$ 528,273	\$ 11,290	\$ 134,305	\$ -	\$ (382,678)		\$ (382,678)
Public safety	1,051,059	100,289	12,022	-	(938,748)		(938,748)
Physical environment	5,945	8,975	-	-	3,030		3,030
Transportation	345,657	26,997	-	-	(318,660)		(318,660)
Economic environment	848	-	-	-	(848)		(848)
Human services	4,785	-	-	-	(4,785)		(4,785)
Culture/recreation	18,829	4,500	-	100,000	85,671		85,671
Interest on long-term debt	7,887	-	-	-	(7,887)		(7,887)
Total governmental activities	<u>1,963,283</u>	<u>152,051</u>	<u>146,327</u>	<u>100,000</u>	<u>(1,564,905)</u>		<u>(1,564,905)</u>
Business type activities							
Water/sewer utility	1,480,471	1,526,661	99,754	-		145,944	145,944
Natural gas utility	497,571	515,239	-	-		17,668	17,668
Sanitation	388,656	416,987	-	-		28,331	28,331
Total business-type activities	<u>2,366,698</u>	<u>2,458,887</u>	<u>99,754</u>	<u>-</u>		<u>191,943</u>	<u>191,943</u>
Totals	<u>\$ 4,329,981</u>	<u>\$ 2,610,938</u>	<u>\$ 246,081</u>	<u>\$ 100,000</u>			
General revenues							
Property taxes					319,958	-	319,958
Local option fuel tax					445,422	-	445,422
Discretionary sales surtax					127,978	-	127,978
Communications service tax					36,791	-	36,791
Franchise fees					102,259	-	102,259
Utility service tax					81,917	-	81,917
Interest					1,932	5,845	7,777
Miscellaneous					31,212	1,550	32,762
Transfers					364,817	(364,817)	-
Total general revenues and transfers					<u>1,512,286</u>	<u>(357,422)</u>	<u>1,154,864</u>
Change in net position					<u>(52,619)</u>	<u>(165,479)</u>	<u>(218,098)</u>
Net position - beginning					1,602,158	8,717,098	10,319,256
Adjustment to beginning net position					<u>(49,739)</u>	<u>-</u>	<u>(49,739)</u>
Net position - beginning as restated					<u>1,552,419</u>	<u>8,717,098</u>	<u>10,269,517</u>
Net position - ending					<u>\$ 1,499,800</u>	<u>\$ 8,551,619</u>	<u>\$10,051,419</u>

**CITY OF JASPER, FLORIDA
BALANCE SHEET**

GOVERNMENTAL FUNDS

September 30, 2017

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash	\$ 570,763	\$ -	\$ 570,763
Accounts receivable	1,078	-	1,078
Franchise fees receivable	10,407	-	10,407
Utility service tax receivable	6,824	-	6,824
Interfund receivables	51,720	-	51,720
Due from other governments	123,704	-	123,704
Mortgages receivable, net	<u>-</u>	<u>49,128</u>	<u>49,128</u>
Total assets	<u><u>\$ 764,496</u></u>	<u><u>\$ 49,128</u></u>	<u><u>\$ 813,624</u></u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable	\$ 84,485	\$ -	\$ 84,485
Retirement and withholding payable	39,937	-	39,937
Deposits	<u>1,060</u>	<u>-</u>	<u>1,060</u>
Total liabilities	<u><u>125,482</u></u>	<u><u>-</u></u>	<u><u>125,482</u></u>
Deferred inflows of resources			
Business license fees	<u>6,358</u>	<u>-</u>	<u>6,358</u>
Fund balances			
Nonspendable	-	49,128	49,128
Unassigned	<u>632,656</u>	<u>-</u>	<u>632,656</u>
Total fund balances	<u><u>632,656</u></u>	<u><u>49,128</u></u>	<u><u>681,784</u></u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 764,496</u></u>	<u><u>\$ 49,128</u></u>	<u><u>\$ 813,624</u></u>

CITY OF JASPER, FLORIDA

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

September 30, 2017

Total fund balances for governmental funds	\$	681,784
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Total net assets reported for governmental activities in the Statement of Net Assets is different because:

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

Land	241,442
Buildings	402,445
Infrastructure	1,351,991
Vehicles	1,043,316
Machinery and equipment	400,489
Accumulated depreciation	<u>(1,450,608)</u>
Total capital assets	<u>1,989,075</u>

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

Deferred outflows related to pensions	985,610
Deferred inflows related to pensions	(262,144)

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

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

Compensated absences	(84,328)
Capital leases	(98,598)
Net pension liability	<u>(1,711,599)</u>
Total long-term liabilities and other adjustments	<u>(1,894,525)</u>

Total net position of governmental activities	<u>\$ 1,499,800</u>
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CITY OF JASPER, FLORIDA

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

For the Year Ended September 30, 2017

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues			
Taxes	\$ 1,022,001	\$ -	\$ 1,022,001
Licenses and permits	102,260	-	102,260
Intergovernmental	246,327	-	246,327
Charges for services	124,754	-	124,754
Fines and forfeits	3,886	-	3,886
Interest	1,932	-	1,932
Miscellaneous	<u>44,687</u>	<u>-</u>	<u>44,687</u>
Total revenues	<u>1,545,847</u>	<u>-</u>	<u>1,545,847</u>
Expenditures			
Current			
General government services	467,216	-	467,216
Public safety	871,081	-	871,081
Physical environment	5,945	-	5,945
Transportation	306,651	-	306,651
Economic environment	848	-	848
Human services	4,785	-	4,785
Culture/recreation	13,378	-	13,378
Capital outlay	123,493	-	123,493
Debt service			
Principal	31,908	-	31,908
Interest	<u>7,887</u>	<u>-</u>	<u>7,887</u>
Total expenditures	<u>1,833,192</u>	<u>-</u>	<u>1,833,192</u>
Excess (deficiency) of revenues over expenditures	<u>(287,345)</u>	<u>-</u>	<u>(287,345)</u>
Other financing sources (uses)			
Interfund transfers in	367,112	-	367,112
Interfund transfers out	<u>-</u>	<u>(2,295)</u>	<u>(2,295)</u>
Total other financing sources (uses)	<u>367,112</u>	<u>(2,295)</u>	<u>364,817</u>
Net change in fund balances	<u>79,767</u>	<u>(2,295)</u>	<u>77,472</u>
Fund balances - beginning	602,628	51,423	654,051
Adjustment to beginning fund balances	<u>(49,739)</u>	<u>-</u>	<u>(49,739)</u>
Fund balances - beginning as restated	<u>552,889</u>	<u>51,423</u>	<u>604,312</u>
Fund balances - ending	<u>\$ 632,656</u>	<u>\$ 49,128</u>	<u>\$ 681,784</u>

CITY OF JASPER, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds \$ 77,472

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

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

Capital outlay	123,493	
Depreciation	<u>(112,828)</u>	
Net adjustment		10,665

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

Principal payments	31,908
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Pension costs are recorded in the statement of activities under the accrual basis of accounting; however, the expenditure is not recorded in the governmental funds until paid. The change in the contributions verses expense is:

FRS Pension/HIS Expense	(156,029)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Paid time off, due to its classification as a long-term liability is not recorded under the modified basis of accounting. In the government wide statements, all liabilities are recorded.

The adjustments described above are as follows:

Compensated balance adjustment	<u>(16,635)</u>
Change of net position of governmental activities	<u>\$ (52,619)</u>

CITY OF JASPER, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2017

	Water & Sewer <u>Utility Fund</u>	Natural Gas <u>Utility Fund</u>	Sanitation <u>Fund</u>	<u>Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 62,788	\$ 275,315	\$ 70,020	\$ 408,123
Cash - certificates of deposit	574,183	328,750	-	902,933
Accounts receivable	177,181	88,473	42,720	308,374
Allowance for doubtful accounts	(28,136)	(14,049)	(6,784)	(48,969)
Interfund receivables	28,375	90,731	-	119,106
Due from State of Florida	-	-	-	-
Inventory	<u>19,046</u>	<u>10,147</u>	<u>-</u>	<u>29,193</u>
Total current assets	<u>833,437</u>	<u>779,367</u>	<u>105,956</u>	<u>1,718,760</u>
Noncurrent assets				
Restricted assets				
Cash - certificates of deposit	103,576	-	-	103,576
Cash	<u>115,408</u>	<u>29,466</u>	<u>-</u>	<u>144,874</u>
Total restricted assets	<u>218,984</u>	<u>29,466</u>	<u>-</u>	<u>248,450</u>
Capital assets				
Land	667,039	-	-	667,039
Buildings, net	246,050	-	-	246,050
Infrastructure, net	6,444,728	582,613	-	7,027,341
Equipment, net	247,000	27,893	11,664	286,557
Vehicles, net	<u>98,773</u>	<u>15,981</u>	<u>-</u>	<u>114,754</u>
Total capital assets	<u>7,703,590</u>	<u>626,487</u>	<u>11,664</u>	<u>8,341,741</u>
Total noncurrent assets	<u>7,922,574</u>	<u>655,953</u>	<u>11,664</u>	<u>8,590,191</u>
Total assets	8,756,011	1,435,320	117,620	10,308,951
Deferred outflows of resources				
Pensions	<u>238,703</u>	<u>-</u>	<u>-</u>	<u>238,703</u>
Total assets and deferred outflows of resources	<u>\$ 8,994,714</u>	<u>\$ 1,435,320</u>	<u>\$ 117,620</u>	<u>\$ 10,547,654</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 44,573	\$ 38,948	\$ 26,497	\$ 110,018
Interfund payables	142,451	-	28,375	170,826
Accrued interest	12,152	-	-	12,152
Accrued leave	51,650	3,366	835	55,851
Taxes payable	-	-	-	-
Customer deposits	111,816	28,355	-	140,171
Notes payable, current portion	<u>50,524</u>	<u>-</u>	<u>-</u>	<u>50,524</u>
Total current liabilities	<u>413,166</u>	<u>70,669</u>	<u>55,707</u>	<u>539,542</u>
Noncurrent liabilities				
Notes payable	960,071	-	-	960,071
Pension liability	<u>434,809</u>	<u>-</u>	<u>-</u>	<u>434,809</u>
Total noncurrent liabilities	<u>1,394,880</u>	<u>-</u>	<u>-</u>	<u>1,394,880</u>
Total liabilities	<u>1,808,046</u>	<u>70,669</u>	<u>55,707</u>	<u>1,934,422</u>
Deferred inflows of resources				
Pensions	<u>61,613</u>	<u>-</u>	<u>-</u>	<u>61,613</u>
Net position				
Invested in capital assets, net of related debt	6,692,995	626,487	11,664	7,331,146
Restricted for capital facilities - expendable	12,728	-	-	12,728
Unrestricted	<u>419,332</u>	<u>738,164</u>	<u>50,249</u>	<u>1,207,745</u>
Total net position	<u>7,125,055</u>	<u>1,364,651</u>	<u>61,913</u>	<u>8,551,619</u>
Total liabilities, deferred inflows or resources, and net position	<u>\$ 8,994,714</u>	<u>\$ 1,435,320</u>	<u>\$ 117,620</u>	<u>\$ 10,547,654</u>

CITY OF JASPER, FLORIDA

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

For the Year Ended September 30, 2017

	<u>Water & Sewer Utility Fund</u>	<u>Natural Gas Utility Fund</u>	<u>Sanitation Fund</u>	<u>Totals</u>
Operating revenues				
Charges for services	<u>\$ 1,526,661</u>	<u>\$ 515,239</u>	<u>\$ 416,987</u>	<u>\$ 2,458,887</u>
Operating expenses				
Other general government services				
Operating expenses	15,250	-	-	15,250
Water-sewer combination services				
Personnel services	513,809	-	-	513,809
Operating expenses	909,735	-	-	909,735
Gas utility services				
Personnel services	-	148,220	-	148,220
Operating expenses	-	349,351	-	349,351
Gas utility services				
Personnel services	-	-	45,789	45,789
Operating expenses	<u>-</u>	<u>-</u>	<u>342,867</u>	<u>342,867</u>
Total operating expenses	<u>1,438,794</u>	<u>497,571</u>	<u>388,656</u>	<u>2,325,021</u>
Operating income (loss)	<u>87,867</u>	<u>17,668</u>	<u>28,331</u>	<u>133,866</u>
Nonoperating revenues (expenses)				
Miscellaneous	455	1,095	-	1,550
Interest earnings	3,769	2,076	-	5,845
DEP Grant	90,000	-	-	90,000
SRWMD contract	9,754	-	-	9,754
Interest expense	<u>(41,677)</u>	<u>-</u>	<u>-</u>	<u>(41,677)</u>
Total nonoperating revenues (expense)	<u>62,301</u>	<u>3,171</u>	<u>-</u>	<u>65,472</u>
Income before transfers	150,168	20,839	28,331	199,338
Transfers				
Interfund transfers out	<u>(339,817)</u>	<u>(25,000)</u>	<u>-</u>	<u>(364,817)</u>
Change in net position	(189,649)	(4,161)	28,331	(165,479)
Net position - beginning	<u>7,314,704</u>	<u>1,368,812</u>	<u>33,582</u>	<u>8,717,098</u>
Net position - ending	<u>\$ 7,125,055</u>	<u>\$ 1,364,651</u>	<u>\$ 61,913</u>	<u>\$ 8,551,619</u>

CITY OF JASPER, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

For the Year Ended September 30, 2017

	<u>Water & Sewer Utility Fund</u>	<u>Natural Gas Utility Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers and users	\$ 1,527,820	\$ 498,880	\$ 412,352	\$ 2,439,052
Cash payments for employees and benefits	(474,305)	(148,828)	(45,878)	(669,011)
Cash payments for goods and services	<u>(620,133)</u>	<u>(313,479)</u>	<u>(341,556)</u>	<u>(1,275,168)</u>
Net cash provided by (used for) operating activities	<u>433,382</u>	<u>36,573</u>	<u>24,918</u>	<u>494,873</u>
Cash flows from noncapital financing activities				
Cash transfers in (out)	(339,817)	(25,000)	-	(364,817)
Contract and grant receipts	114,034	-	-	114,034
Miscellaneous	<u>454</u>	<u>1,095</u>	<u>-</u>	<u>1,549</u>
Net cash provided by (used for) noncapital financing activities	<u>(225,329)</u>	<u>(23,905)</u>	<u>-</u>	<u>(249,234)</u>
Cash flows from capital and related financing activities				
Interest and other debt service costs paid	(42,261)	-	-	(42,261)
Purchases of capital assets	(47,309)	(25,242)	-	(72,551)
Payment of long-term debt	<u>(48,585)</u>	<u>-</u>	<u>-</u>	<u>(48,585)</u>
Net cash provided by (used for) capital and related financing activities	<u>(138,155)</u>	<u>(25,242)</u>	<u>-</u>	<u>(163,397)</u>
Cash flows from investing activities				
Interest revenue	3,769	2,076	-	5,845
Purchase of certificates of deposit	<u>(158,365)</u>	<u>(1,814)</u>	<u>-</u>	<u>(160,179)</u>
Net cash provided by (used for) investing activities	<u>(154,596)</u>	<u>262</u>	<u>-</u>	<u>(154,334)</u>
Net increase (decrease) in cash	(84,698)	(12,312)	24,918	(72,092)
Cash and cash equivalents - beginning	<u>262,894</u>	<u>317,093</u>	<u>45,102</u>	<u>625,089</u>
Cash and cash equivalents - ending	<u>\$ 178,196</u>	<u>\$ 304,781</u>	<u>\$ 70,020</u>	<u>\$ 552,997</u>
Reconciliation of operating loss to net cash provided by operating activities				
Operating income (loss)	<u>\$ 87,867</u>	<u>\$ 17,668</u>	<u>\$ 28,331</u>	<u>\$ 133,866</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	272,097	23,733	1,500	297,330

(Continued)

See notes to financial statements.

CITY OF JASPER, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended September 30, 2017

	<u>Water & Sewer</u> <u>Utility Fund</u>	<u>Natural Gas</u> <u>Utility Fund</u>	<u>Sanitation</u> <u>Fund</u>	<u>Total</u>
Reconciliation (continued)				
Changes in assets and liabilities				
Decrease (increase) in				
Accounts receivable, net	\$ (6,001)	\$ (16,169)	\$ (4,635)	\$ (26,805)
Inventory	(1,848)	(635)	-	(2,483)
Increase (decrease) in				
Accounts payable	34,603	12,774	(189)	47,188
Taxes payable	-	(989)	-	(989)
Deposits	7,160	(190)	-	6,970
Compensated absences	5,763	381	(89)	6,055
Pension liability	<u>33,741</u>	<u>-</u>	<u>-</u>	<u>33,741</u>
Total adjustments	<u>345,515</u>	<u>18,905</u>	<u>(3,413)</u>	<u>361,007</u>
Net cash provided by (used for) operating activities	<u>\$ 433,382</u>	<u>\$ 36,573</u>	<u>\$ 24,918</u>	<u>\$ 494,873</u>
Noncash transactions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of cash reported on statement of net assets to cash reported on the statement of cash flows:				
Per the statement of net assets	<u>Water & Sewer</u> <u>Utility Fund</u>	<u>Natural Gas</u> <u>Utility Fund</u>	<u>Sanitation</u> <u>Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 62,788	\$ 275,315	\$ 70,020	\$ 408,123
Certificates of deposit	574,183	328,750	-	902,933
Restricted assets				
Cash - certificates of deposit	103,576	-	-	103,576
Cash	<u>115,408</u>	<u>29,466</u>	<u>-</u>	<u>144,874</u>
Total cash	855,955	633,531	70,020	1,559,506
Less certificates of deposit				
Operating	(574,183)	(328,750)	-	(902,933)
Debt service	(90,848)	-	-	(90,848)
Impact fees	<u>(12,728)</u>	<u>-</u>	<u>-</u>	<u>(12,728)</u>
Cash reported on the statement of cash flows	<u>\$ 178,196</u>	<u>\$ 304,781</u>	<u>\$ 70,020</u>	<u>\$ 552,997</u>

CITY OF JASPER, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE 1. – Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

As of and for the year ended September 30, 2017, the Jasper Planning and Zoning Board and the Jasper Planning and Zoning Board of Appeals had no assets or liabilities or financial activity, therefore, no amounts are included in the City's financial statements.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

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

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

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

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

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

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

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

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

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

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

Measurement Focus, Basis of Accounting

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

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

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

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

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

Deposits

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

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

Cash and Cash Equivalents

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

Mortgages Receivable

The mortgages receivable in the City's Permanent Fund are shown net of the allowance for uncollectible amounts. The City does not expect and does not budget any material collections of the mortgages.

Inventories

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

Capital Assets

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

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

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

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

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

Pensions

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

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

Long-term Liabilities

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

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

Compensated Absences

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item(s) that qualifies for reporting in this category. The deferred outflows of resources related to pensions are discussed in a subsequent note.

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

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Interfund Activity

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

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

Governmental Funds - Fund Balances

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

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

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

Property Tax Calendar

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

Restricted Assets

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

	<u>Amount</u>
Debt service reserve	\$ 90,848
Customer deposits	144,874
Capital facilities	<u>12,728</u>
Total	<u>\$ 248,450</u>

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

The government-wide statement of net position reports restricted net positions of \$49,128 and \$12,728, none of which is restricted by enabling legislation.

D. Prior Period Adjustment

Due to an audit by the Florida Retirement System, the City discovered an error in its payment of retirement on certain employees considered part-time. The error in classification resulted in additional retirement payable of \$49,739 for prior year amounts. In correcting the error, the City adjusted its beginning general fund’s fund balance and governmental activities’ net position as follows:

	General <u>Fund</u>	Governmental <u>Activities</u>
Prior period adjustment - fund balance, net position reduction		
Beginning fund balance/net position	\$ 602,628	\$ 1,602,158
Prior period adjustment	<u>(49,739)</u>	<u>(49,739)</u>
Adjusted beginning fund balance/net position	<u>\$ 552,889</u>	<u>\$ 1,552,419</u>

NOTE 2. Deposits

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

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

At September 30, 2017, the City’s deposits held in Qualified Public Depositories totaled \$2,171,980. Of this balance, \$250,000 was covered by federal depository insurance. The remainder of \$1,921,980 is insured through the Bureau of Collateral Management, Division of Treasury, Department of Financial Services under *Florida Statutes* Chapter 280.

GASBS No. 9 provides that generally only investments with an original maturity of less than three months or less are cash equivalents. Therefore, on the Proprietary Funds’ Statement of Cash Flows, the certificates of deposit with maturities of twelve months are deemed investments. However, per GASBS No. 3, for disclosure purposes, the amounts are considered deposits (cash) and are included in the amounts above.

The City had no investments other than Certificates of Deposit (CDs) at September 30, 2017.

The City's CDs at September 30, 2017, were as follows:

Qualified Public Depository	<u>Balance/Fair Value</u>	<u>Rate</u>	<u>Term</u>	<u>Maturity</u>
First Federal Bank of Florida	\$ 458,541	0.63%	12 months	1/18/2018
First Federal Bank of Florida	523,649	0.63%	12 months	3/16/2018
First Federal Bank of Florida	246,878	0.63%	12 months	1/18/2018
First Federal Bank of Florida	<u>12,728</u>	0.43%	12 months	2/28/2018
Total certificates of deposit	<u>\$ 1,241,796</u>			

NOTE 3. Receivables

At September 30, 2017, the City was owed \$309,452 largely for billed services provided. The amounts and established allowances for uncollectible accounts are indicated below:

	<u>General</u>	<u>Water and Sewer</u>	<u>Gas</u>	<u>Sanitation</u>	<u>Totals</u>
Billed amounts	\$ 1,078	\$ 177,181	\$ 88,473	\$ 42,720	\$ 309,452
Allowance for doubtful accounts	<u>-</u>	<u>(28,136)</u>	<u>(14,049)</u>	<u>(6,784)</u>	<u>(48,969)</u>
Totals	<u>\$ 1,078</u>	<u>\$ 149,045</u>	<u>\$ 74,424</u>	<u>\$ 35,936</u>	<u>\$ 260,483</u>

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

NOTE 4. Due from Other Governments

Due from other governmental units consists of the following amounts at September 30, 2017:

<u>Description</u>	<u>Amount</u>
State of Florida - Intergovernmental revenues	\$ 119,298
Hamilton County	
Delinquent taxes/interest	46
Investigations	3,922
Grant - other local unit	64
Court fines/investigations	<u>374</u>
Total	<u>\$ 123,704</u>

NOTE 5. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 241,442	\$ -	\$ -	\$ 241,442
Construction in progress	<u>2,050</u>	<u>-</u>	<u>2,050</u>	<u>-</u>
Total capital assets not being depreciated	<u>243,492</u>	<u>-</u>	<u>2,050</u>	<u>241,442</u>
Capital assets being depreciated				
Buildings	402,445	-	-	402,445
Infrastructure/improvements	1,351,990	-	-	1,351,990
Equipment and furniture	274,946	125,543	-	400,489
Vehicles	1,043,317	-	-	1,043,317
Property under capital leases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>3,072,698</u>	<u>125,543</u>	<u>-</u>	<u>3,198,241</u>
Less accumulated depreciation for				
Buildings	(177,076)	(5,846)	-	(182,922)
Infrastructure/improvements	(515,995)	(28,370)	-	(544,365)
Equipment and furniture	(211,856)	(14,472)	-	(226,328)
Vehicles	<u>(432,854)</u>	<u>(64,139)</u>	<u>-</u>	<u>(496,993)</u>
Total accumulated depreciation	<u>(1,337,781)</u>	<u>(112,827)</u>	<u>-</u>	<u>(1,450,608)</u>
Total capital assets being depreciated, net	<u>1,734,917</u>	<u>12,716</u>	<u>-</u>	<u>1,747,633</u>
Governmental activities capital assets, net	<u>\$ 1,978,409</u>	<u>\$ 12,716</u>	<u>\$ 2,050</u>	<u>\$ 1,989,075</u>
Business-type activities				
Water and Sewer				
Capital assets not being depreciated				
Land	\$ 667,039	\$ -	\$ -	\$ 667,039
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>667,039</u>	<u>-</u>	<u>-</u>	<u>667,039</u>
Capital assets being depreciated				
Buildings	288,160	-	-	288,160
Infrastructure/improvements	11,554,758	-	-	11,554,758
Equipment and furniture	531,163	47,310	-	578,473
Vehicles	<u>351,681</u>	<u>-</u>	<u>-</u>	<u>351,681</u>
Total capital assets being depreciated	<u>12,725,762</u>	<u>47,310</u>	<u>-</u>	<u>12,773,072</u>
Less accumulated depreciation for				
Buildings	(39,029)	(3,081)	-	(42,110)
Infrastructure/improvements	(4,877,489)	(232,541)	-	(5,110,030)
Equipment and furniture	(313,269)	(18,204)	-	(331,473)
Vehicles	<u>(234,636)</u>	<u>(18,272)</u>	<u>-</u>	<u>(252,908)</u>
Total accumulated depreciation	<u>(5,464,423)</u>	<u>(272,098)</u>	<u>-</u>	<u>(5,736,521)</u>
Total capital assets being depreciated, net	<u>7,261,339</u>	<u>(224,788)</u>	<u>-</u>	<u>7,036,551</u>
Water and Sewer capital assets, net	<u>\$ 7,928,378</u>	<u>\$ (224,788)</u>	<u>\$ -</u>	<u>\$ 7,703,590</u>

(Note 5 continued)

Gas Utility

Capital assets being depreciated				
Infrastructure/improvements	\$ 960,551	\$ -	\$ -	\$ 960,551
Equipment and furniture	34,490	14,249	-	48,739
Vehicles	<u>22,753</u>	<u>10,995</u>	<u>-</u>	<u>33,748</u>
Total capital assets being depreciated	<u>1,017,794</u>	<u>25,244</u>	<u>-</u>	<u>1,043,038</u>
Less accumulated depreciation for				
Infrastructure/improvements	(358,872)	(19,068)	-	(377,940)
Equipment and furniture	(19,073)	(1,770)	-	(20,843)
Vehicles	<u>(14,872)</u>	<u>(2,895)</u>	<u>-</u>	<u>(17,767)</u>
Total accumulated depreciation	<u>(392,817)</u>	<u>(23,733)</u>	<u>-</u>	<u>(416,550)</u>
Gas utility capital assets, net	<u>\$ 624,977</u>	<u>\$ 1,511</u>	<u>\$ -</u>	<u>\$ 626,488</u>

Sanitation

Capital assets being depreciated				
Equipment and furniture	\$ 33,829	\$ -	\$ -	\$ 33,829
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>33,829</u>	<u>-</u>	<u>-</u>	<u>33,829</u>
Less accumulated depreciation for				
Equipment and furniture	(20,666)	(1,500)	-	(22,166)
Vehicles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>(20,666)</u>	<u>(1,500)</u>	<u>-</u>	<u>(22,166)</u>
Sanitation capital assets, net	<u>\$ 13,163</u>	<u>\$ (1,500)</u>	<u>\$ -</u>	<u>\$ 11,663</u>

Depreciation expense was charged to the various functions as follows:

Governmental activities

General government	\$ 19,177
Public safety	68,779
Transportation	19,422
Culture/recreation	<u>5,450</u>
Total governmental activities depreciation expense	<u>\$ 112,828</u>

Business type activities

Water/sewer	\$ 272,097
Gas	23,733
Sanitation	<u>1,500</u>
Total business-type activities depreciation expense	<u>\$ 297,330</u>

NOTE 6. Interfund Balances and Activity

Interfund balances at September 30, 2017, are as follows:

Major funds	<u>Due from</u>	<u>Due to</u>
General	\$ 51,720	\$ -
Water and Sewer	28,375	142,451
Gas	90,731	-
Sanitation	-	28,375
Totals	<u>\$ 170,826</u>	<u>\$ 170,826</u>

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

Interfund transfers during the year ending September 30, 2017, were as follows:

Major funds	<u>Transfer out</u>	<u>Transfer in</u>
General	\$ -	\$ 367,112
Water and Sewer	339,817	-
Gas	<u>25,000</u>	<u>-</u>
Total major funds	<u>364,817</u>	<u>367,112</u>
Nonmajor funds		
First Mortgage Receivable	<u>2,295</u>	<u>-</u>
Total all funds	<u>\$ 367,112</u>	<u>\$ 367,112</u>

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

NOTE 7. Long-term Obligations

Governmental Activities – lease purchases

The City has the following lease purchase agreements:

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

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

The following is a schedule of the future minimum lease payments under the above lease purchase agreements and the present value of the net minimum lease payments at September 30, 2017:

		Governmental Activities
Year ending September 30,		
	2017	\$ 39,795
	2018	39,795
	2019	<u>30,571</u>
Total minimum lease payments		110,161
Less amount representing interest		<u>(11,563)</u>
Present value of future minimum lease payments		<u>\$ 98,598</u>

The gross amount of assets recorded under the capital leases is \$169,062. The accumulated depreciation for the aforementioned assets is \$30,496.

Business-type Activities – Notes payable

On June 12, 2012, the City refinanced the Utilities System Revenue Bond Series 1988, Bond Numbers_1 & 2 via a note payable with First Federal Bank of Florida.

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

Debt service requirements on business-type long-term debt at September 30, 2017, are as follows:

Year ending September 30,	<u>Business-type Activities</u>	
	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 50,524	\$ 40,323
2019	52,539	38,307
2020	54,537	36,310
2021	56,812	34,034
2022	59,079	31,768
2023-2027	332,609	121,624
2028-2032	<u>404,495</u>	<u>49,737</u>
Totals	<u>\$ 1,010,595</u>	<u>\$ 352,103</u>

Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	<u>10/1/2016</u>	<u>Adds</u>	<u>Deletes</u>	<u>9/30/2017</u>	Amounts Due Within <u>One Year</u>
Governmental Activities					
Compensated absences	\$ 67,693	\$ 65,493	\$ 48,857	\$ 84,329	\$ -
Capital leases	130,506	-	31,908	98,598	33,845
Net pension liability	<u>1,429,171</u>	<u>478,990</u>	<u>196,562</u>	<u>1,711,599</u>	<u>-</u>
Totals	<u>\$ 1,627,370</u>	<u>\$ 544,483</u>	<u>\$ 277,327</u>	<u>\$ 1,894,526</u>	<u>\$ 33,845</u>

	<u>10/1/2016</u>	<u>Adds</u>	<u>Deletes</u>	<u>9/30/2017</u>	Amounts Due Within <u>One Year</u>
Business-type Activities					
Compensated absences	\$ 49,797	\$ 45,444	\$ 39,390	\$ 55,851	\$ 55,851
Bonds payable	1,059,180	-	48,585	1,010,595	50,524
Net pension liability	<u>373,735</u>	<u>103,567</u>	<u>42,493</u>	<u>434,809</u>	<u>-</u>
Totals	<u>\$ 1,482,712</u>	<u>\$ 149,011</u>	<u>\$ 130,468</u>	<u>\$ 1,501,255</u>	<u>\$ 106,375</u>

NOTE 8. Fund Balance Reporting

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

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

A hierarchy of spendable fund balances is as follows:

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

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

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

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

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

Nonspendable

The City has mortgages, net of an uncollectable allowance, of \$49,128 in its Permanent Fund, which are not available for future appropriations.

Spendable

The City has classified the spendable fund balance as unassigned. At September 30, 2017, the unassigned general fund balance was \$632,656 or thirty-five percent of the General Fund’s total expenditures.

A summary of the fund balances at September 30, 2017, is as follows:

Description	<u>General Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Fund balances:			
Nonspendable			
Principal of Permanent Fund	\$ -	\$ 49,128	\$ 49,128
Unassigned	<u>632,656</u>	<u>-</u>	<u>632,656</u>
Total fund balance	<u>\$ 632,656</u>	<u>\$ 49,128</u>	<u>\$ 681,784</u>

NOTE 9. Risk Management

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

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

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

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

General Information

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

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

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature.

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

The City's pension expense (FRS \$338,226 and HIS \$38,526) totaled \$376,752 for the fiscal year ended September 30, 2017.

FRS Pension Plan:

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

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

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

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service except for members classified as special risk that are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service except for members classified as special risk that are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision;

however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided: Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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

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

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

Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

Class	<u>Percent of Gross Salary</u>		Total
	<u>Employee</u>	<u>Employer (1)</u>	<u>Contribution Rate</u>
FRS, Regular	3.00%	5.80%	8.80%
FRS, Elected County Officers	3.00%	40.75%	43.75%
FRS, Senior Management Service	3.00%	20.05%	23.05%
FRS, Special Risk Regular	3.00%	20.85%	23.85%
FRS, Special Risk Administrative	3.00%	26.34%	29.34%
DROP - Applicable to member from all of the above classes	0.00%	11.33%	11.33%

Notes

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

The City’s contributions, including employee contributions, to the Plan totaled \$161,309 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At September 30, 2017, the City reported a liability of \$1,707,182 for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The City’s proportionate share of the net pension liability was based on the City’s 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the City’s proportionate share was .005771528 percent, which was an increase of .000495953 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$338,224. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ (9,457)	\$ 150,710
Changes in assumptions	603,960	-
Net difference between projected and actual earnings on FRS pension plan investments	541,193	(426,823)
Changes in proportion and differences between City's FRS contributions and proportionate share of contributions	-	-
City FRS contributions subsequent to the measurement date	9,159	-
Total	<u>\$ 1,144,855</u>	<u>\$ (276,113)</u>

The deferred outflows of resources related to pensions, totaling \$39,386, resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ending September 30	<u>Amount</u>
2018	\$ 12,009
2019	12,009
2020	12,009
2021	12,009
2022	12,009
Thereafter	4,804

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

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.10 percent

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

The actuarial assumptions used were developed as of a June 30, 2017, measurement date and are based on an actuarial valuation date of June 30, 2017. Valuations are performed annually.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target

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

Asset Class	Target <u>Allocation (1)</u>	Annual Arithmetic <u>Return</u>	Compound Annual (Geometric) <u>Return</u>	Standard <u>Deviation</u>
Cash	1.00%	3.00%	3.00%	1.80%
Fixed income	18.00%	4.50%	4.40%	4.20%
Global equity	53.00%	7.80%	6.60%	17.00%
Real estate	10.00%	6.60%	5.90%	12.80%
Private equity	6.00%	11.50%	7.80%	30.00%
Strategic investments	12.00%	6.10%	5.60%	9.70%
Assumed inflation			2.60%	1.90%

1. As outlined in the FRS Pension Plan's investment policy available from Funds We Manage on the SBA's website at www.sbafla.com.

Discount Rate: The discount rate used to measure the total pension liability was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate: The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.10 percent) or 1 percentage-point higher (8.10 percent) than the current rate:

	1% Decrease <u>6.10%</u>	Current Discount Rate <u>7.10%</u>	1% Increase <u>8.10%</u>
City's proportionate share of the net pension liability	\$ <u>3,089,896</u>	\$ <u>1,707,182</u>	\$ <u>(2,855,152)</u>

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

Payables to the Pension Plan: At September 30, 2017, the City reported a payable of \$15,079 (FRS \$12,691 and HIS \$2,388) for the outstanding amount of contributions to the Plan required for the fiscal year ended September 30, 2017.

**Schedule of the City of Jasper, Florida's Proportionate Share of Net Pension Liability
Florida Retirement System
Last 10 Fiscal Years***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City of Jasper, Florida's proportion of the net pension liability (asset)	0.005772%	0.005276%	0.005037%	0.004800%
City of Jasper, Florida's proportionate share of the net pension liability (asset)	\$ 1,707,179	\$ 1,332,087	\$ 650,605	\$ 292,858
City of Jasper, Florida's covered-employee payroll	\$ 1,377,037	\$ 1,277,609	\$ 1,254,727	\$ 1,245,908
City of Jasper, Florida's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	123.97%	104.26%	51.85%	23.51%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

* Information is presented for those years available

**Schedule of the City of Jasper, Florida's Contributions
Florida Retirement System
Last 10 Fiscal Years***

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

* Information is presented for those years available

HIS Pension Plan

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

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The City contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$22,859 for the fiscal year ended September 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2017, the City reported a net pension liability of \$439,219 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The City's proportionate share of the net pension liability was based on the City's 2016-17 fiscal year contributions relative to the June 30, 2017, fiscal year contributions of all participating members.

At June 30, 2017, the City's proportionate share was .004107738 percent, which was a decrease of .000067999 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the City recognized pension expense of \$38,525. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Difference between expected and actual experience	\$ 548	\$ (915)
Changes in assumptions	66,666	(39,559)
Net difference between projected and actual earnings on FRS pension plan investments	-	202
Changes in proportion and differences between City's FRS contributions and proportionate share of contributions	12,244	(7,372)
City FRS contributions subsequent to the measurement date	-	-
Total	<u>\$ 79,458</u>	<u>\$ (47,644)</u>

The deferred outflows of resources, totaling \$5,597 was related to pensions resulting from City contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Fiscal year ending September 30		<u>Amount</u>
2018	\$	930
2019		930
2020		930
2021		930
2022		930
Thereafter		1,116

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

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

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

The actuarial assumptions used in the June 30, 2017, valuation were developed as of a June 30, 2017, measurement date, based on an actuarial valuation date of June 30, 2016. HIS plan valuations occur on a biennial basis.

Discount Rate The discount rate used to measure the total pension liability was 2.85 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.58 percent) or 1 percentage-point higher (4.58 percent) than the current rate:

	1% Decrease <u>2.58%</u>	Current Discount <u>3.58%</u>	1% Increase <u>4.58%</u>
City's proportionate share of the net pension liability	<u>\$ 501,207</u>	<u>\$ 439,219</u>	<u>\$ 387,586</u>

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

Payables to the Pension Plan At September 30, 2017, the City reported a payable of \$2,388 for the outstanding amount of contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

**Schedule of the City of Jasper, Florida's Proportionate Share of Net Pension Liability
Health Insurance Subsidy Program
Last 10 Fiscal Years***

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

* Information is presented for those years available

**Schedule of the City of Jasper, Florida's Contributions
Health Insurance Subsidy Program
Last 10 Fiscal Years***

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

* Information is presented for those years available

FRS – Defined Contribution Pension Plan

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

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

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

Allocations to the investment member's accounts during the 2016-17 fiscal year were as follows:

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

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

Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City's Investment Plan pension expense totaled \$25,682, for the fiscal year ended September 30, 2017.

Note 11. Economic Dependency

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

Note 12. Other Commitments

Refuse Collection

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

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

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

Florida Department of Environmental Protection – Consent Order

The City is operating under a Consent Order from the Florida Department of Environmental Protection to resolve Case Number 15-0414. The Consent Order assessed civil penalties of \$7,000 or alternatively the City could off-set the penalty with an in-kind project. The City chose the in-kind project. (Marjorie Lane lift station improvement was completed in fiscal year 2015-16 via Suwannee River Water Management District (SRWMD) Contract #14/15-183.) The Consent Order requires a compliance plan to meet final effluent limits, detailing the steps necessary, and identify a Land Application System in order to cease discharge to Baisden Swamp. Quarterly reports indicating the City's progress towards the above are required. The compliance plan is to be completed no later than August 4, 2021.

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

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

NOTE 13. Current/Future Accounting Pronouncements

The following statements of the Governmental Accounting Standards Board were effective for the City's 2016-17 fiscal year:

No. 77, Tax Abatement Disclosures

No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

No. 79, Certain External Investment Pools and Pool Participants

No. 80, Blending Requirements For Certain Component Units – an amendment of GASB No. 14

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

The following statements will be effective for the City's 2017-18 fiscal year (and beyond):

No. 83, Certain Asset Retirement Obligations

No. 84, Fiduciary Activities

No. 85, Omnibus 2017

No. 86, Certain Debt Extinguishment Issues

No. 87, Leases

Implementation Guide No. 2017-1 Implementation Guidance Update

Implementation Guide No. 2017-2 Financial Reporting for Postemployment Benefit Plans Other than Pensions

The City is evaluating the effects that these statements will have on its financial statements for the year ending September 30, 2018.

Note 14. Subsequent Events

The City's Management has evaluated subsequent events through the date of the audit report – February 27, 2018, and reports the following:

On October 24, 2017, the City entered into a Memorandum of Agreement for Cost Share Assistance with the Suwannee River Water Management District. The Agreement is to assist with the repair and replacement of leaky fire hydrants and water mains. The Agreement budgets engineering costs of \$12,000 and construction services of \$144,715 for a total of \$156,715. The District will reimburse up to \$141,715 of the cost.

On February 12, 2018, the City Council took the following actions:

1. approved the removal of all housing liens imposed by a prior CDBG Grant
2. approved health insurance benefits (or a substitute benefit) for all council members

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF JASPER, FLORIDA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended September 30, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Fund balance - beginning *	\$ -	\$ -	\$ 552,889	\$ 552,889
Estimated receipts				
Taxes	891,504	891,504	1,022,001	130,497
Licenses and permits	110,000	110,000	102,260	(7,740)
Intergovernmental revenue	229,928	229,928	246,327	16,399
Charges for services	128,004	128,004	124,754	(3,250)
Fines and forfeits	3,850	3,850	3,886	36
Miscellaneous	10,330	10,330	46,619	36,289
Other sources	<u>788,970</u>	<u>788,970</u>	<u>367,112</u>	<u>(421,858)</u>
Total estimated receipts and balances	<u>2,162,586</u>	<u>2,162,586</u>	<u>2,465,848</u>	<u>303,262</u>
Appropriations				
General government	579,961	579,961	468,865	111,096
Public safety	974,232	974,232	928,720	45,512
Physical environment	12,300	12,300	5,945	6,355
Transportation	461,330	461,330	310,651	150,679
Economic environment	1,200	1,200	848	352
Human services	4,250	4,250	4,785	(535)
Culture/recreation	129,313	129,313	113,378	15,935
Other uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total appropriations	<u>2,162,586</u>	<u>2,162,586</u>	<u>1,833,192</u>	<u>329,394</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,656</u>	<u>\$ 632,656</u>

* as adjusted

CITY OF JASPER, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

For the Year Ending September 30, 2017

NOTE 1. BUDGET

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

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

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

The City made no supplementary budget amendment for the fiscal year ending September 30, 2017.

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

	<u>General Fund</u>
Sources/inflows of resources	
Financial statement major funds	
Actual amount (budgetary basis) of the estimated receipts and balances from the budgetary comparison schedules	\$ 2,465,848
Adjustments	
Budgetary fund balance is an amount available for appropriation but is not considered a revenue for GAAP reporting	(552,889)
Transfers in are available for appropriation but are not revenues for GAAP reporting	<u>(367,112)</u>
Total revenues reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,545,847</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "Total appropriations" from the budgetary comparison schedules	<u>\$ 1,833,192</u>

COMPLIANCE
SECTION

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

107 2nd Ave S.E.
Jasper, FL 32052

Phone 386-792-1906
Fax 386-792-1925
kmdcpa@windstream.net

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Jasper, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Jasper, Florida’s basic financial statements, and have issued my report thereon dated February 27, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Kenneth M. Daniels
Certified Public Accountant
February 27, 2018

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

107 2nd Ave S.E.
Jasper, FL 32052

Phone 386-792-1906
Fax 386-792-1925
kmdcpa@windstream.net

INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and City Council
City of Jasper, Florida

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

My examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City of Jasper's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my examination provides a reasonable basis for my opinion. My examination does not provide a legal determination on the City of Jasper, Florida's compliance with the requirements.

In my opinion, the City of Jasper, Florida, complied in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Kenneth M. Daniels
Certified Public Accountant
February 27, 2018

KENNETH M. DANIELS
CERTIFIED PUBLIC ACCOUNTANT

107 2nd Ave S.E.
Jasper, FL 32052

Phone 386-792-1906
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MANAGEMENT LETTER

To the Honorable Mayor and City Council Members
Jasper, Florida

Report on the Financial Statements

I have audited the financial statements of the City of Jasper, Florida, as of and for the fiscal year ended September 30, 2017, and have issued my report thereon dated February 27, 2018.

Auditor's Responsibility

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports

I have issued my Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550 *Rules of the Auditor General*. Disclosures in that report, which is dated February 27, 2018, should be considered in conjunction with this management letter.

Prior year findings

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

2016-001 Fuel Logs (Finding's Second Year)

Criteria: Fuel consumption should be monitored to ensure proper usage by City employees.

Condition: While fuel logs are used by employees, no further analysis/review of the usage entries is performed.

Context: Unable to reconcile beginning inventory fuel purchased, fuel used, and ending inventory, and, therefore, finding the review of little value, the City no longer attempts to monitor fuel usage.

Effect: The potential for the improper fuel consumption is elevated due to lack of review.

Recommendation: I again recommend that the City Monitor and evaluate fuel usage on a weekly basis and investigate and/or seek justification for any unusual consumption.

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

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

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

Context: After two years of significant declining billings, the City replaced the water meters at Hamilton Correctional Institution (HCI). Revenues recovered. Based on the year ending September 30, 2014, and subsequent billings the loss could have ranged as high as \$395,000 (unable to determine exactly given numerous factors that affect billings).

Effect: The failure to systematically replace the City's water meters could result in a significant loss of revenue and incorrect billings. For the year ending September 30, 2017, HCI represents approximately sixty percent of the City's water sales by gallons billed and approximately fifty percent of the water sales by dollars billed. In relative terms, if the loss per residential were comparable to the loss at HCI, the loss of revenue for the most recent year could range upwards to \$234,000 per year.

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

Current year findings

2017-001 Delinquent Utility Billings Policy

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

Condition: There were 126 inactive accounts as of January 2018 totaling \$29,005.

Context: Twenty of the 126 accounts were tested. The dates that the corresponding deposit was applied ranged from February 19, 2016, to October 24, 2017.

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

Cause: The issue began in the year ending September 30, 2017, and is isolated to the current year.

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

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. See Note 1. The City of Jasper Florida's financial statements included no component units.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that I apply appropriate procedures and report the result of my determination as to whether or not the City of Jasper, Florida, has met one or more of the conditions described in Section 218.503(1), *Florida Statutes*, and to identify the specific condition(s) met. In connection with my audit, I determined that the City of Jasper, Florida, did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, I applied financial condition assessment procedures. It is management's responsibility to monitor the City of Jasper's financial condition, and my financial assessment was based in part on representations made by management and the review of financial information provided by the same. The financial condition assessment was performed as of September 30, 2017.

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7) *Rules of the Auditor General*, requires me to apply appropriate procedures and communicate the results of my determination as to whether the annual financial report for the City of Jasper, Florida, for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with my audit, I determined that these two reports were in agreement.

Special District Component Units

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

Additional Matters

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

Purpose of this Letter

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



Kenneth M. Daniels
Certified Public Accountant
February 27, 2018

**CITY'S
RESPONSE TO
AUDIT FINDINGS**

COUNCIL MEMBERS

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

City of Jasper



CHARLES WILLIAMS
City Manager

MARGARET HARPER
Chief Financial Officer

JENNIFER HIGHTOWER, MMC
City Clerk

March 29, 2018

Mr. Ken Daniels, CPA
P. O. Box 1689
107 2nd Avenue SE
Jasper, FL 32052

RE: 2017 Annual Audit Finding

2016-001 Fuel Logs

City Manager has made a recommendation to City Council that the current fuel supply system be abandoned and replaced with a computerized method to enhance security and accuracy. This has not been implemented due to the Hunter Fuel Center refusing to install a permanent generator to supply power in the event of a storm or power failure. City Manager will review other options and make a recommendation to the City Council.

2016-002 Utility (water) Meters

City Manager has recommended to City Council in open session that the City of Jasper purchase new electronic water meters with 20 year warranties for the entire City. Total cost would be around \$500,000. This would require refinancing existing debt, increasing the City's debt load \$20,000 per year.

2017-001 Delinquent Utility Billings Policy

City Manager and Finance Officer will come up with a policy and make a recommendation to the City Council that meets the needs of this finding.

Charles Williams
City Manager
City of Jasper, Florida

Margaret Harper
Chief Financial Officer
City of Jasper, Florida

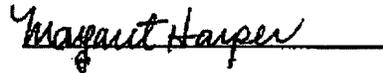
**CITY OF JASPER, FLORIDA
AFFIDAVIT OF COMPLIANCE
FLORIDA STATUTES 163.31801**

For the Year Ending September 30, 2017

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

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

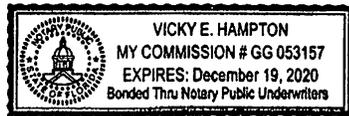
FURTHER AFFIANT SAYETH NAUGHT.

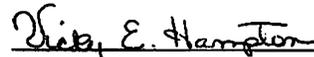


Margaret Harper, Chief Financial Officer

STATE OF FLORIDA
COUNTY OF Hamilton

SWORN TO AND SUBSCRIBED before me this 28th day of February, 2018.





NOTARY PUBLIC
Vicky Hampton

Personally known X or produced identification _____

Type of identification produced: N/A

My Commission Expires:

12-19-2020