

TOWN OF JUPITER INLET COLONY, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020

REVISED DRAFT

TOWN OF JUPITER INLET COLONY, FLORIDA

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Notes to Financial Statements	13-27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	28
Notes to Required Supplementary Information	29
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 <i>GOVERNMENT AUDITING STANDARDS</i>	30-31
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	32
MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA	33-35

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and 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 Town of Jupiter Inlet Colony, Florida ("Town") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 as of September 30, 2020, and the respective changes in financial position thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated xxxxxxxx, 2021, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

xxxxxxx, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Town of Jupiter Inlet Colony, Florida ("Town") provides a narrative overview of the Town's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the Town's Independent Auditor's Report, basic financial statements, accompanying notes and supplementary information to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year resulting in a net position balance of \$6,316,178.
- The change in the Town's total net position in comparison with the prior fiscal year was (\$282,739), a decrease. The key components of the Town's net position and change in net position are reflected in the table in the government-wide financial analysis section.
- At September 30, 2020, the Town's governmental funds reported combined ending fund balances of \$989,960, an increase of \$6,967 in comparison with the prior fiscal year. The total fund balance is restricted for the debt service, neighborhood rehabilitation project, transportation, infrastructure projects, and building services.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as the introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by taxes and special assessments. The Town does not have any business-type activities. The governmental activities of the Town include the general government (management), public safety, public works, and road and sidewalks functions.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town has one fund category: governmental funds.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflow 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 Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three governmental funds for external reporting. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, neighborhood rehabilitation fund and debt service fund, all of which are considered major funds.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. In the case of the Town, assets exceeded liabilities at the close of the most recent fiscal year.

Key components of the Town's net position are reflected in the following table:

	NET POSITION SEPTEMBER 30,	
	2020	2019
Current and other assets	\$ 10,054,075	\$ 10,831,227
Capital assets, net of depreciation	4,757,015	4,984,521
Total assets	14,811,090	15,815,748
Current liabilities	167,139	188,083
Long-term liabilities	8,327,773	9,028,748
Total liabilities	8,494,912	9,216,831
Net position		
Net investment in capital assets	(3,543,559)	1,678,714
Restricted	279,634	4,806,045
Unrestricted	9,580,103	114,158
Total net position	\$ 6,316,178	\$ 6,598,917

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The restricted portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the Town's other obligations.

The Town's net position decreased during the most recent fiscal year. The majority of the decrease represents the extent to which the cost of operations and depreciation expense exceeded ongoing program revenues.

Key elements of the change in net position are reflected in the following table:

	CHANGES IN NET POSITION FOR THE FISCAL YEAR ENDED SEPTEMBER 30,	
	2020	2019
Revenues:		
Program revenues		
Charges for services	\$ 671,868	\$ 292,747
Contributions	36,105	122,992
General revenues		
Property taxes	1,747,490	1,618,642
Franchise fees	38,272	38,572
Intergovernmental	90,577	118,004
Investment earnings and other	33,103	358,483
Total revenues	<u>2,617,415</u>	<u>2,549,440</u>
Expenses:		
General government	540,022	696,781
Public safety	1,444,774	1,202,266
Physical environment	612,773	525,509
Neighborhood rehab project	-	114,759
Interest expense	302,585	277,327
Total expenses	<u>2,900,154</u>	<u>2,816,642</u>
Change in net position	(282,739)	(267,202)
Net position - beginning	6,598,917	6,866,119
Net position - ending	<u>\$ 6,316,178</u>	<u>\$ 6,598,917</u>

As noted above and in the statement of activities, the cost of all governmental activities during the fiscal year ended September 30, 2020 was \$2,900,154. The costs of the Town's activities were primarily funded by general revenues. General revenues, comprised primarily of taxes, increased during the fiscal year as a result of an increase in property values. The Town also saw an increase in charges for services, mainly in licenses and permits. In total, expenses increased from the prior fiscal year, the majority of the increase was due to the increase in the fire contract, police salaries and benefits and depreciation.

GENERAL BUDGETING HIGHLIGHTS

An operating budget was adopted and maintained by the governing board for the Town pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements. The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2020 was amended to increase appropriations and use of fund balance by \$76,600. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2020, the Town had \$5,879,644 invested in capital assets. In the government-wide financial statements depreciation of \$1,122,629 has been taken, which resulted in a net book value of \$4,757,015. More detailed information about the Town's capital assets is presented in the notes of the financial statements.

Capital Debt

At September 30, 2020, the Town had \$8,300,574 Notes outstanding for its governmental activities. More detailed information about the Town's capital debt is presented in the notes of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND OTHER EVENTS

The Town does not anticipate any major projects or significant changes to its infrastructure maintenance program for the subsequent fiscal year. In addition, it is anticipated that the general operations of the Town will remain fairly constant.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, land owners, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the financial resources it manages and the stewardship of the facilities it maintains. If you have questions about this report or need additional financial information, 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, 2020**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 361,936
Investments	9,847
Restricted assets:	
Cash and cash equivalents	675,813
Special assessments receivable	8,981,892
Due from other governments	8,050
Accounts receivable	16,537
Capital assets:	
Non-depreciable	940,754
Depreciable, net	3,816,261
Total assets	14,811,090
 LIABILITIES	
Accounts payable	66,625
Accrued liabilities	15,598
Accrued interest payable	84,916
Non-current liabilities:	
Due within one year	731,485
Due in more than one year	7,569,089
Compensated absences	27,199
Total liabilities	8,494,912
 NET POSITION	
Net investment in capital assets	(3,543,559)
Restricted for infrastructure projects	144,101
Restricted for building activities	135,533
Unrestricted	9,580,103
Total net position	\$ 6,316,178

See notes to the financial statements

REVISED DRAFT

**TOWN OF JUPITER INLET COLONY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Capital Grants and Contributions	Revenue and Changes in Net Position
Primary government:				
Governmental activities:				
General government	\$ 540,022	\$ -	\$ -	\$ (540,022)
Public safety	1,444,774	397,537	36,105	(1,011,132)
Public works	263,582	-	-	(263,582)
Roads and walkways	349,191	19,219	-	(329,972)
Interest	302,585	255,112	-	(47,473)
Total governmental activities	<u>2,900,154</u>	<u>671,868</u>	<u>36,105</u>	<u>(2,192,181)</u>
General revenues:				
Ad valorem taxes				1,747,490
Intergovernmental revenues				90,577
Franchise fees				38,272
Investment earnings				7,317
Miscellaneous				25,786
Total general revenues				<u>1,909,442</u>
Change in net position				(282,739)
Net position - beginning				<u>6,598,917</u>
Net position - ending				<u><u>\$ 6,316,178</u></u>

See notes to the financial statements

**TOWN OF JUPITER INLET COLONY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	Major Funds			Total Governmental Funds
	General Fund	Neighborhood Rehabilitation Fund	Undergrounding Debt Service Fund	
ASSETS				
Cash and cash equivalents	\$ 361,936	\$ -	\$ -	\$ 361,936
Restricted cash and cash equivalents	88,518	557,930	29,365	675,813
Investments	9,847	-	-	9,847
Accounts receivable	16,537	-	-	16,537
Special assessments receivable	-	7,361,217	1,344,148	8,705,365
Accrued interest on special assessments	-	223,891	52,636	276,527
Due from other governments	8,050	-	-	8,050
Due from other funds	54,554	-	-	54,554
Total assets	<u>\$ 539,442</u>	<u>\$ 8,143,038</u>	<u>\$ 1,426,149</u>	<u>\$ 10,108,629</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 66,625	\$ -	\$ -	\$ 66,625
Accrued liabilities	15,598	-	-	15,598
Due to other funds	-	26,788	27,766	54,554
Total liabilities	<u>82,223</u>	<u>26,788</u>	<u>27,766</u>	<u>136,777</u>
Deferred inflows of resources:				
Unavailable revenue	-	7,585,108	1,396,784	8,981,892
Total deferred inflows of resources	<u>-</u>	<u>7,585,108</u>	<u>1,396,784</u>	<u>8,981,892</u>
Fund balance:				
Restricted to:				
Debt service	88,518	492,617	1,599	582,734
Neighborhood project	-	38,525	-	38,525
Transportation	28,220	-	-	28,220
Infrastructure	105,576	-	-	105,576
Administration of the Florida building code	135,533	-	-	135,533
Unassigned	99,372	-	-	99,372
Total fund balance	<u>457,219</u>	<u>531,142</u>	<u>1,599</u>	<u>989,960</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 539,442</u>	<u>\$ 8,143,038</u>	<u>\$ 1,426,149</u>	<u>\$ 10,108,629</u>

See notes to the financial statements

**TOWN OF JUPITER INLET COLONY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Fund balance - governmental funds	\$	989,960
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 as assets in the governmental funds. The statement of net position includes those capital assets, net of any accumulated depreciation, in the net position of the government as a whole.		
Cost of capital assets	5,879,644	
Accumulated depreciation	<u>(1,122,629)</u>	4,757,015
Assets recorded in the governmental fund financial statements that are not available to pay for current-period expenditures are unavailable revenue in the governmental funds.		
		8,981,892
Liabilities not due and payable from current available resources are not reported as liabilities in the governmental fund statements. All liabilities, both current and long-term are reported in the government-wide financial statements.		
Accrued interest payable	(84,916)	
Compensated absences	(27,199)	
Loan payable	<u>(8,300,574)</u>	
		<u>(8,412,689)</u>
Net position of governmental activities	\$	<u><u>6,316,178</u></u>

See notes to the financial statements

**TOWN OF JUPITER INLET COLONY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	Major Funds			Total Governmental Funds
	General Fund	Neighborhood Rehabilitation Fund	Undergrounding Debt Service Fund	
REVENUES				
Ad valorem taxes	\$ 1,747,490	\$ -	\$ -	\$ 1,747,490
Franchise fees	38,272	-	-	38,272
Licenses and permits	397,537	-	-	397,537
Fines and forfeitures	543	-	-	543
Interest income	7,101	171	45	7,317
Special assessments	-	507,289	164,187	671,476
Assessment interest income	-	298,970	55,004	353,974
Contributions and other	61,348	-	-	61,348
Intergovernmental	109,796	-	-	109,796
Total revenues	<u>2,362,087</u>	<u>806,430</u>	<u>219,236</u>	<u>3,387,753</u>
EXPENDITURES				
Current:				
General government	510,430	-	-	510,430
Building department	180,920	-	-	180,920
Public safety	1,238,741	-	-	1,238,741
Public works	104,619	-	-	104,619
Roads and walkways	133,383	108,673	-	242,056
Debt service:				
Principal	76,007	447,195	178,083	701,285
Interest	11,395	251,123	47,230	309,748
Capital outlay	92,987	-	-	92,987
Total expenditures	<u>2,348,482</u>	<u>806,991</u>	<u>225,313</u>	<u>3,380,786</u>
Excess (deficiency) of revenues over (under) expenditures	13,605	(561)	(6,077)	6,967
OTHER FINANCING SOURCES				
Interfund transfer in (out)	(10,881)	3,739	7,142	-
Total other financing sources	<u>(10,881)</u>	<u>3,739</u>	<u>7,142</u>	<u>-</u>
Net change in fund balances	2,724	3,178	1,065	6,967
Fund balance - beginning	<u>454,495</u>	<u>527,964</u>	<u>534</u>	<u>982,993</u>
Fund balance - ending	<u>\$ 457,219</u>	<u>\$ 531,142</u>	<u>\$ 1,599</u>	<u>\$ 989,960</u>

See notes to the financial statements

TOWN OF JUPITER INLET COLONY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balance - total governmental funds	\$	6,967
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, the cost of capital assets is eliminated in the statement of activities and capitalized in the statement of net position.		92,987
Certain revenues were unavailable for the governmental fund financial statements in the prior fiscal year. In the current fiscal year, these revenues were recorded in the governmental fund financial statements.		(695,609)
Repayment of long-term liabilities are reported as expenditures in the governmental fund financial statements, but such repayments reduce liabilities in the statement of net position and are eliminated in the statement of activities.		701,285
The change in accrued interest on long-term liabilities between the current and prior fiscal years is recorded in the statement of activities, but not in the governmental fund financial statements.		7,163
Refunds to residents for project savings are reported in the fund statements as expenditures, however, these amounts reduce the assessent receivable on the government-wide statements.		(74,729)
The change in compensated absence is reported in the statement of activities as an expense but not reported in governmental funds since it does not require the use of current financial resources.		(310)
Depreciation of capital assets is not recognized in the governmental fund financial statements, but is reported as an expense in the statement of activities.		(320,493)
Change in net position of governmental activities	\$	<u>(282,739)</u>

See notes to the financial statements

**TOWN OF JUPITER INLET COLONY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ORGANIZATION AND REPORTING ENTITY

The Town of Jupiter Inlet Colony ("Town") 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.

The financial statements were prepared in accordance with Governmental Accounting Standards Board ("GASB") Statements. Under the provisions of those standards, the financial reporting entity consists of the primary government, organizations for which the Town is considered to be financially accountable, and other organizations for which the nature and significance of their relationship with the Town are such that, if excluded, the financial statements of the Town would be considered incomplete or misleading. There are no entities considered to be component units of the Town; therefore, the financial statements include only the operations of the Town.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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 or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; operating-type special assessments for debt service are treated as charges for services and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. 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 are recorded when a liability is incurred, regardless of the timing of related cash flows. Assessments are recognized as revenues in the year for which they are levied. Grants and similar items are to be recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Fines and permit revenues are not susceptible to accrual because generally, they are not measurable until received in cash. Taxes, special assessments, franchise fees, 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.

The Town reports the following major governmental funds:

General Fund

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

Undergrounding Debt Service Fund

The debt service fund is used to account for the accumulation of resources for the annual payment of principal and interest on the Note payable with TD Bank.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first for qualifying expenditures, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position or Equity

Restricted Assets

These assets represent cash and investments set aside pursuant to Note covenants or other contractual restrictions.

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The Town has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The Town may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- 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;
- d) Direct obligations of the U.S. Treasury.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets, Liabilities and Net Position or Equity (Continued)

Deposits and Investments (Continued)

The State Board of Administration's ("SBA") Local Government Surplus Funds Trust Fund ("Florida PRIME") is a "2a-7 like" pool. A "2a-7 like" pool is an external investment pool that is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, the pool operates essentially as a money market fund. The Town has reported its investment in Florida PRIME at amortized cost for financial reporting purposes.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

The Town records all interest revenue related to investment activities in the respective funds. Investments are measured at amortized cost or reported at fair value as required by generally accepted accounting principles.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets which include property, plant and equipment, and infrastructure assets (e.g., roads, sidewalks and similar items) are reported in the government activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10-40
Infrastructure	3-10
Equipment	15-50

In the governmental fund financial statements, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported in the governmental fund financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets, Liabilities and Net Position or Equity (Continued)

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

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.

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.

Payments are generally paid out of the general fund.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized ratably over the life of the Bonds. Bonds payable are reported net of applicable premiums or discounts. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as 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 Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Assets, Liabilities and Net Position or Equity (Continued)

Fund Equity/Net Position

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

The Town can establish limitations on the use of fund balance as follows:

Committed fund balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned fund balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed. The Board may also assign fund balance as it does when appropriating fund balance to cover differences in estimated revenue and appropriations in the subsequent year's appropriated budget. Assignments are generally temporary and normally the same formal action need not be taken to remove the assignment.

The Town first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net position is the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. Net position in the government-wide financial statements are categorized as net investment in capital assets, restricted or unrestricted. Net investment in capital assets represents net position related to infrastructure and property, plant and equipment. Restricted net position represents the assets restricted by the Town's Bond covenants or other contractual restrictions. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Property Taxes

Under Florida law, the assessment of all properties and the collection of county, municipal, school board, and special district property taxes are consolidated with the county Property Appraiser and county Tax Collector, respectively. All property is reassessed according to its fair market value on January 1 of each year and each assessment roll is submitted to the State Department of Revenue for review to determine if the assessment roll meets all of the appropriate requirements of State law.

Taxes may be paid less a 4% discount in November or at declining discounts each month through the month of February. All unpaid taxes become delinquent on April 1st following the year in which they are assessed. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1st following the tax year, certificates are offered for sale for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificate may be made by the certificate holder after a period of two years. Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 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 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property Taxes (Continued)

During 2007 the Florida Legislature passed property tax reform legislation limiting the property tax levies of local governments. The maximum tax levy allowed by a majority vote of the governing body is based on a percentage reduction applied to the prior year property tax revenue. The percentage reduction is calculated based on the compound annual growth rate in the per capita property taxes levied. The law allows local governments to adopt a higher millage rate based on the following approval of the governing body: 1) a majority vote to adopt a rate equal to the prior year rolled-back millage rate, plus an adjustment for growth in per capita personal income; 2) a two-thirds vote to adopt a rate equal to the prior year adjusted millage rate plus 10%; or 3) any millage rate approved by unanimous vote or referendum. Future property tax growth is limited to the annual growth rate of per capita personal income, which is currently 3% to 4%, plus the value of new construction.

Other Disclosures

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – BUDGETARY INFORMATION

The Town is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end.

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

- a) Prior to August 1, the Mayor submits to the Town Commission a proposed operating budget for the fiscal year commencing the following October 1.
- b) Public hearings are conducted to obtain public comments.
- c) Prior to October 1, the budget is legally adopted by the Town Commission.
- d) Changes or amendments to the total budgeted appropriations must be approved by the Town Commission.
- e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
- f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

The Town's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The Town’s investments were held as follows at September 30, 2020:

	Amortized cost	Credit Risk	Weighted Average Maturity
Florida Prime	\$ 9,847	AAAm	48 Days
Total	<u>\$ 9,847</u>		

Credit risk – For investments, credit risk is generally the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investment ratings by investment type are included in the preceding summary of investments.

Concentration risk – The Town places no limit on the amount the Town may invest in any one issuer.

Interest rate risk – The Town does not have a formal policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

However, the Bond Indenture limits the type of investments held using unspent proceeds.

Fair Value Measurement – When applicable, the Town measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- *Level 1:* Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the Town has the ability to access;
- *Level 2:* Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- *Level 3:* Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

For external investment pools that qualify to be measured at amortized cost, the pool’s participants should also measure their investments in that external investment pool at amortized cost for financial reporting purposes. Accordingly, the Town’s investments have been reported at amortized cost above.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables at September 30, 2020 were as follows:

	Receivable	Payable
General Fund	\$ 54,554	\$ -
Neighborhood Rehabilitation Fund	-	26,788
Undergrounding Debt Service Fund	-	27,766
	<u>\$ 54,554</u>	<u>\$ 54,554</u>

The outstanding balances between funds result primarily from the time lag between the dates that transactions are recorded in the accounting system and payments between funds are made. In the case of the Town, the balances relate to various project costs paid by the General Fund to be reimbursed by the respective funds.

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers for the fiscal year ended September 30, 2020 were as follows:

	Transfer in	Transfer out
General Fund	\$ -	\$ 10,881
Neighborhood Rehabilitation Fund	3,739	-
Undergrounding Debt Service Fund	7,142	-
	<u>\$ 10,881</u>	<u>\$ 10,881</u>

Transfers from the general fund to the special revenue and debt service fund were for the general fund portion of the special assessments related to projects within those funds.

NOTE 6 – 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 8 for a discussion of the related financing for the project.

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 8 for a discussion of the related financing for the project.

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 940,754	\$ -	\$ -	\$ 940,754
Infrastructure under construction	55,981	59,657	(115,638)	-
Total capital assets, not being depreciated	996,735	59,657	(115,638)	940,754
Capital assets, being depreciated				
Buildings and improvements	496,684	115,638	-	612,322
Infrastructure	4,006,762	-	-	4,006,762
Equipment	286,476	33,330	-	319,806
Total capital assets, being depreciated	4,789,922	148,968	-	4,938,890
Less accumulated depreciation for:				
Buildings and improvements	76,838	22,479	-	99,317
Infrastructure	547,102	264,877	-	811,979
Equipment	178,196	33,137	-	211,333
Total accumulated depreciation	802,136	320,493	-	1,122,629
Total capital assets, being depreciated, net	3,987,786	(171,525)	-	3,816,261
Governmental activities capital assets, net	\$ 4,984,521	\$ (111,868)	\$ (115,638)	\$ 4,757,015

Depreciation expense was charged to function/programs as follows:

Depreciation allocation:	
General government	\$ 29,282
Public Safety- Police	25,113
Public Works	158,963
Roads & Walkways	107,135
Total	<u>\$ 320,493</u>

NOTE 8 – 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 \$43,722, 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, 2020, pledged revenues were \$614,597. Principal and interest paid for the year was \$87,402 and principal and interest to maturity is \$319,483.

NOTE 8 – LONG-TERM LIABILITIES (Continued)

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, 2020, pledged revenues were \$219,236. Principal and interest paid for the year was \$225,313 and principal and interest to maturity is \$1,585,333.

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 \$698,318 and principal and interest to maturity is \$7,917,048.

Note Compliance

The Notes have established certain coverage ratios and reserve requirements that are in place until fully paid. For the fiscal year ended September 30, 2020, the Notes were in compliance with these requirements except for the reserve requirement for the 2016 Note.

Long-term Debt Activity

Changes in long-term liability activity for the fiscal year ended September 30, 2020 were as follows:

Direct borrowings:	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
2015 Note Payable	\$ 1,622,075	\$ -	\$ (178,083)	\$ 1,443,992	\$ 190,810
2016 Note Payable	379,825	-	(76,007)	303,818	79,904
2017 Note Payable	6,999,959	-	(447,195)	6,552,764	460,771
Compensated absences	\$ 26,889	24,867	(24,557)	27,199	-
Total	<u>\$ 9,028,748</u>	<u>\$ 24,867</u>	<u>\$ (725,842)</u>	<u>\$ 8,327,773</u>	<u>\$ 731,485</u>

NOTE 8 – LONG-TERM LIABILITIES (Continued)

Long-term Debt Activity (Continued)

At September 30, 2020, the scheduled debt service requirements on the long-term debt were as follows:

	Principal	Interest	Total
2021	\$ 731,485	\$ 240,982	\$ 972,467
2022	752,182	220,286	972,468
2023	774,791	197,677	972,468
2024	765,225	177,125	942,350
2025	729,147	155,919	885,066
2026-2030	3,286,010	471,529	3,757,539
2031-2035	1,261,734	57,770	1,319,504
Total	<u>\$ 8,300,574</u>	<u>\$ 1,521,288</u>	<u>\$ 9,821,862</u>

NOTE 9 – DEFINED CONTRIBUTION 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, 2020, was \$537,999, with covered payroll of \$597,616. The Town's pension expense for the year was \$59,096, equaling 12% of covered payroll. There were no forfeitures during the year and payables at September 30, 2019 were \$0.

NOTE 10 – INTERLOCAL AGREEMENTS

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 \$432,640.

City of Palm Beach Gardens

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 though September 30, 2021. The fee for each year under the contract will be based upon the budget of the North County Dispatch (NCD) 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 NCD budgetary purposes. The current fiscal year annual service fee the Town paid under the agreement was \$40,304.

NOTE 11 – 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. The Town has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. No settlement exceeded insurance coverage during the past three years.

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.

NOTE 12 – LITIGATION AND CLAIMS

The Town is involved in various claims and litigation arising in the ordinary course of operations, none of which, in the opinion of the Town, will not have a material effect on the Town's financial position.

NOTE 13 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

GASB Statement No. 84 - Fiduciary Activities

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 87 – Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases 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 based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

NOTE 13 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (CONTINUED)

GASB 89 - Accounting for Interest Cost Incurred before the End of a Construction Period

The objectives of this Statement are (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for certain interest costs. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. Changes adopted to conform to the provisions of this Statement should be applied prospectively. For construction-in-progress, interest cost incurred after the beginning of the first reporting period to which this Statement is applied should not be capitalized.

GASB 90 - Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Except as discussed in paragraph 11, in the period this Statement is first applied, changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practicable, for all periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. Also, the reason for not restating prior periods presented should be disclosed. In the first period that this Statement is applied, the notes to financial statements should disclose the nature of the restatement and its effect.

GASB 91 - Conduit Debt Obligations

The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. As amended by GASB statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

NOTE 13 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (CONTINUED)

GASB 92 – *Omnibus 2020*

This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including: effective date of GASB 87 for interim financial reports; intra-entity transfers between primary governments and component unit pension or OPEB plans; applicability of Statements No. 73 and 74 for reporting assets accumulated for postemployment benefits; applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of asset retirement obligations in government acquisitions; reporting by public entity risk pools for amounts recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements in authoritative literature and terminology used related to derivative instruments. As amended by GASB statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

GASB 93 – *Replacement of Interbank Offered Rates*

This statement provides guidance where some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. As amended by GASB statement No. 95, the requirements of this Statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph

11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal years periods beginning after June 15, 2021, and all reporting periods thereafter.

GASB 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

NOTE 13 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (CONTINUED)

GASB 96 – Subscription-Based Information Technology Arrangements

This statement provides new accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs), which have become increasingly common among state and local governments in recent years. Statement 96 is based on the standards established in Statement 87, Leases. The new statement defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The guidance requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability (with an exception for short-term SBITAs, those with a maximum possible term of 12 months) and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32

This statement provides the following guidance: 1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) addresses relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefit provided through those plans. The first two provisions of this statement are effective immediately. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

The Town's management has not yet determined the effect these Statements will have on the Town's financial statements.

TOWN OF JUPITER INLET COLONY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL – GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 1,750,125	\$ 1,750,125	\$ 1,747,490	\$ (2,635)
Franchise fees	38,000	38,000	38,272	272
Licenses and permits	383,950	383,950	397,537	13,587
Fines & forfeitures	700	700	543	(157)
Interest	9,648	9,648	7,101	(2,547)
Contributions	-	-	61,348	61,348
Intergovernmental	122,007	122,007	109,796	(12,211)
Total revenues	<u>2,304,430</u>	<u>2,304,430</u>	<u>2,362,087</u>	<u>57,657</u>
EXPENDITURES				
Current:				
General government	696,912	696,912	510,430	186,482
Building department	164,000	164,000	180,920	(16,920)
Public safety	1,211,218	1,201,218	1,238,741	(37,523)
Public works	107,900	107,900	104,619	3,281
Roads and walkways	124,400	124,400	133,383	(8,983)
Capital outlay	-	86,600	92,987	(6,387)
Debt service	-	-	87,402	(87,402)
Total expenditures	<u>2,304,430</u>	<u>2,381,030</u>	<u>2,348,482</u>	<u>32,548</u>
Excess (deficiency) of revenues over (under) expenditures	-	(76,600)	13,605	90,205
OTHER FINANCING SOURCES (USES)				
Use of fund balance	-	76,600	-	(76,600)
Interfund transfer in (out)	-	-	(10,881)	(10,881)
Total other financing sources (uses)	<u>-</u>	<u>76,600</u>	<u>(10,881)</u>	<u>(87,481)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	2,724	<u>\$ 2,724</u>
Fund balance - beginning			<u>454,495</u>	
Fund balance - ending			<u>\$ 457,219</u>	

See notes to required supplementary information

**TOWN OF JUPITER INLET COLONY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

The Town is required to establish a budgetary system and an approved Annual Budget for the general fund. The Town's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with accounting principles generally accepted in the United States of America (generally accepted accounting principles).

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors. The general fund budget for the fiscal year ended September 30, 2020 was amended to increase appropriations and use of fund balance by \$76,600. Actual general fund expenditures did not exceed appropriations for the fiscal year ended September 30, 2020.

**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 member 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 Town of Jupiter Inlet Colony, Florida ("Town") as of and for the fiscal year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our opinion thereon dated xxxxxxxx, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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*.

We noted certain matters involving the internal control over financial reporting and compliance that we have reported to management of the Town in a separate letter dated xxxxxxxx, 2021.

The Town's responses to the findings identified in our audit are described in the accompanying Management Letter. We did not audit the Town's responses and, accordingly, we express no opinion on them.

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.

xxxxxxx, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY
RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

We have examined Town of Jupiter inlet Colony, Florida's ("Town") compliance with the requirements of Section 218.415, Florida Statutes, in accordance with Rule 10.556(10) of the Auditor General of the State of Florida during the fiscal year ended September 30, 2020. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced in Section 218.415, Florida Statutes. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2020.

This report 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, and the Town Commission of Town of Jupiter Inlet Colony, Florida and is not intended to be and should not be used by anyone other than these specified parties.

xxxxxxx, 2021

**MANAGEMENT LETTER PURSUANT TO THE RULES OF
THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of Town of Jupiter Inlet Colony, Florida ("Town") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated xxxxxxxx, 2021.

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 Auditor'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 xxxxxxxx, 2021, should be considered in conjunction with this management letter.

Purpose of this Letter

The purpose of this letter is to comment on those matters required by Chapter 10.550 of the Rules of the Auditor General of the state of Florida. Accordingly, in connection with our audit of the financial statements of the Town, as described in the first paragraph, we report the following:

- I. Current year findings and recommendations.**
- II. Status of prior year findings and recommendations.**
- III. Compliance with the Provisions of the Auditor General of the State of Florida.**

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

We wish to thank Town of Jupiter Inlet Colony, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements, and the courtesies extended to us.

xxxxxxx, 2021

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2020-01: Compensated Absence

Observation: During the audit it was discovered that the Town's policy regarding accrual of vacation time was not being followed. Employees were allowed to carry over all accrued time which is not in compliance with the policy which does not allow accrual of time.

Recommendation: The Town should ensure that the policy is adhered to and a reconciliation be performed on each employee's anniversary date to ensure no hours are accrued.

Management Response: The Town management has reviewed the compensated absences policy and has made necessary changes to ensure that the policy is adhered to in the future. The Town will also perform a reconciliation on each employee's anniversary date to ensure accrued hours are not carryforward.

2020-02: Debt Compliance – Reserve Requirement

Observation: The Town was not in compliance with the 2016 Note Reserve requirement at the end of the fiscal year.

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.

Reference Number for Prior Year Finding: 2019-1

Management Response: The Town will develop procedures to monitor significant compliance requirements and take appropriate action to avoid noncompliance.

II. PRIOR YEAR FINDINGS

2016-1 Policies and Procedures Manual

Current Status: Matter has been resolved and will not be repeated.

2018-1 Debt Compliance – Pledged Revenue

Current Status: Matter has been resolved and will not be repeated.

2018-2 Expenditures in Excess of Appropriations

Current Status: Matter has been resolved and will not be repeated.

REPORT TO MANAGEMENT (Continued)

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Unless otherwise required to be reported in the auditor's report on compliance and internal controls, the management letter shall include, but not be limited to the following:

1. A statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no significant findings and recommendations made in the preceding annual financial audit report for the fiscal year ended September 30, 2019, except as noted above.

2. Any recommendations to improve the local governmental entity's financial management.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported for the fiscal year ended September 30, 2020, except as noted above.

3. 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.

There were no such matters discovered by, or that came to the attention of, the auditor, to be reported, for the fiscal year ended September 30, 2020, except as noted above.

4. The name or official title and legal authority of the Town are disclosed in the notes to the financial statements.

5. The Town has not met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes.

6. We applied financial condition assessment procedures and no deteriorating financial conditions were noted as of September 30, 2020. It is management's responsibility to monitor financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.