

City of Bonifay

FINANCIAL STATEMENTS

For The Year Ended September 30, 2018



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City of Bonifay
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September 30, 2018

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Bonifay, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the remaining nonmajor fund information of the City of Bonifay, Florida (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 auditors consider 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, the business-type activities, each major fund, and the remaining nonmajor fund information of the City as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, 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 4-10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City'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 City's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 30, 2019

The City of Bonifay's (the "City") Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the 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 City's financial statements beginning on page 11.

Financial Highlights

The assets of the City exceeded its liabilities at September 30, 2018 by \$24,099,111 (net position). Net investment in capital assets was \$22,249,292; \$1,208,369 was restricted as to its use and the City had unrestricted net position of \$641,450.

The City's total net position increased by \$348,557 during the year ended September 30, 2018. This increase is due in part to an increase in utility rates during fiscal year 2018.

City Highlights

During 2018, the City continued construction on the waste water treatment plant upgrade. This major project was still under construction at September 30, 2018.

Using this Annual Report

The financial statements' focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

This MD&A is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The focus is on fund types, rather than major funds. The statements combine and consolidate governmental fund current resources (short-term spendable resources) with capital assets and long term obligations. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the City presented on the accrual basis of accounting.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the 2018 fiscal year. The focus is on both the gross and net costs of various activities, both governmental and business-type, that are supported by the City's general tax and other revenues. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net position is an indication of whether the City's financial health is improving or deteriorating.

Both of the financial statements distinguish the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, transportation, physical environment, and culture and recreation.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary. Traditional users of governmental financial statements will find the fund financial statements' presentation more familiar.

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 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 the City's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, readers may better understand the long-term impact of the City's near-term financing decisions.

The City maintains two governmental funds and information on these funds is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget and is presented as part of the fund financial statements on page 17. The governmental fund financial statements can be found on pages 13 - 16 of this report.

Proprietary Funds

The City maintains three enterprise funds which are proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, sewer, and sanitation. The proprietary fund statement provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 18 - 22 of this report.

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. They can be found on pages 23 – 42 of this report.

Government-Wide Financial Analysis

This section is used to present condensed financial information from the government-wide statements that compare the current year to the prior year.

Statement of Net Position

The following schedule reflects the condensed statements of net position:

<i>As of September 30,</i>	<u>Governmental Activities</u>		Change
	2018	2017	
Assets			
Current assets	\$ 315,365	\$ 387,490	\$ (72,125)
Capital assets	737,045	741,851	(4,806)
Total assets	1,052,410	1,129,341	(76,931)
Liabilities			
Current liabilities	156,561	134,329	22,232
Noncurrent liabilities	-	12,316	(12,316)
Total liabilities	1,946,016	146,645	1,799,371
Net Position			
Net investment in capital assets	657,758	714,210	(56,452)
Restricted	199,380	146,549	52,831
Unrestricted (deficit)	38,711	121,937	(83,226)
Total net position	\$ 895,849	\$ 982,696	\$ (86,847)

Management's Discussion and Analysis

<i>As of September 30,</i>	<u><i>Business-Type Activities</i></u>		
	2018	2017	Change
Assets			
Current assets	\$ 2,266,512	\$ 2,252,439	\$ 14,073
Capital assets	27,603,046	26,990,431	612,615
Total assets	29,869,558	29,242,870	626,688
Liabilities			
Current liabilities	881,840	733,958	147,882
Noncurrent liabilities	5,784,456	5,741,054	43,402
Total liabilities	6,666,296	6,475,012	191,284
Net Position			
Net investment in capital assets	21,591,534	21,089,049	502,485
Restricted	1,008,989	862,456	146,533
Unrestricted	602,739	816,353	(213,614)
Total net position	\$ 23,203,262	\$ 22,767,858	\$ 435,404

Statement of Activities

The following schedule compares the revenues and expenses for the current year to the prior year change in Net Position.

<i>For the years ended September 30,</i>	<u><i>Governmental Activities</i></u>		
	2018	2017	Change
Revenues			
Program revenues			
Charges for services	\$ 47,629	\$ 48,131	\$ (502)
Operating grants and contributions	264,026	659,736	(395,710)
General revenues			
Taxes			
Sales tax	204,751	206,578	(1,827)
Gasoline tax	68,060	64,572	3,488
Utility tax	317,063	312,378	4,685
Franchise fees	257,685	244,075	13,610
Other taxes	111,705	107,550	4,155
Miscellaneous	56,019	52,770	3,249
Interest	311	76	235
Total revenues	1,327,249	1,695,866	(368,617)

Management's Discussion and Analysis

<u>Governmental Activities</u>			
<i>For the years ended September 30,</i>	2018	2017	Change
Expenses			
General government	278,110	286,575	(8,465)
Public safety	634,566	647,088	(12,522)
Transportation	774,332	926,121	(151,789)
Physical environment	110,543	99,110	11,433
Culture and recreational	142,435	272,705	(130,270)
Total expenses	1,939,986	2,231,599	(291,613)
Excess revenue under expenses	(612,737)	(535,733)	(77,004)
Transfers in (out)	525,890	961,665	(435,775)
Increase (decrease) in net position	(86,847)	425,932	(512,779)
Net Position - beginning	982,696	556,764	425,932
Net Position - ending	\$ 895,849	\$ 982,696	\$ (86,847)

<u>Business-Type Activities</u>			
<i>For the years ended September 30,</i>	2018	2017	Change
Revenues			
Program revenues			
Charges for services	\$ 2,557,380	\$ 2,417,707	\$ 139,673
Capital grants and contributions	855,930	4,242,903	(3,386,973)
General revenues			
Miscellaneous	15,966	17,751	(1,785)
Interest	9,420	9,010	410
Total revenues	3,438,696	6,687,371	(3,248,675)
Expenses			
Sewer	532,991	490,110	42,881
Water	564,616	583,035	(18,419)
Sanitation	1,377,189	1,622,893	(245,704)
Total expenses	2,474,796	2,696,038	(221,242)
Excess revenue over expenses	963,899	3,991,333	(3,027,434)
Unrealized loss on investments	(2,605)	(4,291)	1,686
Transfers in (out)	(525,890)	(961,665)	435,775
Increase in net position	435,404	3,025,377	(2,589,973)
Net Position - beginning	22,767,858	19,742,481	3,025,377
Net Position - ending	\$ 23,203,262	\$ 22,767,858	\$ 435,404

Financial Analysis of the City's Funds

This section provides an analysis of the balances and transactions of individual funds. As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

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

As of September 30, 2018, the City's governmental funds reported a combined ending fund balance of \$270,797. Of this amount, \$199,380 was restricted for capital improvements leaving an unassigned balance of \$71,417.

Proprietary Funds

The City's proprietary funds provide the same type of information found in government-wide business-type financial statements, but in more detail.

Proprietary fund net position as of September 30, 2018 was \$23,203,262. \$21,591,534 was invested in capital assets net of related debt, \$1,008,989 was restricted primarily for capital improvements and debt service, and unrestricted net position was \$602,739.

General Fund Budgetary Highlights

General fund revenues exceeded budgeted revenues by \$148,944 and actual expenditures exceeded budgeted expenditures by \$252,679.

Capital Assets and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018 amounts to \$28,340,091 (net of accumulated depreciation), which is an increase of \$607,809 over the prior year. The capital assets activity for the year is detailed in note 6 to the financial statements. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year and depreciation of depreciable assets for the year. Capital assets were decreased by retirements net of depreciation of zero and depreciation of \$653,570 for its governmental and business-type activities during fiscal year 2018. The City expended resources to acquire \$78,134 in capital asset additions during the year. The City received grants to acquire \$1,183,245 in construction in progress additions during the year.

Long-Term Debt - As of September 30, 2018, the City had \$6,023,799 in notes payable and revenue bonds payable. The long-term debt activity for the year is detailed in note 8 to the financial statements. The City's total debt increased by \$94,648 primarily due to borrowings for capital projects during the year.

Requests for Information

The City's financial statements are designed to present users (citizens, taxpayers, customers and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, contact the City Clerk, City of Bonifay, 301 N. Etheridge Street, Bonifay, Florida, 32425, telephone (850) 547-4238.

City of Bonifay
Statement of Net Position
September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 13,524	\$ 246,506	\$ 260,030
Investments	-	105,928	105,928
Receivables, net	11,934	359,486	371,420
Grant receivable	88,547	-	88,547
Restricted assets			
Cash and cash equivalents	199,380	1,380,936	1,580,316
Investments	-	173,656	173,656
Prepaid expenses	1,980	-	1,980
Capital assets, not being depreciated	61,115	8,413,592	8,474,707
Capital assets, net of depreciation	675,930	19,189,454	19,865,384
Total assets	1,052,410	29,869,558	30,921,968
Liabilities			
Accounts payable	41,032	80,391	121,423
Accrued liabilities	3,536	11,109	14,645
Payable from restricted assets			
Accrued interest	-	13,776	13,776
Customer deposits	-	96,786	96,786
Short-term debt	67,000	-	67,000
Unearned revenue - grant	-	435,000	435,000
Noncurrent liabilities			
Due within one year			
Compensated absences	32,706	17,722	50,428
Notes payable	12,287	63,456	75,743
Revenue bonds payable	-	163,600	163,600
Due in more than one year			
Notes payable	-	1,263,940	1,263,940
Revenue bonds payable	-	4,520,516	4,520,516
Total liabilities	156,561	6,666,296	6,822,857
Net Position			
Net investment in capital assets	657,758	21,591,534	22,249,292
Restricted	199,380	1,008,989	1,208,369
Unrestricted	38,711	602,739	641,450
Total net position	\$ 895,849	\$ 23,203,262	\$ 24,099,111

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay
Statement of Activities
September 30, 2018

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General government	\$ 278,110	\$ 11,058	\$ -
Public safety	634,566	34,966	-
Transportation	774,332	1,605	255,528
Physical environment	110,543	-	-
Culture and recreation	142,435	-	8,498
Total governmental activities	1,939,986	47,629	264,026
Business-type Activities:			
Sanitation	532,992	604,796	-
Water	564,616	822,053	-
Sewer	1,377,189	1,130,531	-
Total business-type activities	2,474,797	2,557,380	-
Total primary government	\$ 4,414,783	\$ 2,605,009	\$ 264,026

General Revenues

Sales taxes
Gasoline taxes
Utility taxes
Franchise taxes
Other taxes
Interest Income
Loss on sale of assets
Unrealized loss on investments
Miscellaneous
Transfers

Total general revenues and transfers

Change in net position

Net Position - beginning

Net Position - ending

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
\$ -	\$ (267,052)	\$ -	\$ (267,052)
-	(599,600)	-	(599,600)
-	(517,199)	-	(517,199)
-	(110,543)	-	(110,543)
-	(133,937)	-	(133,937)
-	(1,628,331)	-	(1,628,331)
-	-	71,804	71,804
5,538	-	262,975	262,975
850,392	-	603,734	603,734
855,930	-	938,513	938,513
<u>\$ 855,930</u>	<u>(1,628,331)</u>	<u>938,513</u>	<u>(689,818)</u>
	204,751	-	204,751
	68,060	-	68,060
	317,063	-	317,063
	257,685	-	257,685
	111,705	-	111,705
	311	9,420	9,731
	-	(45)	(45)
	-	(2,605)	(2,605)
	56,019	16,011	72,030
	525,890	(525,890)	-
	1,541,484	(503,109)	1,038,375
	(86,847)	435,404	348,557
	982,696	22,767,858	23,750,554
<u>\$ 895,849</u>	<u>\$ 23,203,262</u>	<u>\$ 24,099,111</u>	

**City of Bonifay
Balance Sheet
Governmental Funds
September 30, 2018**

	General Fund	Nonmajor - Fuel Tax Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 13,524	\$ -	\$ 13,524
Receivables	100,481	-	100,481
Restricted assets			
Cash and cash equivalents	-	199,380	199,380
Prepaid expenses	1,980	-	1,980
Total assets	\$ 115,985	\$ 199,380	\$ 315,365
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 41,032	\$ -	\$ 41,032
Accrued liabilities	3,536	-	3,536
Total liabilities	44,568	-	44,568
Fund balances			
Restricted	-	199,380	199,380
Unassigned	71,417	-	71,417
Total fund balances	71,417	199,380	270,797
Total liabilities and fund balances	\$ 115,985	\$ 199,380	\$ 315,365

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2018

Differences in amounts reported for governmental activities in the Statement of Net Position:

Total fund balance - governmental funds	\$ 270,797
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	737,045
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(32,706)
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	(79,287)
<hr/>	
Net position of governmental activities	<hr/> <hr/> \$ 895,849

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds**

For the Year Ended September 30, 2018

	General Fund	Nonmajor - Fuel Tax Fund	Total Governmental Funds
Revenues			
Taxes	\$ 781,232	\$ 68,060	\$ 849,292
Licenses and permits	11,058	-	11,058
Intergovernmental	384,017	-	384,017
Charges for services	26,483	-	26,483
Fines and forfeitures	10,088	-	10,088
Interest income	41	271	312
Miscellaneous	45,999	-	45,999
Total revenues	1,258,918	68,331	1,327,249
Expenditures			
General government	240,105	-	240,105
Public safety	593,419	-	593,419
Transportation	749,805	15,500	765,305
Physical environment	108,449	-	108,449
Culture and recreation	114,970	-	114,970
Capital outlay	92,812	-	92,812
Debt service, principal	35,354	-	35,354
Debt service, interest	886	-	886
Total expenditures	1,935,800	15,500	1,951,300
Excess (Deficiency) of Revenues over Expenditures	(676,882)	52,831	(624,051)
Other Financing Sources			
Debt proceeds	67,000	-	67,000
Transfers in	525,890	-	525,890
Total other financing sources	592,890	-	592,890
Net change in fund balances	(83,992)	52,831	(31,161)
Fund Balances - beginning	155,409	146,549	301,958
Fund Balances - ending	\$ 71,417	\$ 199,380	\$ 270,797

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2018**

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds: \$ (31,161)

Certain prepaid expenses reported as expenditures in governmental funds are allocable to future accounting periods and therefore, are not reported as expenses in the Statement of Activities. (10,385)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. 78,134

Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position. (82,940)

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

Compensated absences (8,849)

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt proceeds (67,000)

Repayment of debt 35,354

Change in net position of governmental activities \$ (86,847)

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 748,500	\$ 748,500	\$ 781,232	\$ 32,732
Licenses and permits	10,224	10,224	11,058	834
Intergovernmental	302,429	302,429	384,017	81,588
Charges for services	26,604	26,604	26,483	(121)
Fines and forfeitures	9,600	9,600	10,088	488
Interest	42	42	41	(1)
Miscellaneous	12,575	12,575	45,999	33,424
Total revenues	1,109,974	1,109,974	1,258,918	148,944
Expenditures				
General government	262,209	262,209	240,105	22,104
Public safety	594,107	594,107	593,419	688
Transportation	353,776	353,776	749,805	(396,029)
Physical environment	99,922	99,922	108,449	(8,527)
Culture and recreation	159,993	159,993	114,970	45,023
Capital outlay	196,500	196,500	92,812	103,688
Debt service, principal	15,910	15,910	35,354	(19,444)
Debt service, interest	704	704	886	(182)
Total expenditures	1,683,121	1,683,121	1,935,800	(252,679)
Excess (Deficiency) of Revenues Over Expenditures				
	(573,147)	(573,147)	(676,882)	(103,735)
Other Financing Sources				
Debt proceeds	-	-	67,000	67,000
Transfers in	573,147	573,147	525,890	(47,257)
Total other financing sources	573,147	573,147	592,890	19,743
Net change in fund balance	-	-	(83,992)	(83,992)
Fund Balance - beginning	155,409	155,409	155,409	-
Fund Balance - ending	\$ 155,409	\$ 155,409	\$ 71,417	\$ (83,992)

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay
Statement of Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	Business-Type Activities			Total
	Sanitation	Water	Sewer	
Assets				
Current assets				
Cash and cash equivalents	\$ 4,234	\$ 220,908	\$ 21,364	\$ 246,506
Investments	-	-	105,928	105,928
Receivables, net	80,425	119,366	159,695	359,486
Restricted assets:				
Cash and cash equivalents	-	212,572	1,168,364	1,380,936
Investments	-	-	173,656	173,656
Total current assets	84,659	552,846	1,629,007	2,266,512
Non-current assets				
Land and construction in progress	7,952	993,983	7,411,657	8,413,592
Capital assets, net of depreciation	-	3,268,379	15,921,075	19,189,454
Total non-current assets	7,952	4,262,362	23,332,732	27,603,046
Total assets	92,611	4,815,208	24,961,739	29,869,558
Liabilities				
Current liabilities				
Accounts payable	39,171	26,412	14,808	80,391
Accrued liabilities	110	10,198	801	11,109
Compensated absences	545	9,415	7,762	17,722
Unearned revenue - grant	-	-	435,000	435,000
Notes payable	-	63,456	-	63,456
Total current liabilities	39,826	109,481	458,371	607,678
Current liabilities payable from restricted assets				
Accrued interest	-	4,091	9,685	13,776
Deposits	-	96,786	-	96,786
Revenue bonds payable	-	30,000	133,600	163,600
Total current liabilities payable from restricted assets	-	130,877	143,285	274,162

-Continued-

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay
Statement of Net Position (Continued)
Proprietary Funds
For the Year Ended September 30, 2018

	Business-Type Activities			Total
	Sanitation	Water	Sewer	
Long-term liabilities				
Notes payable	-	12,400	1,251,540	1,263,940
Revenue bonds payable	-	1,282,556	3,237,960	4,520,516
Total long-term liabilities	-	1,294,956	4,489,500	5,784,456
Total liabilities	39,826	1,535,314	5,091,156	6,666,296
Net Position				
Net investment in capital assets	7,952	2,873,950	18,709,632	21,591,534
Restricted	-	111,654	897,335	1,008,989
Unrestricted	44,833	294,290	263,616	602,739
Total net position	\$ 52,785	\$ 3,279,894	\$ 19,870,583	\$ 23,203,262

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	Business-Type Activities			
	Sanitation	Water	Sewer	Total
Operating Revenues				
Charges for services	\$ 604,796	\$ 782,242	\$ 1,130,531	\$ 2,517,569
Utility tax	-	39,811	-	39,811
Total operating revenues	604,796	822,053	1,130,531	2,557,380
Operating Expenses				
Salaries	25,863	145,064	151,753	322,680
Taxes and licenses	1,977	11,081	11,507	24,565
Retirement expense	1,500	6,625	5,875	14,000
Health insurance	9,608	44,212	38,175	91,995
Other insurance	18,337	17,125	25,758	61,220
Utilities	42	50,637	381,070	431,749
Repairs and maintenance	3,048	38,223	25,452	66,723
Bad debts	2,588	5,552	5,298	13,438
Depreciation	-	86,764	483,866	570,630
Gas and oil	-	10,678	4,655	15,333
Postage	-	9,957	611	10,568
Contractual services	467,737	49,280	33,021	550,038
Chemicals and lab fees	-	4,930	58,478	63,408
Operating supplies	454	7,243	15,303	23,000
Miscellaneous	1,838	18,211	10,431	30,480
Total operating expenses	532,992	505,582	1,251,253	2,289,827
Operating Income (Loss)	71,804	316,471	(120,722)	267,553
Non-Operating Revenues (Expenses)				
Interest income	-	19	9,401	9,420
Interest expense	-	(59,034)	(125,936)	(184,970)
Grant revenue	-	5,538	850,392	855,930
Loss on sale of assets	-	-	(45)	(45)
Unrealized loss on investments	-	-	(2,605)	(2,605)
Miscellaneous	110	13,043	2,858	16,011
Total non-operating revenues	110	(40,434)	734,065	693,741
Income Before Transfers	71,914	276,037	613,343	961,294
Transfers out	(95,959)	(231,383)	(198,548)	(525,890)
Change in net position	(24,045)	44,654	414,795	435,404
Total Net Position - beginning	76,830	3,235,240	19,455,788	22,767,858
Total Net Position - ending	\$ 52,785	\$ 3,279,894	\$ 19,870,583	\$ 23,203,262

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2018

	Business-Type Activities			
	Sanitation	Water	Sewer	Total
Cash Flows From Operating Activities				
Receipts from customers, users and others	\$ 606,944	\$ 821,759	\$ 1,133,854	\$ 2,562,557
Payments to suppliers	(505,180)	(272,867)	(964,914)	(1,742,961)
Payments to employees	(25,934)	(145,646)	(150,923)	(322,503)
Net cash provided by (used in) operating activities	75,830	403,246	18,017	497,093
Cash Flows From Non-Capital Financing Activities				
Transfers out	(95,959)	(231,383)	(198,548)	(525,890)
Miscellaneous	110	13,043	2,858	16,011
Payments on internal balances	(18,733)	(22,733)	(18,732)	(60,198)
Net cash provided by (used in) non-capital financing activities	(114,582)	(241,073)	(214,422)	(570,077)
Cash Flows From Capital and Related Financing Activities				
Bond principal payments	-	(29,000)	(126,400)	(155,400)
Note principal payments	-	(5,056)	(35,648)	(40,704)
Interest payments	-	(59,132)	(126,369)	(185,501)
Proceeds from long-term debt	-	-	306,106	306,106
Acquisition and construction of capital assets	-	-	(1,183,245)	(1,183,245)
Proceeds from capital grants	-	83,331	1,919,506	2,002,837
Net cash provided by (used in) capital and related financing activities	-	(9,857)	753,950	744,093
Cash Flows From Investing Activities				
Redemption of investments	-	3,003	252,780	255,783
Interest received	-	19	9,401	9,420
Net cash provided by (used in) investing activities	-	3,022	262,181	265,203
Net increase (decrease) in cash and cash equivalents	(38,752)	155,338	819,726	936,312
Cash and Cash Equivalents - beginning	42,986	278,142	370,002	691,130
Cash and Cash Equivalents - ending	\$ 4,234	\$ 433,480	\$ 1,189,728	\$ 1,627,442
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:				
Cash and cash equivalents - current assets	\$ 4,234	\$ 220,908	\$ 21,364	\$ 246,506
Cash and cash equivalents - restricted assets	-	212,572	1,168,364	1,380,936
Cash and cash equivalents - end of year	\$ 4,234	\$ 433,480	\$ 1,189,728	\$ 1,627,442

-Continued-

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Bonifay
Statement of Cash Flows - Proprietary Funds (Continued)
For the Year Ended September 30, 2018

	Business-Type Activities			
	Sanitation	Water	Sewer	Total
Reconciliation of Operating Income to Net				
Cash Provided by (Used in) Operating Activities				
Operating income (loss)	\$ 71,804	\$ 316,471	\$ (120,722)	\$ 267,553
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation and amortization	-	86,764	483,866	570,630
Changes in operating assets and liabilities:				
Accounts receivable	2,148	(792)	3,323	4,679
Prepaid expenses	742	3,709	2,967	7,418
Accounts payable	1,207	(2,822)	(352,247)	(353,862)
Accrued payroll liabilities	74	70	239	383
Compensated absences	(145)	(652)	591	(206)
Customer deposits	-	498	-	498
Net cash provided by (used in) operating activities	\$ 75,830	\$ 403,246	\$ 18,017	\$ 497,093

The accompanying "Notes to Financial Statements" form an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Bonifay, Florida (the “City”), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City’s basic financial statements.

Reporting Entity

The City was created by a special act on June 3, 1921 as adopted by the Legislature of Florida at its eighteenth regular session and incorporated into the laws of the State of Florida Chapter 8920-(No. 525). The City is a political subdivision of the State of Florida and operates under an elected City Council. The City provides police and fire protection, general government, recreation, and public works services to its residents. In addition, the City provides water, sewer, and sanitation services. The financial statements of the City include the funds required to account for those financial activities that are related to the City and are controlled by or dependent upon the City’s legislative body.

The definition of the reporting entity, pursuant to Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600, is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency’s governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based upon the application of this criterion, it was determined that there were no other entities subject to consideration for inclusion in the City’s financial statements.

Government-wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements are comprised of the statement of net position and the statement of activities, which reports information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered.

Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contribute to the change in the net position for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are 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, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer and Sanitation Departments are charges to customers for sales and services. Operating expenses for the enterprise fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The following is reported as a major governmental fund:

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

The City reports the following major proprietary funds:

Sanitation Fund – This fund accounts for all activity related to providing sanitation services to its citizens.

Water Fund – This fund accounts for all activity related to providing water services to its citizens.

Sewer Fund – This fund accounts for all activity related to providing sewer services to its citizens.

Cash, Cash Equivalents, and Pooled Cash Investments

Cash, cash equivalents, and pooled cash investments represents cash on hand as well as demand deposits and certificates of deposit with original maturities of three months or less.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements. At the fund level, expenditures are recognized when the available finance resource is expended.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Unbilled Revenue - Proprietary Fund

Provisions for uncollectible utilities charges are charged to revenues in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses. The City grants credit to customers who use its various services, substantially all of whom are local residents or businesses.

Restricted Assets

It is the City's policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

Investments

The City is authorized under Chapter 218.415, Florida Statutes, to invest and reinvest surplus public funds in its control or possession, in accordance with resolutions to be adopted from time to time in:

1. The Local Government Surplus Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in section 163.01, Florida Statutes.
2. Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in section 280.02, Florida Statutes.
4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities

Investments are stated at fair value, except for certificates of deposit, which are carried at amortized cost, in accordance with GASB Statement No. 31. U.S. Treasury notes and U.S. Agency and instrumentalities obligations are valued at quoted market. The reported value of the Local Government Surplus Funds Trust Fund Investment Pool's Prime account ("Prime") is shown at share value as it meets the criteria to be "2A-7 Like" at September 30, 2018. The City invests funds throughout the year in the Prime account, administered by the State Board of Administration ("SBA"), under the regulator oversight of the State of Florida. Throughout the year and as of September 30, 2018, the SBA contained certain floating and variable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments were purchased to add relative value to its portfolio. There is a risk of loss of interest on the investments if there are changes in the underlying indexed base. The investments with the SBA represented approximately 19% of the City's investment portfolio at September 30, 2018.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and a cost of at least \$1,000.

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 City has not reported infrastructure acquired prior to October 1, 2003.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase on loans obtained for long-term construction projects are capitalized into the cost of the asset.

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

Buildings	30 – 40 years
Improvements	10 – 15 years
Equipment	5 – 10 years
Office equipment	3 – 5 years

Interfund Loans and Transfers

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Compensated Absences

Vacation pay policies allow an employee to accumulate up to a maximum of 240 hours of unused vacation time, which will be paid to the employee in the event of termination of employment. Sick pay policies allow an employee to accumulate up to a maximum of 720 hours of unused sick leave.

However, there is no provision for payment of sick leave to the employee in the event of termination of employment. All leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts in the government-wide statements consists of unpaid, accumulated annual leave balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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. Bond issuance costs are expenses in the period incurred.

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 Outflows/Inflows of Resources

In addition to assets, the statement of net 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had no item that qualified for reporting in this category.

In addition to liabilities, the statement of net 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City had no item that qualified for reporting in this category.

Net Position and Fund Balance

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

Net Investment in Capital Assets – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant, unspent proceeds at year-end related to capital assets are reported as restricted funds.

Restricted – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the City Council.

Fund balances are reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

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

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council, the highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

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

Unassigned – All other spendable amounts.

The authority to establish, modify, or rescind a committed or assigned fund balance rests with the City Council and these actions are accomplished through an adopted resolution. When both restricted and unrestricted fund balances are available for use, it is the City’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

The City’s reported governmental fund balance at September 30, 2018 was comprised of the following:

	Nonmajor Fuel Tax Fund	Total Governmental Funds
Restricted for capital improvements	\$ 199,380	\$ 199,380

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Revenue

Florida Statutes allow the City to assess and collect property taxes within its municipal limits. However, the City has chosen to operate on revenues generated from other sources. Its primary sources of revenue come from state collected and shared revenues generated from sales and gasoline taxes.

Management Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenses during the reporting period. Actual results could vary from estimates used.

Impact of Recently Issued Accounting Pronouncements

In fiscal year 2018, the City adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75)
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81)
- GASB Statement No. 85, *Omnibus 2017* (GASB 85)
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86)

GASB 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurement by Agent Employers and Agent Employers and Agent Multiple-Employer Plans*. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. Note disclosure and required supplementary information are addressed. The adoption of GASB 75 had no impact on the City's financial statements.

GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources as the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. There was no material impact on the City's financial statement as a result of the implementation of GASB 81.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB 85 addresses practice issues that were identified during the implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and other postemployment benefits [OPEB]). The adoption of GASB 85 had no impact on the City’s current accounting practices nor its financial reporting.

GASB 86 establishes standards of accounting and financial reporting requirements, for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of future repayment of outstanding debt. There was no material impact on the City’s financial statements as a result of the implementation of GASB 86.

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the City upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	2019
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61</i>	2020

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Each year formal budgets are legally adopted and amended as required by the City Council for the General Fund and Fuel Tax Fund. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the City Council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level.

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

Budgets for the governmental funds are adopted on a basis consistent with GAAP. Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid on goods on order or unperformed contracts in process at year-end. Because appropriations lapse at year-end, it is the City’s policy to close encumbrances at year-end and to re-encumber those amounts, as needed, at the beginning of the next budget cycle.

Excess Expenditures Over Appropriations

The general fund actual expenditures exceeded budgeted expenditures by \$252,679. The excess was funded with unanticipated revenues and available fund balance.

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents represent cash on hand as well as demand deposits, investments and certificates of deposit with original maturities of three months or less. Investments are comprised of pooled investments with the Florida State Board of Administration, U.S. Treasury and Agency securities, and certificates of deposit stated at market value.

Custodial Credit Risk - Deposits

The City maintains its deposits with “Qualified Public Depositories” as defined in chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under Florida Statute 280 and the federal deposit insurance program, all the City’s deposits are fully insured or collateralized with collateral held by the State Treasurer.

Investments

Investments were comprised of the following:

<i>September 30,</i>	2018
<i>Reported at amortized cost:</i>	
Certificates of deposit	\$ 40,647
Prime Fund Florida State Board of Administration	105,928
<i>Reported at fair value:</i>	
U.S. Government and Agency Securities	133,009
Total investments	\$ 279,584

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Custodial Credit Risk – Investments

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City’s investments are held by the counterparty(s), or by their respective trust departments, but not in the City’s name. Consequently, these investments are exposed to custodial credit risk. The City has no policy on custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the quantity of the government’s investment in a single issuer. Investments in single issuers that equal or exceed 5% of total investments have a reportable concentration of credit risk. Credit quality risk results from potential default of investments that are not financially sound.

Investment Type	Credit Rating	Concentration Risk at Fair Value	Percentage of Total Investments*
Federal Home Loan Bank	AAA	\$ 88,864	32 %
Federal Farm Credit Bank	AAA	\$ 24,118	9 %
US Treasury Bond	AAA	\$ 20,027	7 %

* Excludes treasury notes, money market funds and SBA. SBA meets the criteria to be recognized as a “2A-7 like” investment company.

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes inputs in to three categories – Level 1, Level 2, and Level 3 inputs – considering the relative reliability of inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that are accessible at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the financial asset or liability.

City of Bonifay
Notes to Financial Statements

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the City’s financial assets carried at fair value by level within the valuation hierarchy as of September 30, 2018:

Fair Value Measurements at Reporting Date Using					
Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
September 30, 2018					
US Agency Obligations	\$ 133,009	\$ 20,027	\$ 112,982	\$	-

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has limited its interest rate risk by investing in low risk instruments with a maturity of 60 months or less. At September 30, 2018, the City held the following investments:

Investment Type	Total Fair Value	Purchase Date to Maturity			
		0-1 Year	1-2 Years	2-3 Years	3-5 Years
Prime Fund Florida State Board of Administration	\$ 105,928	\$ 105,928	\$ -	\$ -	\$ -
Certificates of Deposit	40,647	40,647	-	-	-
US Government and Agency Securities	133,009	69,422	39,469	-	24,118
	\$ 279,584	\$ 215,997	\$ 39,469	\$ -	\$ 24,118

Restricted Cash and Investments

Restricted cash and investments are comprised of the following:

City of Bonifay
Notes to Financial Statements

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

	Governmental	Business- Type
Cash		
Restricted to customer deposits	\$ -	\$ 96,827
Restricted to street improvements	199,380	-
Restricted to utility improvements	-	660,546
Restricted to debt service	-	623,563
Total	\$ 199,380	\$ 1,380,936
Investments		
Restricted to debt service and capital improvements	\$ -	\$ 173,656

NOTE 4 – RECEIVABLES

Receivables for the City at September 30, 2018 were comprised of the following:

	General Fund	Sanitation Fund	Water Fund	Sewer Fund	Total
Taxes	\$ 11,173	\$ -	\$ -	\$ -	\$ 11,173
Grants	88,547	-	-	-	88,547
Accounts	761	80,425	119,366	159,695	359,486
Total	\$ 100,481	\$ 80,425	\$ 119,366	\$ 159,695	\$ 736,279

The principal sources of accounts receivable were comprised of tax revenues due to the City from the State of Florida and receivables arising from utility services (water, sewer, and sanitation). The City grants credit to customers, substantially all of whom are local residents and businesses.

NOTE 5 – INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. These amounts should be repaid during the next fiscal year. There were no interfund balances as of September 30, 2018.

City of Bonifay
Notes to Financial Statements

NOTE 5 – INTERFUND BALANCES (Continued)

Interfund Transfers	Transfers in	Transfers out
General fund	\$ 525,890	\$ -
Sanitation	-	95,959
Water	-	231,383
Sewer	-	198,548
	\$ 525,890	\$ 525,890

NOTE 6 – CAPITAL ASSETS

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

	Balance 9/30/17	Increases	Decreases	Balance 9/30/18
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 61,115	\$ -	\$ -	\$ 61,115
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,297,273	\$ 61,852	\$ -	\$ 1,359,125
Machinery and equipment	1,553,423	16,282	225,177	1,344,528
Total capital assets, being depreciated	2,911,811	78,134	225,177	2,703,653
Less accumulated depreciation for:				
Buildings and improvements	789,378	34,855	-	824,233
Machinery and equipment	1,380,582	48,085	225,177	1,203,490
Total accumulated depreciation	2,169,960	82,940	225,177	2,027,723
Total capital assets, being depreciated, net	\$ 741,851	\$ (4,806)	\$ -	\$ 675,930
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 95,528	\$ -	\$ -	\$ 95,528
Construction in progress	7,134,819	1,183,245	-	8,318,064
Total capital assets not being depreciated	\$ 7,230,347	\$ 1,183,245	\$ -	\$ 8,413,592

City of Bonifay
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

	Balance 9/30/17	Increases	Decreases	Balance 09/30/18
Capital assets, being depreciated:				
Buildings and plant	\$ 25,723,039	\$ -	\$ -	\$ 25,723,039
Furniture, vehicles and equipment	1,290,154	-	203,623	1,086,531
Total capital assets, being depreciated	27,013,193	-	203,623	26,809,570
Less accumulated depreciation	7,253,109	570,630	203,623	7,620,116
Total capital assets, being depreciated, net	\$ 19,760,084	\$ (570,630)	\$ -	\$ 19,189,454
Governmental Activities				
General government				\$ 26,292
Public safety				24,536
Transportation				6,478
Culture and recreation				25,634
Total depreciation expense – governmental activities				\$ 82,940
Business-Type Activities				
Water				\$ 86,764
Sewer				483,866
Total depreciation expense – business-type activities				\$ 570,630

NOTE 7 – SHORT-TERM DEBT

Governmental Activities

First Federal Bank of Florida – A revolving line of credit for operating purposes with a maximum amount available of \$100,000. The amount available for draw at September 30, 2018 is \$33,000. Interest is due monthly at 5%.

\$ 67,000

Changes in short-term debt for the year ended September 30, 2018 were as follows:

	Beginning Balance 10/1/2017	Additions	Reductions	Ending Balance 9/30/18
Governmental activities	\$ 20,000	\$ 67,000	\$ 20,000	\$ 67,000

City of Bonifay
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 23,857	\$ 8,849	\$ -	\$ 32,706	\$ 32,706
Notes payable	27,641	-	15,354	12,287	12,287
Total	\$ 51,498	\$ 8,849	\$ 15,354	\$ 44,993	\$ 44,993
Business-Type Activities:					
Compensated absences	\$ 17,928	\$ -	\$ 206	\$ 17,722	\$ 17,722
Notes payable	1,061,994	306,106	40,704	1,327,396	63,456
Revenue bonds payable	4,839,516	-	155,400	4,684,116	163,600
Total	\$ 5,919,438	\$ 306,106	\$ 196,310	\$ 6,029,234	\$ 244,778

Debt service requirements on long-term debt at September 30, 2018 are as follows:

Governmental Activities					
Fiscal Year Ending				Principal	Interest
September 30,					
2019				\$ 12,287	\$ 226
Business - Type Activities					
Fiscal Year Ending	September 30,	Notes Payable		Revenue Bonds Payable	
		Principal	Interest	Principal	Interest
2019		\$ 63,456	\$ 20,461	\$ 163,600	\$ 177,041
2020		59,760	24,157	170,800	170,030
2021		60,936	22,981	179,400	162,695
2022		62,136	21,781	187,900	155,008
2023		63,360	20,557	194,700	147,230
2024-2028		336,044	83,544	950,360	613,009
2029-2033		352,128	49,530	654,800	434,547
2034-2038		329,576	15,782	632,000	331,433
2039-2043		-	-	751,000	215,561
2044-2048		-	-	507,000	100,148
2049-2053		-	-	382,000	38,439
Less remaining funds available for use		-	-	(89,444)	-
		\$ 1,327,396	\$ 258,793	\$ 4,684,116	\$ 2,545,141

City of Bonifay
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

Notes Payable

	Governmental Activities	Business-Type Activities
First Federal Bank of Florida – A note payable in monthly installments of \$374 including interest at 4.5%. The note matures September 9, 2019 and is unsecured.	\$ 4,371	\$ -
First Federal Bank of Florida – A note payable in monthly installments of \$1,010 including interest at 4.5%. The note matures September 22, 2019 and is unsecured.	7,916	-
Florida Department of Environmental Protection – A loan to cover the cost of water system improvements and upgrades. The loan is payable in semiannual principal installments of \$1,662 plus accrued interest at 2.71%. The loan matures November 15, 2030 and is secured by a lien on utility system revenues.	-	35,046
Florida Department of Environmental Protection – A loan to cover the cost of water system improvements and upgrades. The loan is payable in semiannual principal installments of \$1,662 plus accrued interest at 2.71%. The loan matures November 15, 2030 and is secured by a lien on utility system revenues.	-	40,810
Florida Department of Environmental Protection – A loan to cover the cost of wastewater system upgrades. The loan is expected to be payable in semiannual principal installments of \$38,373 plus accrued interest. The loan is expected to be finalized during fiscal year ending September 30, 2019 and therefore, the full amount is included in long-term debt at September 30, 2018; however amount is not included in debt service requirements because debt repayment terms have not been finalized.	-	1,251,540
	\$ 12,287	\$ 1,327,396

City of Bonifay
Notes to Financial Statements

NOTE 8 – LONG-TERM DEBT (Continued)

Bonds Payable

Bonds payable at September 30, 2018 are comprised of the following:

	Business-Type Activities
Water and Sewer Revenue Bonds – 1985 Series , authorized and issued \$520,300, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	\$ 155,000
Water and Sewer Revenue Bonds – 1985 Series , authorized and issued \$100,000, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	32,760
Water and Sewer Revenue Bonds – 1990 Series , authorized and issued \$1,498,100, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	734,700
Water and Sewer Revenue Bonds – 1990 Series , authorized and issued \$427,600, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	210,100
Water and Sewer Revenue Bonds – 2005 A Series , authorized and issued \$1,436,300, interest at 4.25%, principal and interest payable annually at September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	1,106,856
Water and Sewer Revenue Bonds – 2005 B Series , authorized and issued \$246,700, interest at 4.25%, principal and interest payable annually at September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	205,700
Water and Sewer Revenue Bonds – 2012 Series , authorized and issued 2,389,000, interest at 2.75%, principal and interest payable annually at September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	2,239,000
Total	\$ 4,684,116

City of Bonifay
Notes to Financial Statements

NOTE 9 – BOND INDENTURE COMPLIANCE

Sinking fund and reserve balances required by the various bond indentures compared to actual balances at September 30, 2018 is as follows:

	Required	Actual	Excess (Deficit)
Sinking Fund – 1985 issues	\$ 2,970	\$ 5,446	\$ 2,476
Sinking Fund – 1990 issues	9,397	11,042	1,645
Sinking Fund – 2005 Series	7,168	20,340	13,172
Sinking Fund – 2012 Series	8,470	10,498	2,028
Reserve Fund – 1985 Series	38,160	40,647	2,487
Reserve Fund – 1990 Series	125,790	149,109	23,319
Reserve Fund – 2005 Series	90,818	91,591	773
Reserve Fund – 2012 Series	41,902	66,301	24,399
	<u>\$ 324,675</u>	<u>\$ 394,974</u>	<u>\$ 70,299</u>

NOTE 10 – RESTRICTED NET POSITION

Restricted net position is comprised of the following:

	Governmental	Business- Type
Restricted to road maintenance and repair	\$ 199,380	\$ -
Restricted to water and sewer plant upgrades	-	895,916
Restricted to debt service	-	113,073
	<u>\$ 199,380</u>	<u>\$ 1,008,989</u>

NOTE 11 – INTEREST EXPENSE

Interest expense incurred in the proprietary funds for the year ended September 30, 2018 was \$184,970, all of which was charged to non-operating expenses. Cash paid for interest was \$185,501 for the year ended September 30, 2018.

NOTE 12 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 13 – RETIREMENT PLAN

The City has established a noncontributory, defined contribution retirement plan under Internal Revenue Code Section 457(b). This plan covers all full-time employees of the City who have completed at least 12 months of service and are at least 18 years of age. The amount of contribution each plan year is by the City Council at their discretion. The total contribution to the plan for the year ended September 30, 2018 was \$34,625.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation - The City is a defendant in various claims and lawsuits. No reasonable determination can be made as to the outcome of these cases at this time. However, management intends to vigorously defend these cases.

Grants - Grant funds received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such reviews may result in requests for reimbursements due to disallowed expenditures. Based upon experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2018, there were no questioned or disallowed costs as a result of reviews by grantor agencies in process or completed.

Construction Commitments - The City has open contract commitments for grant and construction activities as follows:

Project	Contract Amount	Expended to Date	Estimated Remaining Commitment
<i>Business-type Activities:</i>			
FL DEP – Sewer Treatment Update	\$ 7,175,200	\$ 6,989,577	\$ 185,623

NOTE 15 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, worker’s compensation claims, errors and omissions, and natural disasters for which the City carries commercial insurance effectively transferring substantially all risk.

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 30, 2019, the date of these financial statements, and there are none deemed to warrant recognition or disclosure.

**INDEPENDENT AUDITORS' 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***

Honorable Mayor and Members of
the City Council
City of Bonifay, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining nonmajor fund information of the City of Bonifay, Florida (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described as items 2010-001 and 2016-001 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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. We consider the deficiency described as item 2016-004 in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

City of Bonifay's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to audit procedures applied in the audit of the financial statements 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 City'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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 30, 2019

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Honorable Mayor and Members of
the City Council
Bonifay, Florida

Report on Compliance for Each Major Federal Program

We have audited City of Bonifay (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2018. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 30, 2019

City of Bonifay
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass-Through Grantor's No.	Passed through to Subrecipients	Expenditures
U.S. Department of Housing and Urban Development				
Passed through Florida Department of Economic Opportunity Community Development Block Grants / State's program and Non-Entitlement Grants in Hawaii				
	14.228	16DB-OK-02-42-02-N21	\$ -	\$ 5,538
U.S. Environmental Protection Agency				
Passed through Florida Department of Environmental Protection Capitalization Grants for Clean Water State Revolving Funds *				
	66.458	WW300132	-	1,155,093
U.S. Department of Homeland Security				
Passed through Florida Division of Emergency Management Hazard Mitigation Grant (HMGP)				
	97.039	15HM-9J-02-41-02-246	-	4,050
Total expenditures of federal awards			\$ -	\$ 1,164,681

* Clean Water State Revolving Fund Cluster

City of Bonifay
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the SEFA) summarizes the federal expenditures of the City under programs of the federal government for the year ended September 30, 2018. The amounts reported as federal expenditures were obtained from the City's general ledger. Because the SEFA presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets and cash flows of the City.

For purposes of the SEFA, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. The City has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the SEFA. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. One cluster is separately identified in the SEFA as follows

Clean Water State Revolving Fund Cluster - This cluster includes loans and other types of financial assistance to qualified cities for clean water projects.

NOTE 2 – RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding state and/or pass-through agencies and the SEFA may differ. Some of the factors that may account for any difference include the following:

- The City's fiscal year end may differ from the program's year end.
- Accruals recognized in the SEFA, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the City's financial statements and as expenditures in the program financial reports and the SEFA.

NOTE 3 – FEDERAL PASS-THROUGH FUNDS

The City is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct.

City of Bonifay
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

NOTE 4 – BASIS OF ACCOUNTING

This SEFA was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the City's federal grants.

NOTE 5 – CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2018, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

NOTE 6 – NONCASH ASSISTANCE

The City did not receive any federal noncash assistance for the period ended September 30, 2018.

NOTE 7 – DE MINIMIS

The City has elected to not use the 10% de Minimis indirect cost rate.

NOTE 8 – SUBRECIPIENTS

The City did not provide federal funds to subrecipients for the fiscal year ending September 30, 2018.

NOTE 9 – LOANS AND LOAN GUARANTEES

The City did not have any loans or loan guarantee programs required to be reported on the SEFA for the fiscal year ended September 30, 2018.

City of Bonifay
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section I – Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified X Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR Part 200.516(a)? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Fund Cluster Capitalization Grants For Clean Water State Revolving Fund

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Auditee qualified as low-risk auditee? Yes X No

Section II – Financial Statement Findings (Repeat)

2010-001 Financial Statement Preparation Knowledge (Repeat)

Condition – The external auditors' assistance was necessary to prepare the financial statements including note disclosure in accordance with generally accepted accounting principles.

Criteria – Auditing Standards Board AU-C Section 265 requires auditors to disclose for reports substantially drafted by external auditors whether or not the entity's institutional experience, background and knowledge of Governmental Accounting and Financial Accounting Standards

City of Bonifay
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

prohibits the entity from preparing the financial statements internally including full note disclosures as required by those standards.

Cause – There are no City personnel with the experience, background and knowledge of Governmental Accounting and Financial Accounting Standards to prepare financial statements internally including full note disclosures as required by those standards.

Effect – The finding could adversely affect the City’s ability to internally prepare financial statements in accordance with generally accepted accounting principles.

Recommendation – We recommend City personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements.

Views of Responsible Officials and Planned Corrective Actions – The City is in agreement with the finding noted; however, the City does not have the financial resources to hire a CPA to perform the duties that is required, but will continue to strive to provide financial statements to the best of their knowledge and to improve and grow our personnel knowledge so in the future the City can possibly satisfy this requirement.

2016-001 Preparation of Schedule of Expenditures of Federal Awards and State Financial Assistance (Repeat)

Condition – The external auditors’ assistance was necessary to prepare the schedule of expenditures of federal awards and state financial assistance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida.

Criteria – As described in §200.510(b)(3) of the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida, the City must complete the schedule of expenditures of federal awards and state financial assistance and include CFDA or CSFA numbers provided in federal or state awards and associated expenditures.

Cause – City personnel lack the experience necessary to enable them to prepare the City’s schedule of expenditures of federal awards and state financial assistance including note disclosures.

Effect – The finding could adversely affect the City’s ability to prepare the schedule of expenditures of federal awards and state financial assistance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida.

Recommendation – We recommend that City personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the schedule of expenditures of federal awards and state financial assistance.

City of Bonifay
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Views of Responsible Officials and Planned Corrective Actions – The City is in agreement with the finding noted. In the past, this was expected of the contracted Grants Administrator. The City Clerk, in the future, will take a more active role in the activities of any Grants Administrator contracted by the City to ensure that this condition is eliminated.

2016-004 Design of IT General Controls (Repeat)

Condition – General IT controls commonly include controls over data center and network operations; system software acquisition, change, and maintenance; access security; and application system acquisition, development, and maintenance. During our audit, we became aware that there are significant deficiencies related to:

- Yearly recovery testing is not performed.
- Server does not have a backup power supply.
- The City does not have formal, written IT policies and procedures.
- Lack of segregation of system access and duties for various office accounting and office personnel.
- Passwords (no password policy or requirements are present for the accounting software and Windows password settings do not include a lockout policy

Criteria – Well-designed general and application controls not only contribute to the assurance that the information system provides complete and accurate information for financial reporting purposes, such controls also allow the City to rely on the information for monitoring purposes.

Cause – Effective general controls provide support for the underlying functions and activities that one or more applications rely on. General controls include the policies and procedures that relate to many applications and support the effective functioning of application controls by helping to ensure the continued proper operation of information systems.

Effect – Control deficiencies demonstrate an inadequate design of access security policies and segregation of duties requirements as well as a lack of independent monitoring of user access to financial application programs and data which could result in misstatement of the financial statements.

Recommendation – We urge the City to give serious consideration to developing policies and procedures incorporating IT general and application control features to correct conditions such as those listed above.

Views of Responsible Officials and Planned Corrective Actions – The City is in agreement with the finding noted and will implement a corrective action plan.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

**City of Bonifay
301 N. Etheridge Street
Bonifay, Florida 32425
(850) 547-4238
Fax (850) 547-9014**

**James Sims, Mayor
Beverly Gilley, City Clerk**

**Roger Brooks, Vice Mayor
Andrew Grainger, Jr., Seat 2
Travis Cook, Seat 3
Larry F. White, Seat 4**

Summary Schedule of Prior Year Audit Findings

2010-001 – Repeat finding in the current year

2016-001 – Repeat finding in the current year

2016-002 – Corrected in the current year

2016-003 – Corrected in the current year

2016-004 – Partially corrected in the current year

2016-005 – Corrected in the current year

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Larry F. White, Seat 4**

Corrective Action Plan

2010-001 Financial Statement Preparation Knowledge (Repeat)

Recommendation: We recommend City personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements.

Action Taken: The City is in agreement with the finding noted; however, the City does not have the financial resources to hire a CPA to perform the required duties. The City will provide training to its accounting personnel to ensure that this condition is corrected as soon as possible.

Anticipated Completion: September 30, 2019

Responsible Party: City Clerk and Accountant

2016-001 Internal Controls over the Schedule of Expenditure of Federal and State Financial Assistance (Repeat)

Recommendation: We recommend that City personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the schedule of expenditures of federal awards and state financial assistance.

Action Taken: The City Clerk and Accountant will take a more active role in administering grant activity to ensure that this condition is eliminated.

Anticipated Completion: September 30, 2019

Responsible Party: City Clerk and Accountant



2016-004 Design of IT General Controls (Repeat)

Recommendation: – We urge the City to give serious consideration to developing policies and procedures incorporating IT general and application control features such as those listed above.

Action Taken: The City is in agreement with the recommendation and will implement the necessary corrective action.

Anticipated Completion: September 30, 2019

Responsible Party: City Clerk

**INDEPENDENT ACCOUNTANTS' 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**

Honorable Mayor and
Members of the City Council
City of Bonifay, Florida

We have examined the compliance of the City of Bonifay, Florida (the "City") with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with those specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirement 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 City complied, in all the material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City 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 City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 30, 2019

MANAGEMENT LETTER

Honorable Mayor and
Members of the City Council
City of Bonifay, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Bonifay, Florida (the "City") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 30, 2019.

Auditors' 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' 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*; Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' 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 and schedule, which are dated June 30, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2016-17 FY Finding No.	2015-16 FY Finding No.
2010-001	2010-001	2010-001
2016-001	2016-001	2016-001
2016-004	2016-002	2016-002
	2016-003	2016-003
	2016-004	2016-004
	2016-005	2016-005

Official Title and Legal Authority

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

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City 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 City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's 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.

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 made recommendations in the accompanying Schedule of Findings and Questioned Costs.

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 which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

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, Federal and other granting agencies, the Mayor, City Council and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 30, 2019