

TOWN OF JUPITER INLET COLONY
FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT THEREON
ANNUAL AUDIT FOR THE YEAR ENDING
SEPTEMBER 30, 2019

TOWN OF JUPITER INLET COLONY
SEPTEMBER 30, 2019

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NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Jupiter Inlet Colony, Florida as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Jupiter Inlet Colony, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Jupiter Inlet Colony, Florida as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10, and budgetary comparison information on page 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2020 on our consideration of the Town of Jupiter Inlet Colony, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Jupiter Inlet Colony, Florida's internal control over financial reporting and compliance.

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
April 3, 2020

TOWN OF JUPITER INLET COLONY
A MUNICIPAL CORPORATION

50 COLONY ROAD
JUPITER INLET COLONY
FLORIDA 33469-3507

TELEPHONE: 561-746-3787
FACSIMILE: 561-746-1068
E-MAIL: jicolony@bellsouth.net

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Town of Jupiter Inlet Colony’s discussion and analysis is designed to assist the reader by providing a narrative overview and analysis of the financial activities of the Town for the years ended September 30, 2019, and 2018. Since the Management’s Discussion and Analysis (MD&A) is designed to focus on the current year’s activities, resulting changes and currently known facts, please read it in conjunction with the Town’s financial statements that follow this section.

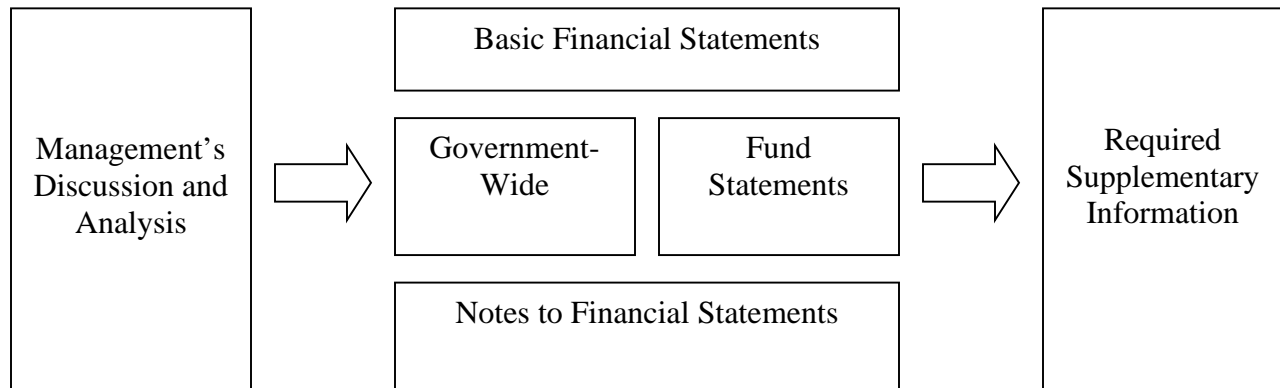
FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the fiscal years ended September 30, 2019, and 2018.

- The Town’s total assets exceeded its liabilities at September 30, 2019, and 2018 by \$6,598,917 and \$6,866,119, respectively (net position). Of this 2019 amount, unrestricted net position was \$114,158, \$4,806,045 was restricted, and \$1,678,714 was net investment in capital assets.
- The Town’s revenues for the governmental funds were \$3,377,280 and \$3,187,465 for the years ended September 30, 2019, and 2018, respectively. The expenditures for governmental funds were \$3,369,788 and \$8,931,607, respectively.
- The General Fund unassigned fund balance decreased by \$148,593 from \$364,129 in 2018 to \$215,536 in 2019.
- The Town’s long-term liabilities consists of three notes payable and compensated absences.

OVERVIEW OF FINANCIAL STATEMENTS

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



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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$6,598,917 as of September 30, 2019, and by \$6,866,119 as of September 30, 2018.

Town of Jupiter Inlet Colony Net Position

	Governmental Activities		Increase Decrease
	2019	2018	
Assets:			
Current and other assets	\$ 10,831,227	\$ 11,885,223	\$ (1,053,996)
Capital assets	4,984,521	5,122,473	(137,952)
Total assets	15,815,748	17,007,696	(1,191,948)
Liabilities:			
Current liabilities	188,083	428,574	(240,491)
Noncurrent liabilities	9,028,748	9,713,003	(684,255)
Total liabilities	9,216,831	10,141,577	(924,746)
Net position:			
Net investment in capital assets	1,678,714	1,559,794	118,920
Restricted net position	4,806,045	5,268,181	(462,136)
Unrestricted	114,158	38,144	76,014
Total net position	\$ 6,598,917	\$ 6,866,119	\$ (267,202)

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

Governmental Activities

Governmental activities decreased the Town's net position by \$267,202 for the year ended September 30, 2019, and net position for the year ended September 30, 2018, decreased by \$3,747,065. Key elements of the changes for both years are as follows:

Town of Jupiter Inlet Colony Changes in Net Position

	Governmental Activities		Increase
	2019	2018	(Decrease)
Revenues:			
Program revenues:			
Charges for services	\$ 292,747	\$ 381,340	\$ (88,593)
Contributions	122,992	246,026	(123,034)
General revenues:			
Property taxes	1,618,642	1,543,081	75,561
Franchise fees	38,572	37,184	1,388
Intergovernmental	118,004	117,062	942
Investment earnings	358,483	399,259	(40,776)
Total revenue	2,549,440	2,723,952	(174,512)
Expenses:			
Program expenses:			
General government	696,781	650,648	46,133
Public safety	1,202,266	1,115,142	87,124
Physical environment	525,509	443,618	81,891
Neighborhood rehab project	114,759	3,965,022	(3,850,263)
Interest expense	277,327	296,587	(19,260)
Total expenses	2,816,642	6,471,017	(3,654,375)
Increase/(decrease) in net position	(267,202)	(3,747,065)	3,479,863
Beginning Net position	6,866,119	10,613,184	(3,747,065)
Ending Net Position	\$ 6,598,917	\$ 6,866,119	\$ (267,202)

The change in net position between the fiscal year ending September 30, 2019 and 2018 were primarily due to expenses relating to the Neighborhood Rehabilitation Project. The Town recorded assessment revenue of \$9,550,000 related to the Neighborhood Rehabilitation Project in fiscal year 2017. The Town incurred \$114,759 and \$3,965,022 in expenses related to this project in fiscal years 2019 and 2018. The project was completed during September 30, 2018.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At September 30, 2019, and 2018, the Town's General Fund reported an ending fund balance of \$454,495 and \$639,679 respectively, a decrease of \$185,184 and a decrease of \$82,577, respectively, from prior years. This decrease for 2019 was due primarily to a decrease in license & permits and capital outlay for a new security building. Unassigned fund balance decreased to \$215,536 in 2019.

During the fiscal year 2017, the Neighborhood Rehabilitation Special Revenue Fund was created to account for the replacement of existing septic tanks with a new sewer system and upgrade the existing storm water drainage system. At September 30, 2019, and 2018, the Neighborhood Rehabilitation Special Revenue Fund reported an ending fund balance of \$527,964 and \$334,636, respectively. The increase was due to increase of intergovernmental revenue and decrease in project expenditures.

At September 30, 2019, and 2018, the Undergrounding Debt Service Fund reported an ending fund balance of \$534 and of \$1,186, respectively.

Budgetary Highlights - Budget to actual comparison schedules are provided in the Required Supplementary Information (RSI) Section of the report (beginning on page 35). The budget and actual schedule show the original budget, the final budget, actual results, and variance between the final budget and actual results for the General Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of September 30, 2019, and 2018 amounted to \$4,984,521 and \$5,122,473, respectively. This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

The additions in the Town's capital assets for the current fiscal year was \$169,739, this was primarily for town hall renovations, security building, and camera system.

**Town of Jupiter Inlet Colony
Capital Assets**

	Governmental Activities		Increase Decrease
	2019	2018	
Land	\$ 940,754	\$ 940,754	\$
Construction in progress	55,981		55,981
Buildings and improvements	496,684	444,669	52,015
Infrastructure	4,006,762	4,006,762	
Equipment	286,476	224,733	61,743
Total capital assets	5,786,657	5,616,918	169,739
Less accumulated depreciation	(802,136)	(494,445)	(307,691)
Total	\$ 4,984,521	\$ 5,122,473	\$ (137,952)

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

Debt Outstanding

At September 30, 2019, and 2018, the Town had notes payable in the amount of \$9,001,859 and \$9,969,293, respectively. The three notes are for the underground utility project, the purchase of the Town Hall, and the sewer system, road improvements and upgrading the existing storm water drainage system. Additional information on the Town’s long-term debt can be found in Footnote 6 of this report.

NEXT YEAR’S BUDGET AND ECONOMIC FACTORS

The Town’s 2020 fiscal year budget includes items that continue to accomplish the goals of the Town. These goals include enhancing the level of services so as to provide the residents with the highest quality services at the lowest possible cost, increasing the responsiveness of the local government to the needs of the public, and planning and budgeting for Town improvement and beautification projects.

- Property taxes represent 76% of the General Fund budgeted revenues for 2020.
- The Town’s millage rate was lowered from 4.90 to 4.85 for 2020.
- Total assessed property values increased from \$353,700,655 to \$381,977,918 for 2020.
- Total taxable property values increased from \$342,736,986 to \$371,282,981 for 2020.
- The total budget increased from \$2,107,031 to \$2,304,430 for 2020.

REQUESTS FOR INFORMATION

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

TOWN OF JUPITER INLET COLONY, FLORIDA
Statement of Net Position
September 30, 2019

ASSETS

Current assets		
Cash and cash equivalents	\$	391,910
Investments		9,732
Accounts receivable		87,316
Restricted assets		
Cash and cash equivalents		580,278
Special assesments receivable		9,451,570
Accrued interest on special assesments		300,660
Due from other governments		9,761
Total current assets		<u>10,831,227</u>
Capital assets		
Nondepreciable		996,735
Depreciable (net of depreciation)		<u>3,987,786</u>
Total assets		<u>15,815,748</u>

LIABILITIES

Accounts payable		82,783
Accrued liabilities		13,221
Accrued interest payable		92,079
Noncurrent liabilities:		
Due within one year		731,471
Due in more than one year		<u>8,297,277</u>
Total liabilities		<u>9,216,831</u>

NET POSITION

Net investment in capital assets		1,678,714
Restricted for debt service		86,523
Restricted for transportation		38,207
Restricted for infrastructure		29,882
Restricted for neighborhood project/debt service		4,567,965
Restricted for administration of the Florida building code		83,468
Unrestricted net position		<u>114,158</u>
Total net position	\$	<u><u>6,598,917</u></u>

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

TOWN OF JUPITER INLET COLONY, FLORIDA
Statement of Activities
For the Year Ended September 30, 2019

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				GOVERNMENTAL ACTIVITIES
	EXPENSES	CHARGES FOR SERVICES	CONTRIBUTIONS		
			OPERATING	CAPITAL	
Governmental activities:					
General government	\$ 696,781	\$ 281,326	\$ 18,067	\$ 80,000	\$ (317,388)
Police	786,266	11,421			(774,845)
Fire	416,000				(416,000)
Public works	271,606				(271,606)
Roads and walkways	253,903				(253,903)
Neighborhood rehabilitation project	114,759			24,925	(89,834)
Interest expense	277,327				(277,327)
	<u>\$ 2,816,642</u>	<u>\$ 292,747</u>	<u>\$ 18,067</u>	<u>\$ 104,925</u>	<u>(2,400,903)</u>

GENERAL REVENUES:

Ad valorem taxes	1,618,642
Franchise fees	38,572
Interest - unrestricted	358,483
Intergovernmental	118,004
Total general revenues	<u>2,133,701</u>
Change in net position	(267,202)
Beginning net position	<u>6,866,119</u>
Ending net position	<u>\$ 6,598,917</u>

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

TOWN OF JUPITER INLET COLONY, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2019

	General Fund	Neighborhood Rehabilitation Special Revenue Fund	Undergrounding Debt Service Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 391,910	\$	\$	\$ 391,910
Restricted cash and cash equivalents	88,208	471,339	20,731	580,278
Investments	9,732			9,732
Employee advances	2,935			2,935
Accounts receivable	7,490	76,891		84,381
Special assessments receivable		7,943,235	1,508,335	9,451,570
Accrued interest on special assessments		241,594	59,066	300,660
Due from other governments	9,761			9,761
Due from other funds	40,463			40,463
Total assets	<u>\$ 550,499</u>	<u>\$ 8,733,059</u>	<u>\$ 1,588,132</u>	<u>\$ 10,871,690</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 82,783	\$	\$	\$ 82,783
Accrued liabilities	13,221			13,221
Due to other funds		20,266	20,197	40,463
Total liabilities	<u>96,004</u>	<u>20,266</u>	<u>20,197</u>	<u>136,467</u>
Deferred inflows of resources				
Unavailable revenue	\$	\$ 8,184,829	\$ 1,567,401	\$ 9,752,230
Fund Balance				
Restricted for debt service	87,402	164,938	20,731	273,071
Restricted for neighborhood project/debt service		363,026		363,026
Restricted for transportation	38,207			38,207
Restricted for infrastructure	29,882			29,882
Restricted for administration of the Florida building code	83,468			83,468
Unassigned	215,536		(20,197)	195,339
Total fund balance	<u>454,495</u>	<u>527,964</u>	<u>534</u>	<u>982,993</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 550,499</u>	<u>\$ 8,733,059</u>	<u>\$ 1,588,132</u>	<u>\$ 10,871,690</u>

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

TOWN OF JUPITER INLET COLONY, FLORIDA
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2019

Fund balance of total governmental funds	\$	982,993
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Amounts reported for governmental activities
in the statement of net position are different because:

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

Governmental capital assets	\$ 5,786,657	
Less: accumulated depreciation	<u>(802,136)</u>	4,984,521

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

Unavailable revenue		9,752,230
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.

Accrued interest payable	(92,079)	
Compensated absences	(26,889)	
Notes payable	<u>(9,001,859)</u>	<u>(9,120,827)</u>

Net position of governmental activities	\$	<u><u>6,598,917</u></u>
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Notes to the financial statements are an integral part of this statement.

TOWN OF JUPITER INLET COLONY, FLORIDA
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2019

	<u>General Fund</u>	<u>Neighborhood Rehabilitation Special Revenue Fund</u>	<u>Undergrounding Debt Service Fund</u>	<u>Total</u>
Revenues				
Ad valorem taxes	\$ 1,618,642	\$	\$	\$ 1,618,642
Franchise fees	38,572			38,572
Licenses & permits	281,326			281,326
Fines & forfeitures	11,421			11,421
Interest	11,092	309,032	59,520	379,644
Special assessments		492,315	157,999	650,314
Contributions	98,067			98,067
Intergovernmental	133,404	165,890		299,294
Total revenues	<u>2,192,524</u>	<u>967,237</u>	<u>217,519</u>	<u>3,377,280</u>
Expenditures				
Current				
General government	509,927			509,927
Building department	160,425			160,425
Public safety	1,179,311			1,179,311
Public works	112,643			112,643
Roads and walkways	147,380	114,759		262,139
Capital outlay	169,739			169,739
Debt Service				
Principal	75,450	434,021	181,963	691,434
Interest	11,952	228,868	43,350	284,170
Total expenditures	<u>2,366,827</u>	<u>777,648</u>	<u>225,313</u>	<u>3,369,788</u>
Excess of revenues over (under) expenditures	<u>(174,303)</u>	<u>189,589</u>	<u>(7,794)</u>	<u>7,492</u>
Other financing sources (uses)				
Transfers in		3,739	7,142	10,881
Transfer out	<u>(10,881)</u>			<u>(10,881)</u>
Total other financing sources (uses)	<u>(10,881)</u>	<u>3,739</u>	<u>7,142</u>	
Net change in fund balances	(185,184)	193,328	(652)	7,492
Beginning fund balances	<u>639,679</u>	<u>334,636</u>	<u>1,186</u>	<u>975,501</u>
Ending fund balances	<u>\$ 454,495</u>	<u>\$ 527,964</u>	<u>\$ 534</u>	<u>\$ 982,993</u>

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

TOWN OF JUPITER INLET COLONY, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of the Governmental Funds to the Statement of Activities
Governmental Funds
For the Year Ended September 30, 2019

Net change in fund balances of governmental funds \$ 7,492

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

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

Expenditures for capital assets	\$ 169,739	
Less: current year depreciation	<u>(307,691)</u>	(137,952)

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

691,434

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

Prior years' special assessments collected	(650,314)	
Prior year's grants	(156,365)	
Accrued interest on special assessments	<u>(21,161)</u>	(827,840)

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

Change in accrued interest payable	6,843	
Change in long-term compensated absences	<u>(7,179)</u>	<u>(336)</u>

Change in net position of governmental activities \$ (267,202)

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

or

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

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

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental Funds

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

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds (Continued)

The Town reports the following major governmental funds:

General Fund

The general fund is the primary operating fund and is used to account for all financial resources applicable to the general operations of the Town except those required to be accounted for in another fund

Neighborhood Rehabilitation Special Revenue Fund

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

Undergrounding Debt Service Fund

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

Cash and Cash Equivalents

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

Investments

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

Other Post Employment Benefits (OPEB)

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

Compensated Absences

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

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

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

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

Long-Term Obligations

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

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

Deferred Outflow of Resources

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

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

Net Position

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

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

Fund Equity

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

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity (Continued)

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

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

Use of Estimates

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data

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

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

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

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

Budgeted amounts are as originally adopted, or as amended by appropriate action. For the fiscal year ended September 30, 2019, the General Fund expenditures were over budget by \$106,954.

Property Taxes

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

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

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

Property Taxes (Continued)

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

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

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

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

NOTE 3 - CASH AND INVESTMENTS

As of September 30, 2019, the carrying amounts of the Town's deposits were \$972,188 and the bank balances totaled \$991,466. All cash deposits are covered by the multiple financial institution collateral pool administered by the State of Florida. The collateral pool was created pursuant to the Florida Security for Deposits Act, Chapter 280, Florida Statutes. The collateral pool consists of assets pledged to the State Treasurer by financial institutions that comply with the requirements of Florida Statutes and have been thereby designated as "qualified public depositories".

Therefore, the Town's entire bank balance of \$991,466 is insured either by Federal Depository Insurance or is collateralized with securities pursuant to the Florida Security for Public Deposits Act.

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 3 - CASH AND INVESTMENTS (Continued)

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

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

The investment in the Florida PRIME is not insured by FDIC or any other governmental agency. As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

As of September 30, 2019, the Town of Jupiter Inlet Colony had \$9,732 invested in Florida PRIME.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The Florida PRIME has a weighted average maturity of 33 days, resulting in minimal interest rate risk.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 3 - CASH AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Town's investment policies limit its investments to high quality investments to control credit risk. At September 30, 2019, Florida PRIME was rated "AAA(m) by Standard and Poor's Rating Services.

Custodial Credit Risk

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Town will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At September 30, 2019, the Town did not have any investments subject to custodial credit risk.

Concentrations of Credit Risk

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

NOTE 4 – SPECIAL ASSESSMENTS

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

Undergrounding Special Assessment

On January 18, 2011, the Town adopted Resolution 2011-1, levying non-ad valorem special assessments on properties specially benefitted by a capital improvement project to place underground the overhead electric, cable television, and telephone utility facilities that serve a portion of the Town and its inhabitants.

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 4 – SPECIAL ASSESSMENTS (Continued)

Neighborhood Rehabilitation Project Special Assessment

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

Assessments shall be prepaid in full or payable in 15 yearly installments, starting in the fiscal year ending September 30, 2019. The amount assessed was \$9,550,000. See Note 6 for a discussion of the related financing for the project.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets not being depreciated				
Land	\$ 940,754	\$	\$	\$ 940,754
Construction in Progress		96,796	(40,815)	55,981
Capital Assets being depreciated:				
Buildings and Improvements	444,669	52,015		496,684
Infrastructure	4,006,762			4,006,762
Equipment	224,733	61,743		286,476
Total at historical cost	<u>5,616,918</u>	<u>210,554</u>	<u>(40,815)</u>	<u>5,786,657</u>
Less accumulated depreciation for:				
Buildings and Improvements	58,351	18,487		76,838
Infrastructure	282,225	264,877		547,102
Equipment	153,869	24,327		178,196
Total accumulated depreciation	<u>494,445</u>	<u>307,691</u>		<u>802,136</u>
Total Capital Assets	<u>\$ 5,122,473</u>	<u>\$ (97,137)</u>	<u>\$(40,815)</u>	<u>\$ 4,984,521</u>

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 5 – CAPITAL ASSETS (Continued)

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

General government	\$ 23,095
Police department	19,110
Public works	158,963
Roads and walkways	<u>106,523</u>
	<u>\$ 307,691</u>

NOTE 6 – LONG-TERM LIABILITIES

Loans Payable from Direct Borrowings and Direct Placements

2015 TD Bank Promissory Note

The Town Commission adopted Resolution No. 2015-05 authorizing the issuance of a note in the amount of \$800,000 with TD Bank to finance the purchase of the new Town Hall. Principal and interest payments are due bi-annually in the amount of \$43,72, with a final maturity date of February 1, 2025. The interest rate on the loan is 2.64% and is subject to adjustment in the event of taxability of the interest on this note. In the event of prepayment on the note, the Town may be required to pay a prepayment charge. Pledged revenues for the note are “Available Non Ad Valorem Revenues” less the amount “Essential Service Expenditures” exceeded ad valorem revenues, as defined by loan agreement. For the fiscal year ended September 30, 2019, pledged revenues were \$567,060. Principal and interest paid for the year was \$87,402 and principal and interest to maturity is \$406,178.

2016 TD Bank Promissory Note for Undergrounding

The Town Commission adopted Resolution No. 2016-20 authorizing the issuance of a note in the amount of \$2,191,750 to refund the SunTrust Undergrounding Note. The Town has levied a non-ad valorem special assessment against the properties specifically benefited by the project in accordance with Resolution No. 2011-1, and these revenues are pledged for the payment of debt service on the note. The note also requires the Town to budget sufficient non-ad valorem revenues to pay the principal and interest on the note if the pledged revenue is not adequate. Principal and interest payments are due annually in the amount of \$225,312, with a final maturity date of April 1, 2027. The interest rate on the loan is 2.37% and is subject to adjustment in the event of taxability of the interest on this note. For the fiscal year ended September 30, 2019, pledged revenues were \$224,661. Principal and interest paid for the year was \$225,313 and principal and interest to maturity is \$1,802,500.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Loans Payable from Direct Borrowings and Direct Placements (Continued)

2017 TD Bank Promissory Notes for Neighborhood Rehabilitation Project

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

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

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

For the fiscal year ended September 30, 2019, pledged revenues were \$805,086. Principal and interest paid for the year was \$662,889 and principal and interest to maturity is \$8,576,799.

Events of Default

For the 2015 \$800,000 TD Bank Promissory Note, the 2016 \$2,191,750 TD Bank Promissory Note, the 2017 \$4,763,333 TD Bank Promissory Note, and the 2017 \$3,000,000 TD Bank Promissory Note events of default are if the Town shall fail to make any payment of the principal or interest on the loan when due and payable, or shall default in the performance of or compliance with any term or covenant contained in the Note. In the case of an event of default, the Bank may declare the loan in default to be immediately due and payable.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 6 – LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended September 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Direct borrowings and direct placements					
Notes payable	\$ 9,693,293	\$	\$ (691,434)	\$ 9,001,859	\$ 711,304
Compensated absences payable	19,710	20,137	(12,958)	26,889	20,167
Total	<u>\$ 9,713,003</u>	<u>\$ 20,137</u>	<u>\$ (704,392)</u>	<u>\$ 9,028,748</u>	<u>\$ 731,471</u>

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

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 711,304	\$ 261,163	\$ 972,467
2021	731,530	240,937	972,467
2022	752,227	220,239	972,466
2023	773,517	198,950	972,467
2024	764,533	177,111	941,644
2025 to 2029	3,403,898	570,808	3,974,706
2030 to 2032	1,864,850	114,410	1,979,260
	<u>\$ 9,001,859</u>	<u>\$ 1,783,618</u>	<u>\$ 10,785,477</u>

NOTE 7 - DEFINED CONTRIBUTION EMPLOYEE RETIREMENT PLAN

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

The Town's total payroll for the fiscal year ended September 30, 2019, was \$605,987, with covered payroll of \$367,493. The Town's pension expense for the year was \$44,099, equaling 12% of covered payroll. There were no forfeitures during the year and payables at September 30, 2019 were \$10,561.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 8 – INTERLOCAL AGREEMENTS

Interlocal Agreements with the Village of Tequesta

On August 19, 2003, the Town entered into an agreement with the Village of Tequesta whereby the Village of Tequesta will provide the Town with emergency fire and medical services. The term of the agreement was for 10 years beginning on October 1, 1993 and extending through September 30, 2003. The agreement was amended on July 30, 2002, which extended the term for an additional ten years until September 30, 2015. The agreement was amended again on August 14, 2013, for 20 years on October 1, 2013, and extending through September 30, 2033. For the first five years of the revised agreement the annual fee shall be \$400,000 per year. For years six through ten the annual fee shall be an amount equal to the previous years annual fee increased by 4%. For years eleven through twenty the annual fee shall be an amount equal to the previous years annual fee increased by 6%. The current fiscal year annual service fee the Town paid under the agreement was \$416,000.

Interlocal Agreement for Public Safety Dispatch Services

On September 13, 2012, the Town entered into an agreement with the City of Palm Beach Gardens whereby the City of Palm Beach Gardens will provide the Town public safety dispatch services. The term of the agreement was for four years beginning on October 1, 2012 and extending through September 30, 2016. The agreement was renewed for an additional five-year term through September 30, 2021. The fee for each year under the contract will be based upon the budget of the North County Dispatch (NCDC) center prorated to each contracting municipality based on that municipalities cost share. If at the end any contract year a budget shortfall exists, each contracting municipality shall pay its share of the shortfall. Conversely, if at the end of any contract year a budget surplus exists, such surplus shall represent a committed fund balance to be utilized specifically for NCDC budgetary purposes. The current fiscal year annual service fee the Town paid under the agreement was \$42,871.

NOTE 9 – INTERFUND PAYABLES AND TRANSFERS

Interfund payables and receivables are for reimbursements of expenses paid.

The transfer in the amount of \$7,142 from the General Fund to the Undergrounding Debt Service Fund was to pay for the Town's current year's assessment relating to the underground utility project. The transfer in the amount of \$3,739 from the General Fund to the Neighborhood Rehabilitation Special Revenue Fund was to pay for the Town's current year's assessment relating to the project.

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 10 - RISK MANAGEMENT

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

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

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

NOTE 11 – LITIGATION, CLAIMS, AND ASSESSMENT

At September 30, 2019, the Town was involved in various legal proceedings, as a defendant. All ongoing proceedings seek monetary damages as well as declaratory injunctive relief. The Town believes that losses, if any, resulting from the ultimate resolution of these proceeding will have no material adverse effect on the Town's financial position or changes in net position as the range of loss is within the Town's limits of liability insurance coverage.

NOTE 12 – CHANGE IN ACCOUNTING STANDARDS

The Town implemented the following GASB Statement during the fiscal year ended September 30, 2019.

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

TOWN OF JUPITER INLET COLONY
Notes to the Financial Statements
September 30, 2019

NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS

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

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

GASB Statement No. 84, *Fiduciary Activities*. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2020.

TOWN OF JUPITER INLET COLONY, FLORIDA
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
General Fund
For the Year Ended September 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Ad valorem taxes	\$ 1,622,311	\$ 1,622,311	\$ 1,618,642	\$ (3,669)
Special assessments	0			
Franchise fees	38,180	38,180	38,572	392
Licenses & permits	321,295	321,295	281,326	(39,969)
Fines & forfeitures	850	850	11,421	10,571
Interest	6,000	6,000	11,092	5,092
Contributions		17,267	98,067	80,800
Intergovernmental	118,395	118,395	133,404	15,009
Total revenues	2,107,031	2,124,298	2,192,524	68,226
Expenditures				
General government	403,066	421,895	509,927	(88,032)
Building department	164,000	164,000	160,425	3,575
Public safety	1,144,886	1,187,210	1,179,311	7,899
Public works	106,856	106,856	112,643	(5,787)
Roads and walkways	79,941	79,941	147,380	(67,439)
Capital outlay	10,000	112,570	169,739	(57,169)
Debt service	187,401	187,401	87,402	99,999
Total expenditures	2,096,150	2,259,873	2,366,827	(106,954)
Excess of revenues over (under) expenditures	10,881	(135,575)	(174,303)	(38,728)
Other financing sources (uses)				
Transfers out	(10,881)	(10,881)	(10,881)	
Appropriated fund balance		146,456		(146,456)
Total other financing sources (uses)	(10,881)	135,575	(10,881)	(146,456)
Net change in fund balance	\$	\$	(185,184)	\$ (185,184)
Beginning fund balance			639,679	
Ending fund balance			\$ 454,495	

Note 1 - Basis of Accounting

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

Note 2 - Stewardship, Compliance, and Accountability

The General Fund expenditures were \$106,954 over budget for the fiscal year.



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPCA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
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WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Jupiter Inlet Colony, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Jupiter Inlet Colony, Florida’s basic financial statements and have issued our report thereon dated April 3, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Finding: 2016-1 Policies and Procedures Manual

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

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

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

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

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

Compliance and Other Matters

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

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

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

Purpose of this Report

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

West Palm Beach, Florida
April 3, 2020

Nowlen, Holt & Mimes, P.A.



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
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RICHARD E. BOTTS, CPA

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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

Report on the Financial Statements

We have audited the financial statements of the Town of Jupiter Inlet Colony, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated April 3, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated April 3, 2020, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Finding 2016-1 continues to apply from the preceding two years and findings 2018-1 and 2018-2 continues to apply from the prior year.

Official Title and Legal Authority

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Town of Jupiter Inlet Colony, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Town of Jupiter Inlet Colony, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes, during the fiscal year ended September 30, 2019.

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

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

Special District Component Units

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

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

Additional Matters

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

Finding 2018-1 Debt Compliance – Pledged Revenue

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

Condition: The special assessments collected were \$652 less than the principal and interest payable.

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

Effect: Noncompliance with the debt agreement.

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

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

Finding 2018-2 Expenditures in Excess of Appropriations

Condition: As indicated in Note 2 to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual, the General Fund had \$106,954 of expenditures in excess of appropriations.

Criteria: Florida Statutes prohibit expenditures in excess of appropriations.

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

Effect: Noncompliance with budgetary requirements.

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

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

Finding 2019-1 Debt Compliance – Reserve Fund

Criteria: The Town’s 2016 Promissory Note for Undergrounding with TD Bank requires that a reserve fund of \$50,000 be maintained on deposit in an account with the bank.

Condition: At September 30, 2019, the Undergrounding bank account balance was \$20,731.

Effect: Noncompliance with the debt agreement.

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

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

Single Audits

The Town expended less than \$750,000 of federal awards and less than \$750,000 of state financial assistance for the fiscal year ended September 30, 2019 and was not required to have a federal single audit or a state single audit.

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

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

Purpose of this Letter

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

Nowlen, Holt & Mimer, P.A.

April 3, 2020
West Palm Beach, Florida



NOWLEN, HOLT & MINER, P.A.

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WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
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RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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

We have examined the Town of Jupiter Inlet Colony, Florida’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2019. Management is responsible for the Town of Jupiter Inlet Colony, Florida’s compliance with those requirements. Our responsibility is to express an opinion on the Town of Jupiter Inlet Colony, Florida’s compliance based on our examination.

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

In our opinion, the Town of Jupiter Inlet Colony, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representative, the Florida Auditor General, applicable management, and the Town Commission, and is not intended to be and should not be used by anyone other than these specified parties.

West Palm Beach, Florida
April 3, 2020

Nowlen, Holt & Miner, P.A.