

**CITY OF BUNNELL, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

CITY COMMISSION

*Catherine D. Robinson, Mayor
John R. Rogers, Vice Mayor
Bill Baxley
Donnie Nobles
Jan Reeger*

CITY MANAGER

Dr. Alvin B. Jackson, Jr.

FINANCE DIRECTOR

Christopher E. Campbell, CGFO

Prepared by:
City of Bunnell Finance Department

**CITY OF BUNNELL, FLORIDA
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SEPTEMBER 30, 2018**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Bunnell, 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 aggregate remaining fund information of the City of Bunnell, 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

The City's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 aggregate remaining 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 and Community Redevelopment Agency funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

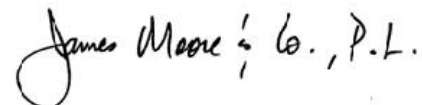
As discussed in Note (10) to the financial statements, in 2018 the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effects of these standards have also been applied to the financial statements as of and for the year ended September 30, 2017. See Note (14) for the effect of GASB 75 on beginning net position. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 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 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 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.



Daytona Beach, Florida
June 26, 2019

City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2018

As management of the City of Bunnell, we offer readers of the City of Bunnell's financial statements this narrative overview and analysis of the financial activities of the City of Bunnell for the fiscal year ended September 30, 2018.

Financial Highlights

- The assets and deferred outflows of the City of Bunnell exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$19,426,599 (net position). Of this amount, \$3,998,832 may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Bunnell's governmental funds reported combined ending fund balances of \$1,921,737, an increase of \$548,351. The unassigned General Fund balance available for spending at the City's discretion is \$1,559,771.

Overview of the Financial Statements

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

Government-Wide Financial Statements – The government-wide financial statements are designed to provide readers with a broad overview of the City of Bunnell's finances, in a manner similar to a private-sector business.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, physical environment and community planning and development. The business-type activities of the City include water, sewer and solid waste services.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Bunnell, 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 three categories: governmental funds, proprietary funds, and fiduciary funds.

City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2018

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

The City of Bunnell maintains four major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Funds, the CRA Fund, and the Debt Service Fund.

The City of Bunnell adopts annual appropriated budgets for the General Fund and CRA fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds – The City of Bunnell maintains two proprietary funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Bunnell uses an enterprise fund to account for its water & sewer and solid waste activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water, sewer, and solid waste activities, all of which are considered to be major funds of the City of Bunnell.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City (e.g., pension beneficiaries). Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Bunnell's schedule of proportionate share of net pension liability for the Florida Retirement System (FRS), the schedule of contributions to FRS, and the schedule of changes in total other post-employment benefits (OPEB) liability and related ratios.

Government-Wide Financial Analysis – As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City of Bunnell, net position at the close of the most recent fiscal year is \$19,426,599.

City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2018

The largest portion of the City of Bunnell's net position \$13,507,629 (69.5%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, equipment); less any related debt used to acquire those assets that is still outstanding. The City of Bunnell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Bunnell's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$1,930,138 (9.9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,988,832 (20.6%) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City can report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities, except in the governmental activities unrestricted net position. The \$26,361 of unrestricted net position is primarily due to the \$118,151 increase in the OPEB liability, the \$155,072 increase in net pension liability, along with the \$137,331 change in unrestricted cash and cash equivalents.

Business-type activities long-term liabilities decreased \$232,567 primarily due to the payment of long term notes and bonds. Business-type activities capital assets increased \$118,924 primarily due to the acquisition of capital equipment and capital improvements.

CITY OF BUNNELL'S NET POSITION
September 30,

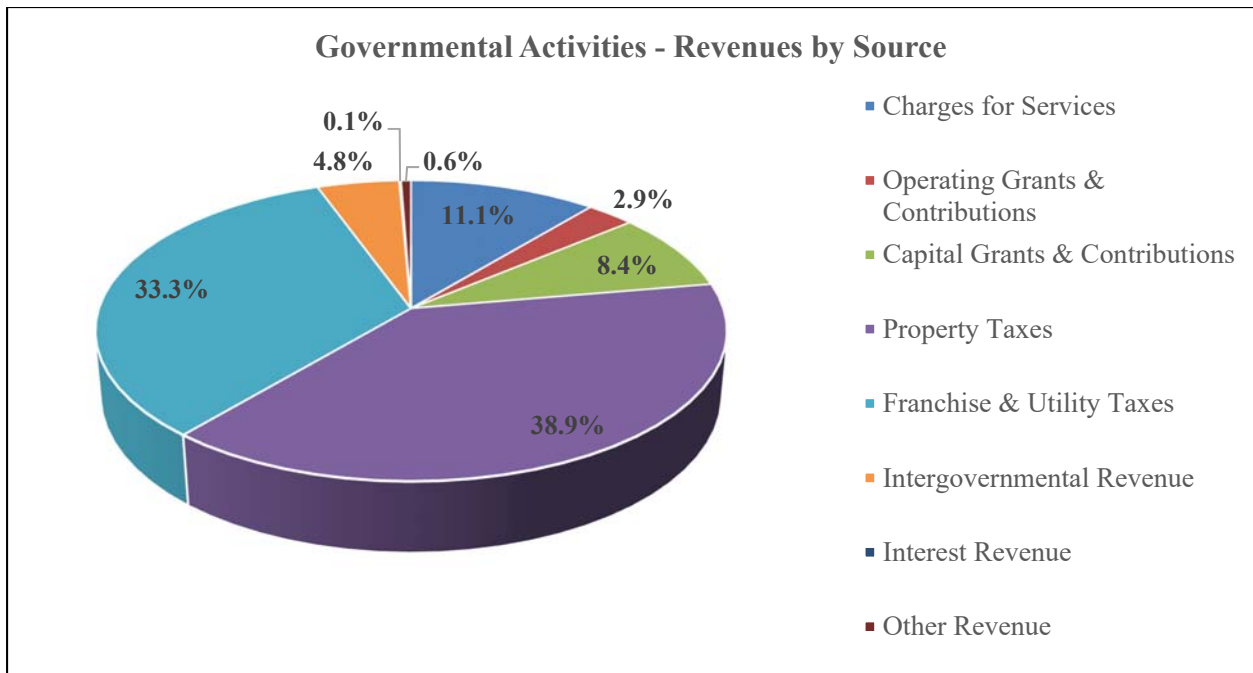
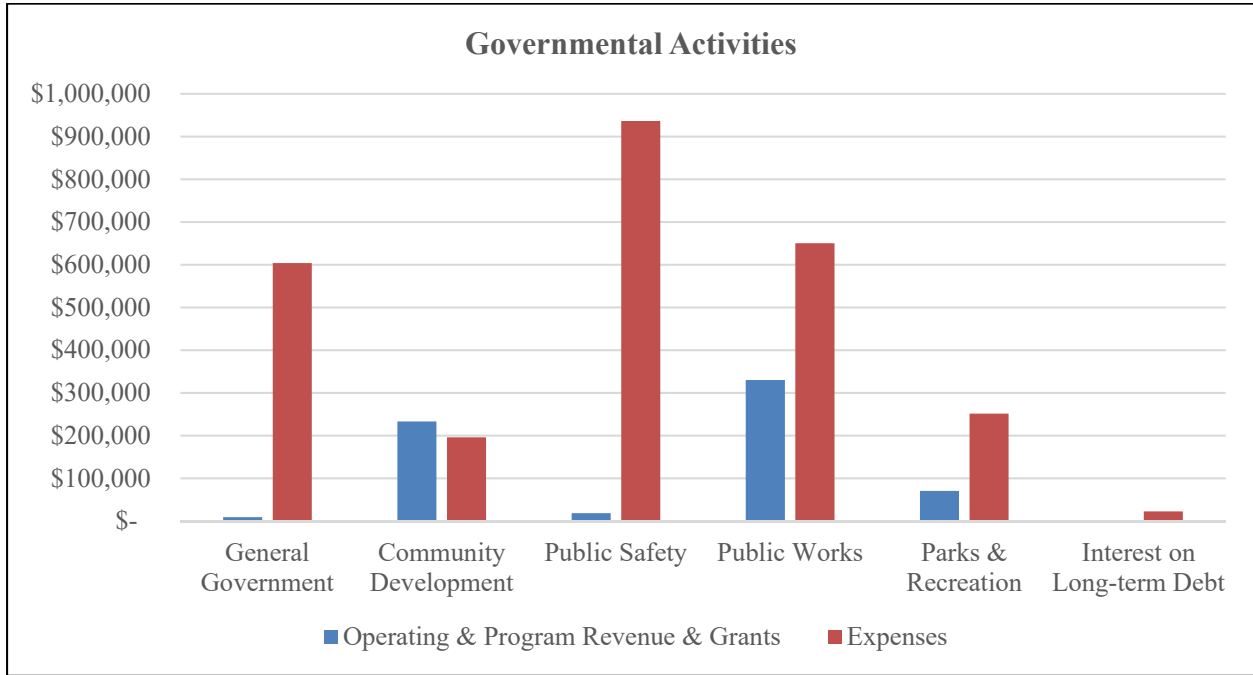
	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 2,179,649	\$ 1,811,632	\$ 6,886,130	\$ 6,031,932	\$ 9,065,779	\$ 7,843,564
Capital Assets	4,221,089	4,354,710	15,725,006	15,606,082	19,946,095	19,960,792
Total Assets	<u>6,400,738</u>	<u>6,166,342</u>	<u>22,611,136</u>	<u>21,638,014</u>	<u>29,011,874</u>	<u>27,804,356</u>
Deferred Outflows	699,575	708,212	200,919	189,395	900,494	897,607
Total Deferred Outflows	<u>699,575</u>	<u>708,212</u>	<u>200,919</u>	<u>189,395</u>	<u>900,494</u>	<u>897,607</u>
Long-term Liabilities	2,645,537	2,418,410	6,193,428	6,330,888	8,838,785	8,749,298
Other Liabilities	336,805	513,710	777,393	615,097	1,114,198	1,128,807
Total Liabilities	<u>2,982,162</u>	<u>2,932,120</u>	<u>6,970,821</u>	<u>6,945,985</u>	<u>9,952,983</u>	<u>9,878,105</u>
Deferred Inflows	413,910	598,534	118,876	113,514	532,786	712,048
Total Deferred Inflows	<u>413,910</u>	<u>598,534</u>	<u>118,876</u>	<u>113,514</u>	<u>532,786</u>	<u>712,048</u>
Net Investment in Capital Assets	3,575,437	3,660,842	9,932,192	1,142,685	13,507,629	13,235,222
Restricted	102,443	94,709	1,827,695	1,516,515	1,930,138	1,611,224
Unrestricted	26,361	(411,651)	3,962,471	3,677,015	3,988,832	3,265,364
Total Net Position	<u>\$ 3,704,241</u>	<u>\$ 3,343,900</u>	<u>\$ 15,722,358</u>	<u>\$ 14,767,910</u>	<u>\$ 19,426,599</u>	<u>\$ 18,111,810</u>

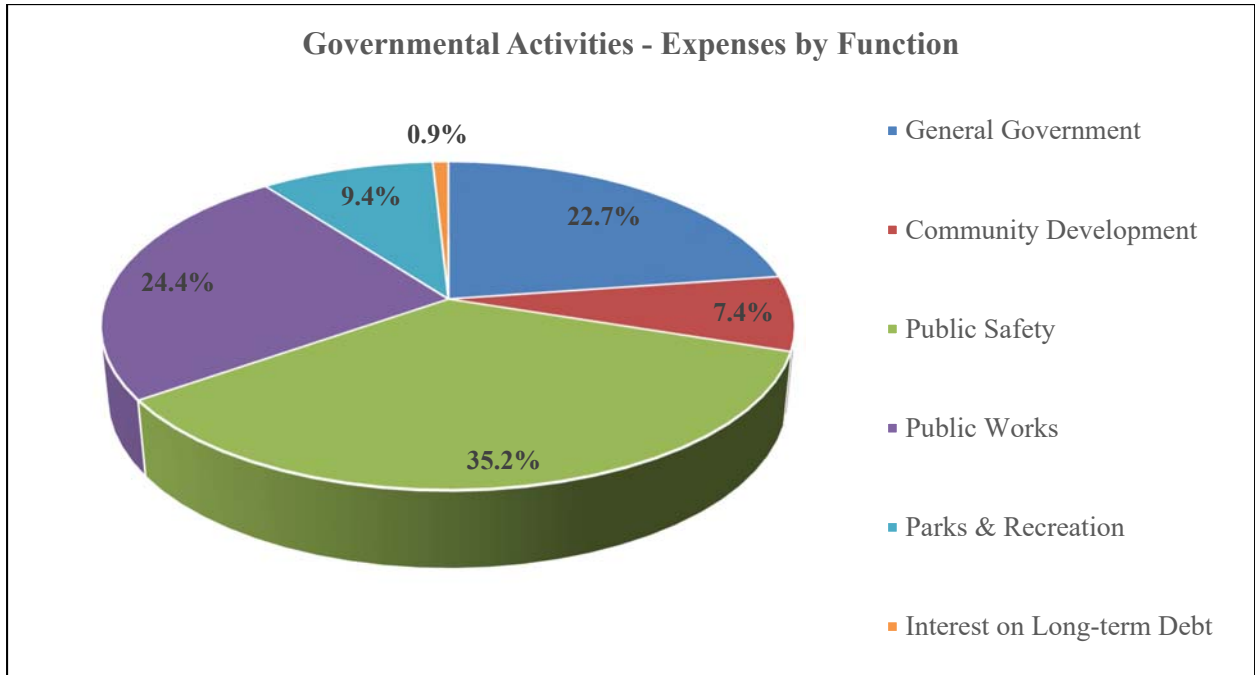
City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2018

CITY OF BUNNELL'S CHANGE IN NET POSITION
September 30,

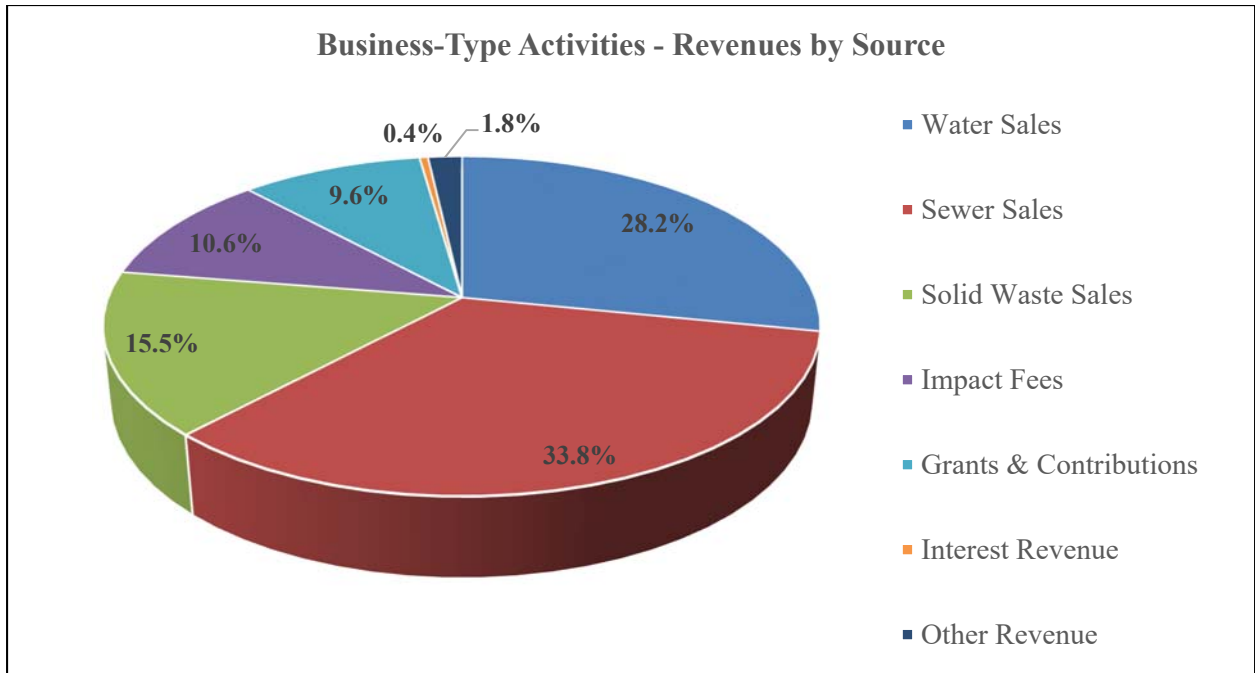
	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for Services	\$ 327,824	\$ 160,114	\$ 3,525,456	\$ 3,527,803	\$ 3,853,280	\$ 3,687,917
Operating Grants & Contributions	84,866	82,689	(39,692)	228,848	45,174	311,537
Capital Grants & Contributions	247,949	350,097	959,301	367,041	1,207,250	717,138
General Revenues:						
Property Taxes	1,152,478	1,125,513	-	-	1,152,478	1,125,513
Franchise & Utility Taxes	986,112	942,284	-	-	986,112	942,284
Intergovernmental Revenue	143,649	226,730	-	-	143,649	226,730
Interest Revenue	2,972	2,989	20,303	15,155	23,275	18,144
Other	17,498	62,786	81,736	39,185	99,234	101,971
Total Revenues	<u>2,963,348</u>	<u>2,953,202</u>	<u>4,547,104</u>	<u>4,178,032</u>	<u>7,510,452</u>	<u>7,131,234</u>
Expenses:						
General Government	603,869	778,577	-	-	603,869	778,577
Community Development	195,805	169,194	-	-	195,805	169,194
Public Safety	936,157	1,020,867	-	-	936,157	1,020,867
Public Works	650,112	572,988	-	-	650,112	572,988
Parks & Recreation	251,217	258,892	-	-	251,217	258,892
Interest on Long-term Debt	22,734	16,191	-	-	22,734	16,191
Water & Sewer	-	-	2,703,365	2,465,690	2,703,365	2,465,690
Solid Waste	-	-	669,839	863,729	669,839	863,729
Total Expenses	<u>2,659,894</u>	<u>2,816,709</u>	<u>3,373,204</u>	<u>3,329,419</u>	<u>6,033,098</u>	<u>6,146,128</u>
Increase (Decrease) in Net Position Before Transfers	303,454	136,493	1,173,900	848,613	1,477,354	985,106
Transfers In (Out)	159,734	145,488	(159,734)	(145,448)	-	-
Increase (Decrease) in Net Position	<u>463,188</u>	<u>281,941</u>	<u>1,014,166</u>	<u>703,165</u>	<u>1,477,354</u>	<u>985,106</u>
Net Position, Beginning (as restated)	3,241,053	3,061,959	14,708,192	14,064,745	17,949,245	17,126,704
Net Position, Ending	<u>\$ 3,704,241</u>	<u>\$ 3,343,900</u>	<u>\$ 15,722,358</u>	<u>\$ 14,767,910</u>	<u>\$ 19,426,599</u>	<u>\$ 18,111,810</u>

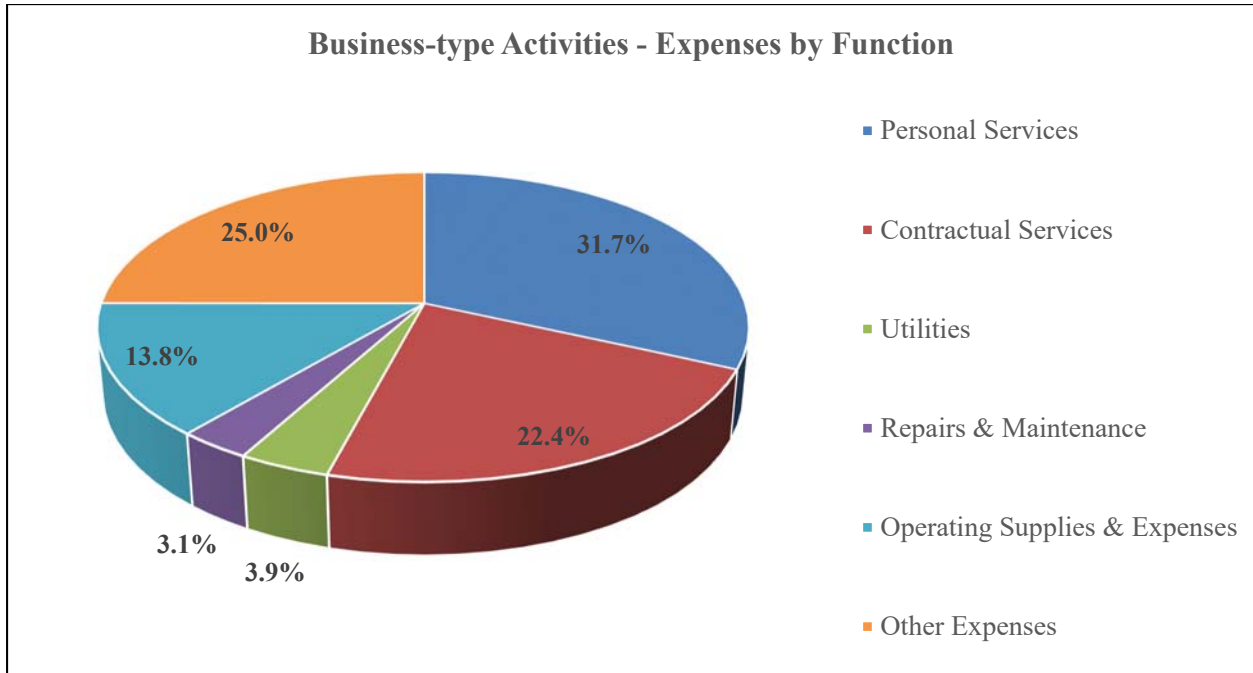
Governmental Activities – Governmental activities increased the City of Bunnell's net position by \$463,188.





Business-type Activities – Business-type activities increased the City of Bunnell’s net position by \$1,014,166.





Financial Analysis of the City's Funds – As noted earlier, the City of Bunnell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. During the fiscal year 2016, the City adopted a Cash and Investment Equity Reserve Policy. The policy sets the desired unrestricted net equity of 54 days or 14.8% of the annual budget for the major operating funds. As of September 30, 2018, the City's General Fund, Water and Sewer Fund, and Solid Waste Fund all had unrestricted net equity reserves greater than the required level established in the policy.

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 of Bunnell's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of September 30, 2018, unassigned fund balances were \$1,559,771, an increase of \$436,800 in comparison with the prior year. This amount constitutes unassigned General Fund balance, which is available for spending at the City's discretion. The increase in unassigned fund balance is partially due to the General Fund receiving transfers from the Water and Sewer Fund and the Solid Waste Fund in the amounts of \$329,448 and \$95,045, respectively, for administrative charges due to the General Fund.

The Community Redevelopment Agency had an increase of \$4, which brings the fund balance to \$3,627.

The Capital Projects Fund has a fund balance of \$95,189. Capital Project Fund revenues were transferred to the General Fund for the purchase capital projects and debt service on capital projects.

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

City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2018

The unrestricted net position of the Water and Sewer Fund at the end of the year amount to \$3,805,156. The total increase in net position in this fund was \$244,398. The increase was primarily due to capital contributions and capital grants of \$959,301.

The Solid Waste Fund showed an overall decrease in net position of \$823 primarily due to a return of operating grant revenue along with an administrative transfer to the General Fund.

General Fund Budgetary Highlights – The budget was amended to reflect capital expenditures funded from State grants that were not reflected in the original budget. In addition, at the end of the fiscal year, the budget was realigned to reflect anticipated expenditures. Intergovernmental revenues were \$109,602 below the final budget due to grant proceeds not being receipted. With respect to expenditures, Administration related expenditures were \$91,973 below budget due to a reduction in personal services while capital outlay was \$234,591 below budget as capital equipment was postponed to the upcoming fiscal year.

The comparison of the budget versus actual for the General Fund can be found on page 19.

Capital Assets and Debt Administration

Capital Assets – The City of Bunnell's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$19,946,095 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements over than buildings, equipment, infrastructure and construction in progress. The total change in the City of Bunnell's investment in capital assets for the current fiscal year was a \$133,621 decrease in net capital assets for governmental activities and a \$118,924 increase in net capital assets for business-type activities. Capital acquisitions were offset by depreciation expense that resulted in the net decline in governmental activities.

Major capital asset events during the current fiscal year included the following:

- Street resurfacing: \$45,619
- 2018 Ford F-250 4x4 Truck: \$38,956
- Reclaim Water Extension Grand Reserve: \$323,843
- Southside Sewer Rehabilitation: \$47,251
- Westside Sewer: \$106,327
- Replacement Pump Motor for Wastewater Treatment Plant: \$10,255
- Neptune Mobile Data Collector and Software: \$9,800
- Submersible Wastewater Pump: \$7,154

CITY OF BUNNELL'S CAPITAL ASSETS
(Net of Depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 205,002	\$ 26,991	\$ 231,993
Construction in Progress	830,666	235,032	1,065,698
Buildings and Improvements	3,014,297	14,926,941	17,941,238
Equipment	171,124	536,042	707,166
Total	<u>\$ 4,221,089</u>	<u>\$ 15,725,006</u>	<u>\$ 19,946,095</u>

City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Additional information on the City of Bunnell's capital assets can be found in Note 6 in the notes to the financial statements.

Long-Term Debt – At the end of fiscal year 2018, the City of Bunnell had total debt outstanding of \$6,438,466.

CITY OF BUNNELL'S OUTSTANDING DEBT

Long- and Short-Term Obligations

	Governmental Activities	Business-type Activities	Total
Notes & Bonds Payable	\$ 645,652	\$ 5,792,814	\$ 6,438,466
Compensated Absences	118,058	45,011	163,069
Total	<u>\$ 763,710</u>	<u>\$ 5,837,825</u>	<u>\$ 6,601,535</u>

The City of Bunnell's total debt decreased by \$287,104 during the current fiscal year due to the principal payment of debt.

Additional information on the City's long-term debt can be found in Note 7 in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The City's taxable value of commercial and residential property increased by 9.3% for the 2018 fiscal year.
- The property values and assessments were declining over the last several years. However, the local economy is showing signs of increasing activity as evidenced by the property value increase. The City expects this upward trend to continue over the next several years.
- The millage rate of 6.43 was approved in fiscal year 2018, a decrease of 6.53% below the roll back rate of 6.8795.
- In fiscal year 2014, the City's financial condition was considered unfavorable. Significant budget cuts were enacted. During fiscal year 2016, a fund balance reserve policy was established. At the end of the current fiscal year, the General Fund, Water and Sewer Fund, and Solid Waste Fund unrestricted fund balances were in compliance with the new policy.

Requests for Information

This financial report is designed to provide a general overview of the City of Bunnell's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Bunnell, City Manager, P.O. Box 756, Bunnell, Florida 32110-0756.

**CITY OF BUNNELL, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,095,859	\$ 3,370,314	\$ 5,466,173
Investments	37,360	583,135	620,495
Receivables, net	94,536	467,347	561,883
Internal balances	(369,311)	369,311	-
Due from other governments	279,424	149,093	428,517
Inventories	14,032	76,887	90,919
Prepays	27,749	299	28,048
Restricted assets:			
Cash and cash equivalents	-	1,869,744	1,869,744
Capital assets:			
Land	205,002	26,991	231,993
Buildings and improvements	5,878,239	20,598,742	26,476,981
Equipment	3,018,159	2,332,435	5,350,594
Construction in progress	830,666	235,032	1,065,698
Accumulated depreciation	(5,710,977)	(7,468,194)	(13,179,171)
Total assets	<u>6,400,738</u>	<u>22,611,136</u>	<u>29,011,874</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>699,575</u>	<u>200,919</u>	<u>900,494</u>
LIABILITIES			
Accounts payable	90,861	92,357	183,218
Retainage payable	-	10,561	10,561
Accrued payroll and employee benefits	51,581	50,205	101,786
Customer deposits	2,062	326,885	328,947
Accrued rent	103,966	-	103,966
Unearned revenue	9,442	-	9,442
Due to other governments	-	-	-
Accrued interest payable	-	42,049	42,049
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	49,379	244,083	293,462
Compensated absences	29,514	11,253	40,767
Due in more than one year:			
Bonds and notes payable	596,273	5,548,731	6,145,004
Compensated absences	88,544	33,758	122,302
Total OPEB liability	149,847	90,908	240,755
Net pension liability	1,810,693	520,031	2,330,724
Total liabilities	<u>2,982,162</u>	<u>6,970,821</u>	<u>9,952,983</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>413,910</u>	<u>118,876</u>	<u>532,786</u>
NET POSITION			
Net investment in capital assets	3,575,437	9,932,192	13,507,629
Restricted for:			
Capital improvements	95,189	1,461,188	1,556,377
Debt service	3,627	366,507	370,134
Community redevelopment	3,627	-	3,627
Unrestricted	26,361	3,962,471	3,988,832
Total net position	<u>\$ 3,704,241</u>	<u>\$ 15,722,358</u>	<u>\$ 19,426,599</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF BUNNELL, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 603,869	\$ 8,964	\$ -	\$ -	\$ (594,905)	\$ -	\$ (594,905)
Community development	195,805	232,867	-	-	37,062	-	37,062
Public safety	936,157	15,758	-	2,500	(917,899)	-	(917,899)
Public works	650,112	-	84,866	245,199	(320,047)	-	(320,047)
Parks and recreation	251,217	70,235	-	250	(180,732)	-	(180,732)
Interest on long-term debt	22,734	-	-	-	(22,734)	-	(22,734)
Total governmental activities	<u>2,659,894</u>	<u>327,824</u>	<u>84,866</u>	<u>247,949</u>	<u>(1,999,255)</u>	<u>-</u>	<u>(1,999,255)</u>
Business-type activities:							
Water and sewer	2,703,365	2,818,524	(7,292)	959,301	-	1,067,168	1,067,168
Solid Waste	669,839	706,932	(32,400)	-	-	4,693	4,693
Total business-type activities	<u>3,373,204</u>	<u>3,525,456</u>	<u>(39,692)</u>	<u>959,301</u>	<u>-</u>	<u>1,071,861</u>	<u>1,071,861</u>
Total primary government	<u>\$ 6,033,098</u>	<u>\$ 3,853,280</u>	<u>\$ 45,174</u>	<u>\$ 1,207,250</u>	<u>(1,999,255)</u>	<u>1,071,861</u>	<u>(927,394)</u>
General revenues:							
Property taxes					1,152,478	-	1,152,478
Sales and use taxes					106,743	-	106,743
Franchise fees					259,904	-	259,904
Public service utility taxes					518,599	-	518,599
Fire insurance premium taxes					9,570	-	9,570
Other taxes					91,296	-	91,296
State revenue sharing					80,824	-	80,824
Other intergovernmental revenues					62,825	-	62,825
Investment earnings					2,972	20,303	23,275
Miscellaneous revenues (expenses)					17,498	81,736	99,234
Transfers					159,734	(159,734)	-
Total general revenues and transfers					<u>2,462,443</u>	<u>(57,695)</u>	<u>2,404,748</u>
Change in net position					463,188	1,014,166	1,477,354
Net position - beginning, as restated					3,241,053	14,708,192	17,949,245
Net position - ending					<u>\$ 3,704,241</u>	<u>\$ 15,722,358</u>	<u>\$ 19,426,599</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF BUNNELL, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 2,012,319	\$ 3,627	\$ 76,286	\$ 3,627	\$ 2,095,859
Investments	37,360	-	-	-	37,360
Receivables, net	94,536	-	-	-	94,536
Due from other governments	260,521	-	18,903	-	279,424
Due from other funds	34,825	-	-	-	34,825
Inventories	14,032	-	-	-	14,032
Prepaid items	27,749	-	-	-	27,749
Total assets	<u>\$ 2,481,342</u>	<u>\$ 3,627</u>	<u>\$ 95,189</u>	<u>\$ 3,627</u>	<u>\$ 2,583,785</u>
LIABILITIES					
Accounts payable	\$ 90,861	\$ -	\$ -	\$ -	\$ 90,861
Accrued payroll and employee benefits	51,581	-	-	-	51,581
Accrued rent	103,966	-	-	-	103,966
Customer deposits	2,062	-	-	-	2,062
Unearned revenue	9,442	-	-	-	9,442
Advances from other funds	404,136	-	-	-	404,136
Total liabilities	<u>662,048</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>662,048</u>
FUND BALANCES					
Nonspendable:					
Inventories	14,032	-	-	-	14,032
Prepaid items	27,749	-	-	-	27,749
Restricted for:					
Community redevelopment	-	3,627	-	-	3,627
Capital improvements	-	-	95,189	-	95,189
Debt service	-	-	-	3,627	3,627
Assigned to:					
Subsequent year's budget	217,742	-	-	-	217,742
Unassigned	1,559,771	-	-	-	1,559,771
Total fund balances	<u>1,819,294</u>	<u>3,627</u>	<u>95,189</u>	<u>3,627</u>	<u>1,921,737</u>
Total liabilities and fund balances	<u>\$ 2,481,342</u>	<u>\$ 3,627</u>	<u>\$ 95,189</u>	<u>\$ 3,627</u>	<u>\$ 2,583,785</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Fund balances - total governmental funds		\$ 1,921,737
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	9,932,066	
Less: accumulated depreciation	<u>(5,710,977)</u>	4,221,089
On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(1,810,693)	
Deferred outflows related to pensions	699,575	
Deferred inflows related to pensions	<u>(413,910)</u>	(1,525,028)
On the governmental fund statements, a total OPEB liability is not recorded unless an amount is due and payable (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's total OPEB liability is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to OPEB are also reported.		
Total OPEB liability	<u>(149,847)</u>	(149,847)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:		
Bonds and notes payable	(645,652)	
Compensated absences	<u>(118,058)</u>	(763,710)
Net position of governmental activities		<u><u>\$ 3,704,241</u></u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	Community Redevelopment Agency	Capital Projects	Debt Service	Total Governmental Funds
REVENUES					
Taxes	\$ 2,025,417	\$ -	\$ 111,615	\$ -	\$ 2,137,032
Licenses and permits	306,624	-	-	-	306,624
Intergovernmental	433,976	-	-	-	433,976
Charges for services	465,168	-	-	-	465,168
Fines and forfeitures	16,700	-	-	-	16,700
Investment gain (loss)	2,879	4	81	8	2,972
Miscellaneous	39,757	-	-	-	39,757
Total revenues	<u>3,290,521</u>	<u>4</u>	<u>111,696</u>	<u>8</u>	<u>3,402,229</u>
EXPENDITURES					
Current:					
General government	998,690	-	-	-	998,690
Community development	193,599	-	-	-	193,599
Public safety	893,277	-	-	-	893,277
Public works	515,038	-	-	-	515,038
Parks and recreation	201,649	-	-	-	201,649
Capital outlay	141,186	-	-	-	141,186
Debt service					
Principal	-	-	-	48,216	48,216
Interest and fiscal charges	5,819	-	-	16,138	21,957
Total expenditures	<u>2,949,258</u>	<u>-</u>	<u>-</u>	<u>64,354</u>	<u>3,013,612</u>
Excess (deficiency) of revenues over expenditures	<u>341,263</u>	<u>4</u>	<u>111,696</u>	<u>(64,346)</u>	<u>388,617</u>
Other financing sources (uses)					
Transfers in	266,950	-	-	67,596	334,546
Transfers out	(67,596)	-	(107,216)	-	(174,812)
Total other financing sources (uses)	<u>199,354</u>	<u>-</u>	<u>(107,216)</u>	<u>67,596</u>	<u>159,734</u>
Net change in fund balances	<u>540,617</u>	<u>4</u>	<u>4,480</u>	<u>3,250</u>	<u>548,351</u>
Fund balances, beginning of year	1,278,677	3,623	90,709	377	1,373,386
Fund balances, end of year	<u>\$ 1,819,294</u>	<u>\$ 3,627</u>	<u>\$ 95,189</u>	<u>\$ 3,627</u>	<u>\$ 1,921,737</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
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

Net change in fund balances - total governmental funds	\$	548,351
Differences in amounts reported for governmental activities in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		141,186
Depreciation expense		(238,891)
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. the capital assets sold/disposed.		
		(35,916)
Governmental funds report contributions to defined benefit pension/OPEB plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension/OPEB expense in the statement of activities are amounts required to be amortized related to pension deferred inflows/outflows.		
Change in net pension liability and deferred inflows/outflows related to pensions		20,915
Change in total OPEB liability and deferred inflows/outflows related to OPEB		(15,304)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:		
Principal repayment of of long-term debt		48,216
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:		
Change in compensated absences liability		(5,369)
Change in net position of governmental activities	\$	463,188

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Taxes	\$ 1,949,916	\$ 1,959,974	\$ 2,025,417	\$ 65,443
Licenses and permits	165,667	287,455	306,624	19,169
Intergovernmental	283,400	543,578	433,976	(109,602)
Charges for services	455,380	456,727	465,168	8,441
Fines and forfeitures	14,500	14,500	16,700	2,200
Interest revenues	1,500	1,500	2,879	1,379
Miscellaneous	22,260	36,541	39,757	3,216
Total revenues	<u>2,892,623</u>	<u>3,300,275</u>	<u>3,290,521</u>	<u>(9,754)</u>
EXPENDITURES				
Current:				
General government:				
Legislative	161,873	166,123	157,933	8,190
Executive	123,417	146,490	137,834	8,656
Administration	364,275	513,480	421,507	91,973
Legal	84,204	84,204	84,188	16
Finance	219,892	225,722	197,228	28,494
Public safety:				
Fire	76,478	86,478	89,391	(2,913)
Police	935,536	859,494	803,886	55,608
Community development	178,726	231,326	193,599	37,727
Public works	553,689	556,547	515,038	41,509
Parks and recreation	235,547	240,380	201,649	38,731
Capital outlay	89,000	375,777	141,186	234,591
Debt service:				
Principal	48,119	48,119	-	48,119
Interest and fiscal charges	5,819	5,819	5,819	-
Total expenditures	<u>3,076,575</u>	<u>3,539,959</u>	<u>2,949,258</u>	<u>590,701</u>
Excess (deficiency) of revenues over expenditures	<u>(183,952)</u>	<u>(239,684)</u>	<u>341,263</u>	<u>580,947</u>
Other financing sources (uses)				
Transfers in	251,548	266,548	266,950	402
Transfers out	(67,596)	(67,596)	(67,596)	-
Total other financing sources (uses)	<u>183,952</u>	<u>198,952</u>	<u>199,354</u>	<u>402</u>
Net change in fund balances	<u>-</u>	<u>(40,732)</u>	<u>540,617</u>	<u>581,349</u>
Fund balances, beginning of year	<u>1,278,677</u>	<u>1,278,677</u>	<u>1,278,677</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,278,677</u>	<u>\$ 1,237,945</u>	<u>\$ 1,819,294</u>	<u>\$ 581,349</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest revenues	\$ -	\$ -	\$ 4	\$ 4
Total revenues	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
EXPENDITURES				
Current:				
Community redevelopment	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Fund balances, beginning of year	3,623	3,623	3,623	-
Fund balances, end of year	<u>\$ 3,623</u>	<u>\$ 3,623</u>	<u>\$ 3,627</u>	<u>\$ 4</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF BUNNELL, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2018**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,078,584	\$ 291,730	\$ 3,370,314
Investments	583,135	-	583,135
Restricted cash and cash equivalents	286,132	-	286,132
Accounts receivable, net	363,602	103,745	467,347
Due from other governments	112,967	36,126	149,093
Inventories	76,887	-	76,887
Prepaid items	299	-	299
Due from other funds	100,000	-	100,000
Total current assets	<u>4,601,606</u>	<u>431,601</u>	<u>5,033,207</u>
Noncurrent assets:			
Restricted cash and cash equivalents	1,583,612	-	1,583,612
Advances to other funds	404,136	-	404,136
Capital assets:			
Land	26,991	-	26,991
Buildings and improvements	20,598,742	-	20,598,742
Equipment	1,712,969	619,466	2,332,435
Construction in progress	235,032	-	235,032
Accumulated depreciation	<u>(6,889,151)</u>	<u>(579,043)</u>	<u>(7,468,194)</u>
Total noncurrent assets	<u>17,672,331</u>	<u>40,423</u>	<u>17,712,754</u>
Total assets	<u>\$ 22,273,937</u>	<u>\$ 472,024</u>	<u>\$ 22,745,961</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 160,752</u>	<u>\$ 40,167</u>	<u>\$ 200,919</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 78,974	\$ 13,383	\$ 92,357
Retainage payable	10,561	-	10,561
Accrued payroll	42,120	8,085	50,205
Deposits	301,665	25,220	326,885
Due to other funds	34,825	100,000	134,825
Compensated absences	6,229	5,024	11,253
Payable from restricted assets:			
Current maturities on long-term debt	244,083	-	244,083
Accrued interest payable	42,049	-	42,049
Total current liabilities	<u>760,506</u>	<u>151,712</u>	<u>912,218</u>
Noncurrent liabilities:			
Notes payable	5,548,731	-	5,548,731
Total OPEB liability	70,967	19,941	90,908
Net pension liability	416,068	103,963	520,031
Compensated absences	18,686	15,072	33,758
Total noncurrent liabilities	<u>6,054,452</u>	<u>138,976</u>	<u>6,193,428</u>
Total liabilities	<u>\$ 6,814,958</u>	<u>\$ 290,688</u>	<u>\$ 7,105,646</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 95,111</u>	<u>\$ 23,765</u>	<u>\$ 118,876</u>
NET POSITION			
Net investment in capital assets	\$ 9,891,769	\$ 40,423	\$ 9,932,192
Restricted for:			
Capital improvements	1,461,188	-	1,461,188
Debt service	366,507	-	366,507
Unrestricted	3,805,156	157,315	3,962,471
Total net position	<u>\$ 15,524,620</u>	<u>\$ 197,738</u>	<u>\$ 15,722,358</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 2,818,524	\$ 706,932	\$ 3,525,456
Operating expenses			
Personal services	858,462	212,203	1,070,665
Contractual services	463,959	291,171	755,130
Repairs and maintenance	60,146	45,894	106,040
Supplies	418,403	47,454	465,857
Utilities	130,452	2,179	132,631
Other expenses	146,496	15,786	162,282
Depreciation	504,869	55,152	560,021
Total operating expenses	<u>2,582,787</u>	<u>669,839</u>	<u>3,252,626</u>
Operating income (loss)	<u>235,737</u>	<u>37,093</u>	<u>272,830</u>
Nonoperating revenues (expenses)			
Interest earnings	20,076	227	20,303
Return of operating grants	(7,292)	(32,400)	(39,692)
Other income (expense)	72,077	9,659	81,736
Interest and amortization expense	(120,578)	-	(120,578)
Total nonoperating revenues (expenses)	<u>(35,717)</u>	<u>(22,514)</u>	<u>(58,231)</u>
Income (loss) before capital contributions and transfers	<u>200,020</u>	<u>14,579</u>	<u>214,599</u>
Capital grants	477,711	-	477,711
Capital contributions	481,590	-	481,590
Transfers out	(144,332)	(15,402)	(159,734)
Change in net position	<u>1,014,989</u>	<u>(823)</u>	<u>1,014,166</u>
Net position, beginning of year, as restated	14,509,631	198,561	14,708,192
Net position, end of year	<u>\$ 15,524,620</u>	<u>\$ 197,738</u>	<u>\$ 15,722,358</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF BUNNELL, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 2,845,765	\$ 709,211	\$ 3,554,976
Cash paid to employees	(824,476)	(204,367)	(1,028,843)
Cash paid to suppliers	(1,126,025)	(390,508)	(1,516,533)
Other receipts (payments)	64,785	(22,741)	42,044
Net cash provided by (used in) operating activities	<u>960,049</u>	<u>91,595</u>	<u>1,051,644</u>
Cash flows from noncapital financing activities			
Interfund transfers	(144,332)	(15,402)	(159,734)
Interfund loans	96,759	-	96,759
Net cash provided by (used in) noncapital financing activities	<u>(47,573)</u>	<u>(15,402)</u>	<u>(62,975)</u>
Cash flows from capital and related financing activities			
Impact fees and capital contributions	481,590	-	481,590
Acquisition and construction of capital assets	(678,945)	-	(678,945)
Capital grants	477,711	169,593	647,304
Principal payments of long-term debt	(238,888)	-	(238,888)
Interest paid	(121,298)	-	(121,298)
Net cash provided by (used in) capital and related financing activities	<u>(79,830)</u>	<u>169,593</u>	<u>89,763</u>
Cash flows from investing activities			
Interest received	6,644	227	6,871
Purchases of investments	(491,460)	-	(491,460)
Net cash provided by (used in) investing activities	<u>(484,816)</u>	<u>227</u>	<u>(484,589)</u>
Net increase (decrease) in cash and cash equivalents	<u>347,830</u>	<u>246,013</u>	<u>593,843</u>
Cash and cash equivalents, beginning of year	4,600,498	45,717	4,646,215
Cash and cash equivalents, end of year	<u>\$ 4,948,328</u>	<u>\$ 291,730</u>	<u>\$ 5,240,058</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 235,737	\$ 37,093	\$ 272,830
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation	504,869	55,152	560,021
Other income (expense)	64,785	(22,741)	42,044
Changes in assets and liabilities:			
Accounts receivable	(13,897)	(2,196)	(16,093)
Due from other governments	(15,884)	-	(15,884)
Inventories and prepaids	10,162	-	10,162
Accounts payable and accrued liabilities	83,269	11,976	95,245
Deposits	57,022	4,475	61,497
Compensated absences	2,640	3,681	6,321
Net pension liability	24,435	2,180	26,615
Total OPEB liability	6,911	1,975	8,886
Net cash provided by operating activities	<u>\$ 960,049</u>	<u>\$ 91,595</u>	<u>\$ 1,051,644</u>
Cash and cash equivalents classified as:			
Unrestricted	\$ 3,078,584	\$ 291,730	\$ 3,370,314
Restricted	1,869,744	-	1,869,744
Total cash and cash equivalents	<u>\$ 4,948,328</u>	<u>\$ 291,730</u>	<u>\$ 5,240,058</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Firefighters' Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 63,558
State - insurance premium taxes	598
Total contributions	64,156
Investment earnings:	
Interest and dividends	5,284
Net appreciation (depreciation) in fair value of investments	8,696
Total investment earnings	13,980
Less: investment expense	(6,114)
Net investment income (loss)	7,866
Total additions	72,022
Deductions	
Benefit payments	618,487
Administrative expenses	40,475
Total deductions	658,962
Change in net position	(586,940)
Net position held in trust for pension benefits, beginning of year	586,940
Net position held in trust for pension benefits, end of year	\$ -

The accompanying notes to financial statements are an integral part of this statement.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:**

The financial statements of the City of Bunnell, Florida (the City), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City of Bunnell, Florida, as created by the Laws of Florida, Ch. 28955 (1953), adopted the City Charter by Ordinance No. 2002-01 on January 29, 2002. The Charter was approved by referendum by the voters and became effective on March 5, 2002. The City Charter vests all the legislative powers of the City with a city commission consisting of five members. The City Manager is appointed by the Commission and is the Chief Administrative Officer of the City.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the City Commission of the City of Bunnell, Florida, the reporting entity of government for which the City Commission is considered to be financially accountable. In evaluating the City as a reporting entity, management has addressed all potential component units that may or may not fall within the City's oversight and control, and thus, be included in the City's financial statements.

(b) **Blended component units**—Blended component units, although legally separate entities, are in substance part of the City's operations, and as a result, considered to be financially accountable. The following component unit is reported in the City's Annual Financial Report. In June 2007, the City passed an ordinance creating a dependent special district, the Bunnell Community Redevelopment Agency (Agency). The purpose of the Agency is to provide rehabilitation, conservation, or redevelopment of such areas as are necessary in the interest of public health, safety, or welfare of the residents of the City. The Agency is blended into the City's primary government although retaining separate legal identity. Separate financial statements are not prepared for this component unit.

Based upon the application of the criteria set forth by GASB there are no discretely presented potential component units or related organizations of the City.

(c) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (public safety, public works, etc.), which are otherwise being supported by general government revenues (property, sales taxes, certain intergovernmental revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds in either the governmental or business-type categories. Non-major funds (by category) are summarized into a single column, if any.

The governmental funds' major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the City's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the Governmental Funds – Balance Sheet and the Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balances, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The City's fiduciary fund is presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

As a general rule the effect of interfund City activities has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

(d) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

Taxes, intergovernmental revenue, licenses and permits, charges for services, 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 government.

(e) **Financial statement presentation**—The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Any non-major funds are combined in a column in the fund financial statements and detailed in the combining section. There are no non-major funds to report.

The City reports the following major governmental funds:

The **General Fund** accounts for several of the City's primary services (police, fire, public works, community development, parks and recreation, etc.) and is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The **Community Redevelopment Agency Funds** accounts for the activities of the Bunnell Community Redevelopment Agency.

The **Capital Projects Fund** accounts for the financial resources to be used for equipment replacement or the acquisition or construction of major capital facilities and improvement projects (other than those financed by proprietary funds).

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activities of the City's water distribution system, sewage treatment plant, sewage pumping stations and collection systems.

The **Solid Waste Fund** accounts for the activities of the City's solid waste collection and disposal.

Additionally, the City reports the following fiduciary fund:

The **Pension Trust Fund** accounts for the activities of the firefighters' retirement system.

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(g) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting. The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- i. Sixty days prior to October 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and means of financing them.
- ii. Budget workshops are scheduled by the City Manager as needed.
- iii. The general summary of the budget and notice of public hearing is published in the local newspaper.
- iv. Public hearings are conducted to obtain taxpayer comments.
- v. Prior to October 1, the budgets are legally enacted through passage of a resolution.
- vi. The City Manager is authorized to transfer budgeted amounts between divisions and departments; however, any revisions that alter the total appropriations of any fund must be approved by the City Commission.
- vii. The level of classification detail at which expenditures may not legally exceed appropriations is the fund level.
- viii. Appropriations lapse at the close of the fiscal year to the extent they have not been expended. Appropriations for capital expenditures lapse five years henceforth.
- ix. Budget for the governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The governmental funds have legally adopted annual budgets contained within a separate document.
- x. The City Commission, by resolution, may make supplemental appropriations in excess of those originally estimated for the year, up to the amount of available revenues.

(h) **Deposits and investments**—Cash consists of amounts held in demand deposits. Cash equivalents consist of short term investments having a maturity date of less than three months from the date acquired. Investments are reported at fair value.

(i) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund 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.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered monthly. Unbilled accounts receivable are accrued by the City at year-end to recognize the sales revenues earned through the end of the fiscal year.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the City.

Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life of more than two years. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives. Land and construction in progress are not depreciated. Other useful lives are as follows:

Assets	Years
Buildings	10 – 50 years
Infrastructure (improvements other than buildings)	15 – 50 years
Equipment	3 – 25 years

(k) **Compensated absences**—City policy permits employees to accumulate a limited amount of earned, but unused personal, vacation, and sick leave. Employees may carry forward up to 400 hours from one fiscal year to the next and may receive payment of 40 hours each fiscal year. These benefits are payable in full to employees upon separation from service. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in accordance with the GASB Codification.

(l) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt 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 expensed when paid.

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 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.

(m) **Net position flow assumption**—Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the City’s policy to consider restricted net position to have been used before unrestricted net position is applied.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed - Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned - Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the City Commission.

Unassigned - Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the City’s policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(o) **Reserve policy**—The City Commission has approved a reserve policy, which addresses that the City’s optimal level of net equity reserve has been determined to be 17% of the respective operating budgets at the beginning of the fiscal year or a net equity reserve equal to at least 54 consecutive days. Net Equity Reserve is defined as a specific fund's equity in pooled cash less liabilities due and payable within the next 12 months.

(p) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows related to pensions in the proprietary funds and government-wide statement of net position and are discussed further in Note (9).

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(1) **Summary of Significant Accounting Policies:** (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows related to pensions in the proprietary funds and government-wide statement of net position and are discussed further in Note (9).

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2018, was 7.3990 per \$1,000.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties.

Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, 1% in the month of February, and without discount in March.

The City recognizes property tax revenues as received. Delinquent tax receivables are inconsequential to the financial statements and have not been recorded. Delinquent taxes on real property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 18% per year or any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. The City tax calendar is as follows:

Valuation Date:	January 1, 2017
Levy Date:	November 1, 2017
Due Date:	March 31, 2018
Lien Date:	June 1, 2018

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(4) Deposits and Investments:

The City, for accounting and investment purposes, maintains a pooled interest bearing banking account and a pooled investment account for substantially all City funds. This gives the City the ability to invest large amounts of idle cash for short periods of time and to maximize earning potential. The cash and investments shown on the balance sheets and statements of net position represent the amount owned by each fund.

State statutes authorize the City to invest excess funds in time deposits, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

As of September 30, 2018, all City deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the City of Bunnell is authorized to deposit funds only in Qualified Public Depositories.

The City invests temporarily idle resources in the Florida PRIME Investment Pool (Florida PRIME) that is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight. Florida PRIME is similar to money market funds in which units are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of GASB Statement No. 31, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There is no limitation or restrictions on withdrawals from Florida PRIME; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the funds' executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.

As of September 30, 2018, the investment pool had a weighted average maturity of 51 days, was rated AAAM by Standard & Poor's (S&P), and had a carrying value of \$620,495. The City held no assets or investments carried at fair value at September 30, 2018, and subject to the required disclosures of GASB 72.

Interest Rate Risk: The City's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. The investment of current operating funds will have maturities of no longer than 3 years. Investments of bond reserves, construction funds, and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but should not exceed ten years. From time to time the above parameters may require modification in order to meet specific construction draw schedules or other predetermined operating or capital needs, or to satisfy debt obligations, but in no event shall exceed ten years.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(4) **Deposits and Investments:** (Continued)

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City's entire portfolio is invested in SBA funds, as described above.

Concentration of Credit Risk: The City has adopted no formal investment policy and follows the investment policies set forth in Florida Statutes, Chapter 218.

Custodial Credit Risk: All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2018, the City's investment of \$620,495 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

(5) **Accounts Receivable:**

The City's receivables consist of the following at September 30, 2018:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 94,536	\$ -	\$ 94,536
Totals – Governmental Type Activities	<u>94,536</u>	<u>-</u>	<u>94,536</u>
Business-Type Activities			
Water and Sewer Fund			
Accounts receivable	535,127	(171,525)	363,602
Solid Waste Fund			
Accounts receivable	154,663	(50,918)	103,745
Totals – Business-Type Activities	<u>689,790</u>	<u>(222,443)</u>	<u>467,347</u>
Totals	<u>\$ 784,326</u>	<u>\$ (222,443)</u>	<u>\$ 561,883</u>

In addition to accounts receivable, the City also recorded \$428,517 in due from other governments at September 30, 2018. Approximately \$46,000 of these amounts relates to Federal and State reimbursements related to Hurricane Matthew and Hurricane Irma, both of which impacted the City in fiscal year 2017. These amounts reflect management's best estimate of recoveries based on costs incurred and approved project worksheets, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(6) Capital Assets:

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 205,002	\$ -	\$ -	\$ 205,002
Construction in progress	830,666	-	-	830,666
Total capital assets, not being depreciated	<u>1,035,668</u>	<u>-</u>	<u>-</u>	<u>1,035,668</u>
Capital assets, being depreciated –				
Buildings	5,777,800	100,439	-	5,878,239
Equipment	3,690,182	40,747	(712,770)	3,018,159
Total capital assets, being depreciated	<u>9,467,982</u>	<u>141,186</u>	<u>(712,770)</u>	<u>8,896,398</u>
Less: accumulated depreciation	<u>(6,148,940)</u>	<u>(238,891)</u>	<u>676,854</u>	<u>(5,710,977)</u>
Total capital assets, being depreciated, net	<u>3,319,042</u>	<u>(97,705)</u>	<u>(35,916)</u>	<u>3,185,421</u>
Governmental activities capital assets, net	<u>\$ 4,354,710</u>	<u>\$ (97,705)</u>	<u>\$ (35,916)</u>	<u>\$ 4,221,089</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 26,991	\$ -	\$ -	\$ 26,991
Construction in progress	82,012	592,441	(439,421)	235,032
Total capital assets, not being depreciated	<u>109,003</u>	<u>592,441</u>	<u>(439,421)</u>	<u>262,023</u>
Capital assets, being depreciated –				
Buildings and improvements	20,156,116	445,246	(2,620)	20,598,742
Equipment	2,251,306	81,129	-	2,332,435
Total capital assets, being depreciated	<u>22,407,422</u>	<u>526,375</u>	<u>(2,620)</u>	<u>22,931,177</u>
Less: accumulated depreciation	<u>(6,910,343)</u>	<u>(560,021)</u>	<u>2,170</u>	<u>(7,468,194)</u>
Total capital assets, being depreciated, net	<u>15,497,079</u>	<u>(33,646)</u>	<u>(450)</u>	<u>15,462,983</u>
Business-type activities capital assets, net	<u>\$ 15,606,082</u>	<u>\$ 558,795</u>	<u>\$ (439,871)</u>	<u>\$ 15,725,006</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 45,599
Community development	2,585
Public safety	43,531
Parks and recreation	50,614
Public works	96,562
Total depreciation expense - governmental activities	<u>\$ 238,891</u>
Business-type activities:	
Water and sewer	\$ 504,869
Solid waste	55,152
Total depreciation expense - business-type activities	<u>\$ 560,021</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(7) Long-Term Debt:

A summary of the long-term liability transactions for the City for the fiscal year ended September 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes and bonds payable	\$ 693,868	\$ -	\$ (48,216)	\$ 645,652	\$ 49,379
Compensated absences	112,689	111,169	(105,800)	118,058	29,514
Governmental activities – Total long-term liabilities	<u>\$ 806,557</u>	<u>\$ 111,169</u>	<u>\$ (154,016)</u>	<u>\$ 763,710</u>	<u>\$ 78,893</u>
Business-type activities:					
Long-term debt:					
Notes and bonds payable	\$ 5,333,671	\$ -	\$ (177,833)	\$ 5,155,838	\$ 182,041
SRF Notes payable	698,031	-	(61,055)	636,976	62,042
Total long-term debt	<u>6,031,702</u>	<u>-</u>	<u>(238,888)</u>	<u>5,792,814</u>	<u>244,083</u>
Compensated absences	38,690	48,829	(42,508)	45,011	11,253
Business-type activities – Total long-term liabilities	<u>\$ 6,070,392</u>	<u>\$ 48,829</u>	<u>\$ (281,396)</u>	<u>\$ 5,837,825</u>	<u>\$ 255,336</u>

Annual debt service requirements to maturity for the City’s revenue bonds and notes are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2019	\$ 49,379	\$ 15,195	\$ 244,083	\$ 117,980	\$ 426,637
2020	50,569	14,027	250,978	113,445	429,019
2021	51,789	12,752	283,510	107,640	455,691
2022	53,038	11,486	289,668	101,699	455,891
2023	54,317	10,189	295,965	95,612	456,083
2024-2028	291,875	30,405	1,405,316	385,911	2,113,507
2029-2033	94,685	2,016	783,005	262,256	1,141,962
2034-2038	-	-	448,557	210,525	659,082
2039-2043	-	-	491,400	166,443	657,843
2044-2048	-	-	510,332	118,969	629,301
2049-2053	-	-	545,000	70,312	615,312
2054-2056	-	-	245,000	13,557	258,557
Total	<u>\$ 645,652</u>	<u>\$ 96,070</u>	<u>\$ 5,792,814</u>	<u>\$ 1,764,349</u>	<u>\$ 8,298,885</u>

Notes and bonds payable in the City’s governmental activities at September 30, 2018, are comprised of the following obligations:

Non-Ad Valorem Revenue note payable, in the original amount of \$732,008, dated February 28, 2017, bearing interest at a fixed rate of 2.39% and maturing on February 26, 2030. Repayment of loan balance is secured by a pledge of non-ad valorem revenues.	\$ 645,652
Total long-term debt, governmental activities	<u>\$ 645,652</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(7) **Long-Term Debt:** (Continued)

Notes and bonds payable in the City's business-type activities at September 30, 2018, are comprised of the following obligations:

State Revolving Fund note payable, dated July 1, 2005, due in semiannual payments of \$35,363, including interest at 2.60% through December 15, 2025. Repayment of loan balance is secured by a pledge of water & sewer utility revenues.	\$ 467,416
Note payable to Florida Department of Transportation, in the original amount of \$529,694, unsecured and noninterest bearing. Flagler County made a \$264,647 payment in 2010, remaining payments will begin October 15, 2020, with ten annual payments of \$26,505.	265,047
State Revolving Fund note payable, dated November 19, 2012, due in semiannual payments of \$4,777 once the full amount has been drawn, including interest at 2.12% through June 15, 2035. Repayment of loan balance is secured by a pledge of water & sewer utility revenues.	169,560
Water and Sewer System Refunding Revenue Note, Series 2017: Water and Sewer Revenue note payable, in the original amount of \$1,937,333, dated February 28, 2017; due serially to May 21, 2030, with interest at 2.39% payable annually. Repayment of year-end loan balance is secured by a pledge of water & sewer utility revenues.	1,702,791
Water and Sewer Bonds, in the original amount of \$3,362,000, dated May 20, 2015; due serially to May 20, 2055, with interest at 1.875% payable annually. Repayment of year-end loan balance is secured by a pledge of water & sewer utility revenues.	3,188,000
Total long-term debt, business-type activities	<u>\$ 5,792,814</u>

Conduit Debt

Pursuant to the provisions of Resolution 2008-01, the City authorized issuance of conduit debt in the total amount not to exceed \$5,750,000 for SMA Healthcare Foundation, Inc. (the Borrower), a Florida not-for-profit corporation. On May 20, 2008, the Borrower issued a \$5,750,000 Stewart-Marchman Foundation, Inc. Project Series 2008-A Revenue Bonds, secured with a mortgage. The proceeds were utilized for financing the acquisition, improvement, construction and equipping of certain real property to be used as a substance abuse treatment facility. Monthly interest payments were due at a rate of 4.43% per annum through maturity of February 28, 2018, at which time the full principal amount would become due. The issuing financial institution sold the bonds to another financial institution on September 30, 2014. Under the new financial institution, principal and interest payments are due in monthly installments at a rate of 3.225% through December 31, 2024. Commencing January 1, 2025, through the maturity date of July 1, 2028, the interest rate will be subject to an interest rate adjustment of 2.00% above the 5-Year Federal Home Loan Bank Rate, not to exceed 3.225%. At September 30, 2018, the balance of this conduit debt outstanding is \$1,223,991.

Under the financing agreement, the City is not obligated to pay the Series 2008-A Bonds except from the proceeds derived from the repayment of the loan to the Borrower, or from the other security pledged thereof by the Borrower, and neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the principal or, premium, if any, or the interest on the obligation.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(8) Interfund Loans, Advances, Fees and Transfers:

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2018, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities		
General Fund:		
Water and Sewer Fund	\$ 34,825	\$ -
Water and Sewer Fund:		
General Fund	-	34,825
Business-Type Activities		
Water and Sewer Fund:		
Solid Waste Fund	100,000	-
Solid Waste Fund:		
Water and Sewer Fund	-	100,000
Total – All Funds	<u>\$ 134,825</u>	<u>\$ 134,825</u>

For the year ended September 30, 2018, an interfund advance, which is not scheduled to be collected in the subsequent year, consisted of the following:

	<u>Advance To</u>	<u>Advance From</u>
Governmental Activities		
General Fund:		
Water and Sewer Fund	\$ -	\$ 404,136
Business-Type Activities		
Water and Sewer Fund:		
General Fund	404,136	-
Totals – All Funds	<u>\$ 404,136</u>	<u>\$ 404,136</u>

For the year ended September 30, 2018, interfund transfers consisted of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities		
General Fund:		
Debt Service Fund	\$ -	\$ 67,596
Capital Projects Fund	107,216	-
Water and Sewer Fund	159,734	-
Debt Service Fund:		
General Fund	67,596	-
Capital Projects Fund:		
General Fund	-	107,216
Business-Type Activities		
Water and Sewer Fund:		
General Fund	-	144,332
Solid Waste Fund:		
General Fund	-	15,402
	<u>\$ 334,546</u>	<u>\$ 334,546</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(8) Interfund Loans, Advances, Fees and Transfers: (Continued)

The transfer from the General Fund to the Debt Service Fund represents funding of the debt service requirement as debt service principal and interest payments become due. The transfer from the Capital Projects Fund to the General Fund represents funding of capital expenditures. The transfer from the Water and Sewer Fund and Solid Waste to the General Fund represents payments in lieu of taxes.

(9) Employees' Retirement Plans:

A. Florida Retirement System:

Plan Description and Administration

As of June 1, 2004, the City began participating in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City's full-time employees. FRS is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Pension Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the City are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a 5% benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) Employees' Retirement Plans: (Continued)

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) **Employees' Retirement Plans:** (Continued)

Contributions

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees, other than those in DROP from FRS who are not required to contribute, is 3.00%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2018, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Before June 30, 2018</u>	<u>After June 30, 2018</u>
Regular Class	7.92%	8.26%
Special Risk	23.27%	24.50%
Senior Management Service Class	22.71%	24.06%
Regular Class Not Eligible for FRS	4.96%	5.16%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for City employees participating in FRS and HIS for the plan year ended June 30, 2018, were as follows:

City Contributions – FRS	\$ 168,221
City Contributions – HIS	28,325
Employee Contributions	51,190

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2018, the City reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 1,777,909
HIS	552,815
Total	<u>\$ 2,330,724</u>

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2018 and 2017, the City's proportional share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2018</u>	<u>2017</u>
FRS	0.005902651%	0.005736974%
HIS	0.005223074%	0.005258092%

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) **Employees' Retirement Plans:** (Continued)

For the plan year ended June 30, 2018, pension expense was recognized related to the FRS and HIS plan as follows:

FRS	\$	248,422
HIS		12,669
Total	\$	<u>261,091</u>

Deferred outflows/inflows related to pensions:

At September 30, 2018, deferred outflows of resources and deferred inflows of resources related to pensions were recorded from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 150,616	\$ (5,467)	\$ 8,464	\$ (940)
Changes of assumptions	580,934	-	61,480	(58,448)
Net different between projected and actual investment earnings	-	(137,365)	334	-
Change in City's proportionate share	24,926	(180,018)	18,660	(150,548)
Contributions subsequent to the measurement date	48,076	-	7,004	-
	<u>\$ 804,552</u>	<u>\$ (322,850)</u>	<u>\$ 95,942</u>	<u>\$ (209,936)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2019	\$ 154,595
2020	93,148
2021	(12,813)
2022	94,224
2023	61,527
Thereafter	(78,053)
Total	<u>\$ 312,628</u>

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) **Employees' Retirement Plans:** (Continued)

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.00%. This rate decreased from the prior year rate, which was 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.58%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2018, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.9%
Fixed income	18.0%	4.4%
Global equities	54.0%	7.6%
Real estate	11.0%	6.6%
Private equity	10.0%	10.7%
Strategic investments	6.0%	6.0%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the City calculated using the current discount rates, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.00%	\$ 3,244,759	\$ 1,777,909	\$ 559,604
HIS	3.87%	629,625	552,816	488,791

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) **Employees' Retirement Plans:** (Continued)

B. City of Bunnell, Florida Firefighters' Retirement System:

Plan Description and Administration

Prior to April of 2018, the City maintained one single-employer defined benefit pension plan for eligible firefighters, the City of Bunnell Florida Firefighters' Retirement System Trust Fund (the Plan), which was administered by the Plan's Board of Trustees (the Board) and covered all eligible firefighters. The Board was comprised of 2 members of the City Commission, 2 members of the Department elected by the Membership, and a fifth member as elected by the other four members and appointed by the City Commission. No stand-alone financial report was issued for the Plan. In April 2018, Flagler County took over Fire Services for the City of Bunnell. The City has since donated all fire equipment and vehicles to the County. The City's fire pension plan was also closed and all pension assets were ratably paid out to eligible participants.

Benefits Provided and Employees Covered

The Plan provided retirement, disability and death benefits to plan participants and beneficiaries. Cost of living adjustments were provided to retirees and beneficiaries at the discretion of the City Commission. Benefits vested after ten years of full-time employment. The Retirement Board had contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year.

Employees attaining the age of 52 and the completion of 10 years of credited service or attaining the age of 52 and the completion of 10 years of credited service and active employees becoming disabled were entitled to annual benefits of 3% of their average final compensation for each year of credited service. Normal retirement benefits were payable for life and ceased upon death with a guaranteed benefit period of 120 months. In the line of duty disability benefits were equal to at least 42% of average final compensation. Non-service incurred disability benefits were only payable to participants with 10 or more years of credited service and were equal to minimum benefit of 25% of average final compensation.

Financial Statements

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. As of September 30, 2018, the Plan had no investments, as all assets were ratably paid out to eligible participants upon Plan closure. Separate financial statements have not been prepared for the Plan.

Contributions

The participant contribution rates for the Plan were established by and amended by the City Commission. The City's annual required contribution for the current year was determined as part of the October 1, 2017 actuarial valuations. The City was required under the Florida Protection of Public Employee Retirement Benefits Act to contribute a payment which represents annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods as prescribed by law. The City's contributions (and if applicable, any liquidations of a net pension obligation) to the Plan were funded by the General Fund.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(9) **Employees' Retirement Plans:** (Continued)

The State of Florida also makes contributions to the Firefighters' Retirement Plans in accordance with Chapter 175 of the Florida Statutes as amended by the State Legislature. This contribution by the State of Florida was first recognized as revenue in the General Fund before being transferred to the Pension Fund. The City's actual annual contribution for the plan was determined by subtracting estimated employee contributions and actual State of Florida contributions from the total annual required contribution as determined by the actuary.

Contributions to the Plan for the year ended September 30, 2018, were as follows:

City contributions	\$ 63,558
State contributions	<u>598</u>
Total contributions	<u><u>\$ 64,156</u></u>

C. Defined Contribution Plan:

The City Commission has adopted the International City Management Association Retirement Corporation (ICMA-RC) Money Purchase Plan and Trust effective July 1, 2015. The plan is available to the general employees who are not in one of the other City retirement plans. City contributions to the ICMARC Money Purchase Plan and Trust for general employees shall be in same percentages as the FRS. For the year ended September 30, 2018, actual employer contributions to this plan totaled \$50,133.

(10) **Other Post-Employment Benefits (OPEB):**

Plan Description—As described further in Note (14), effective October 1, 2017, the City implemented GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, for certain post-employment healthcare benefits provided by the City. The City elected to implement the requirements of this statement prospectively. No assets are held in trust for payment of the OPEB liability as the City had no OPEB liability other than as arising from the implicit rate subsidy, as discussed in the following paragraph.

Retirees and their dependents are permitted to remain covered under the City's respective health care plans as long as they pay a full premium applicable to the coverage elected. Eligible participants include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. This conforms to the minimum required of Florida governmental employers per Chapter 112.08, Florida Statutes. The Other Post-Employment Benefit Plan does not issue a stand-alone report.

Benefits Provided—The Other Post-Employment Benefits Plan is a single-employer benefit healthcare plan administered by the City. Retirees are charged whatever the insurance company charges for the type of coverage elected, however, the premiums charged by the insurance company are based on a blending of the experience among younger active employees and older retired employees. The older retirees actually have a higher cost which means the City is actually subsidizing the cost of the retiree coverage because it pays all or a significant portion of the premium on behalf of the active employee. GASB No. 75 calls this the "implicit rate subsidy."

Plan Membership—At October 1, 2017, the date of the latest actuarial valuation, plan participation consisted of 46 covered individuals, including one inactive employee and beneficiaries and 45 active employees. Plan participation does not include any inactive employees entitled to but not yet receiving benefits.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(10) **Other Post-Employment Benefits (OPEB):** (Continued)

Actuarial Assumptions and Other Inputs—The total OPEB liability in the October 1, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Discount rate	3.64%
Salary increases	3.00%
Healthcare cost trend rate	8.00% in 2018, downgraded 0.50% per year to 5.00% in 2024
Age-related morbidity	3.50% for each year of age
Retirees' share of benefit-related costs	100.00%

The City does not have a dedicated trust to pay retiree healthcare benefits. The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2018.

Mortality rates were based on the RP-2000 Combined Mortality Table for males and females (general employees) or RP-2000 Blue Collar Mortality Table for males and females (police officers) with full generational improvements in mortality using Scale BB.

Total OPEB Liability—Changes in the OPEB liability for the fiscal year ended September 30, 2018, were as follows:

	Total OPEB Liability
Balance at September 30, 2017	\$ 216,565
Changes for a year:	
Service cost	19,282
Interest	8,520
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments – implicit rate subsidy	(3,612)
Other changes	-
Net changes	24,190
Balance at September 30, 2018	\$ 240,755

Sensitivity of the total OPEB liability to changes in the discount rate:

The following presents the total OPEB liability of the City calculated using the discount rate of 3.64%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.64%) or 1% higher (4.64%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 260,712	\$ 240,755	\$ 222,836

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(10) **Other Post-Employment Benefits (OPEB):** (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate:

The following presents the total OPEB liability of the City as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (7.00%, decreasing to 4.00%) or 1% higher (9.00%, decreasing to 6.00%) than the current healthcare cost trend rates (8.00%, decreasing to 5.00%):

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 216,925	\$ 240,755	\$ 268,657

(11) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The City is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the City's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the City.

(12) **Subsequent Events:**

In February 2019, the City entered into a new debt agreement to purchase a new garbage truck. The purchase was financed by issuing the new Solid Waste Revenue Note Series 2019, consisting of one fully-registered note bearing interest at a fixed rate of 3.43% and maturing on January 1, 2029, in the amount of \$292,100.

(13) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.

GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in April 2018. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The provisions in GASB 88 are effective for periods beginning after June 15, 2018.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

(14) Restatement of Net Position:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued June 2015 and was implemented for the Council, beginning with the year ending September 30, 2018. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This Statement replaces the requirements of GASB Statement No. 45, *Accounting for Postemployment Benefits Other Than Pensions*, as well as the requirements of GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plan, for OPEB*, as they relate to OPEB liabilities being recorded in the statements of net position.

The Council's implementation of this Statement has required the restatement of certain liabilities in the statement of net position. GASB No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. Recognition of these liabilities requires a restatement to the prior year's net position.

The impact of the restatement on the governmental activities beginning net position at September 30, 2017, are as follows:

(a) Governmental Activities:

Net position – September 30, 2017, as originally reported	\$ 3,343,900
Recording of beginning OPEB liability	(102,847)
Net position – September 30, 2017, as restated	<u>\$ 3,241,053</u>

(b) Business-Type Activities:

	Water and Sewer Fund	Solid Waste Fund	Business-type Activities
Net position – September 30, 2017, as originally reported	\$ 14,556,078	\$ 211,832	\$ 14,767,910
Recording of beginning OPEB liability	(46,447)	(13,271)	(59,718)
Net position – September 30, 2017, as restated	<u>\$ 14,509,631</u>	<u>\$ 198,561</u>	<u>\$ 14,708,192</u>

CITY OF BUNNELL, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,				
	2018	2017	2016	2015	2014
Florida Retirement System (FRS)					
Proportion of the net pension liability	0.005902651%	0.005736974%	0.006115975%	0.717755300%	0.008108986%
Proportionate share of the net pension liability	\$ 1,777,909	\$ 1,696,958	\$ 1,544,288	\$ 927,077	\$ 494,767
Covered payroll	1,706,317	1,676,346	1,669,149	2,046,001	2,349,609
Proportionate share of the net pension liability as a percentage of covered payroll	104.20%	101.23%	92.52%	45.31%	21.06%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)					
Proportion of the net pension liability	0.005223074%	0.005258092%	0.005855760%	0.006967227%	0.008068319%
Proportionate share of the net pension liability	\$ 552,816	\$ 562,219	\$ 682,465	\$ 710,548	\$ 754,408
Covered payroll	1,706,317	1,676,346	1,669,149	2,046,001	2,349,609
Proportionate share of the net pension liability as a percentage of covered payroll	32.40%	33.54%	40.89%	34.73%	32.11%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

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

**CITY OF BUNNELL, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)**

	As of the Plan Year Ended June 30,				
	2018	2017	2016	2015	2014
Florida Retirement System (FRS)					
Contractually required contribution	\$ 168,221	\$ 149,348	\$ 167,167	\$ 190,099	\$ 205,334
Contributions in relation to the contractually required contribution	168,221	149,348	167,167	190,099	205,334
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,706,317	\$ 1,676,346	\$ 1,669,149	\$ 2,046,001	\$ 2,349,609
Contributions as a percentage of covered payroll	9.86%	8.91%	10.02%	9.29%	8.74%
Health Insurance Subsidy Program (HIS)					
Contractually required contribution	\$ 28,325	\$ 27,827	\$ 21,031	\$ 25,780	\$ 28,195
Contributions in relation to the contractually required contribution	28,325	27,827	21,031	25,780	28,195
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,706,317	\$ 1,676,346	\$ 1,669,149	\$ 2,046,001	\$ 2,349,609
Contributions as a percentage of covered payroll	1.66%	1.66%	1.26%	1.26%	1.20%

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

CITY OF BUNNELL, FLORIDA
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS
(UNAUDITED)

	2018
Total OPEB Liability	
Service cost	\$ 19,282
Interest	8,520
Differences between expected and actual experience	-
Changes of assumptions	-
Benefit payments – implicit rate subsidy	(3,612)
Other changes	-
Net change in total OPEB liability	24,190
Total OPEB liability – beginning	216,565
Total OPEB liability – ending	\$ 240,755
Covered payroll	\$ 1,791,159
Total OPEB liability as a percentage of covered payroll	13.44%
Measurement date	09/30/2018
Actuarial valuation date	10/01/2017

Changes of assumptions: Changes of assumptions and other changes reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2018	3.64%
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* GASB 75 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**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**

To the Honorable Mayor, City Commission, and City Manager,
City of Bunnell, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 aggregate remaining fund information of the City of Bunnell, 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 26, 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.

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

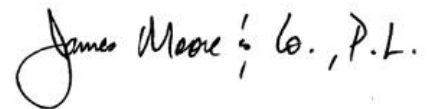
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

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

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial "J".

Daytona Beach, Florida
June 26, 2019

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor, City Commission, and City Manager,
City of Bunnell, Florida:

Report on the Financial Statements

We have audited the basic financial statements of City of Bunnell, Florida (the City), as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 26, 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, 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Examination Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 26, 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. Two findings and recommendations from the prior year's audit (2015-001 and 2016-001) have been repeated for two or more years and have not yet been fully corrected. The following summarizes the status of prior year findings and recommendations:

2015-001 Human Resource Testing Exceptions – Corrective action partially taken, see new finding 2018-001.

2016-001 Cash Disbursement Testing Exception – Corrective action not taken.

2017-001 Public Service Utility Tax – Corrective action taken.

2017-002 Water and Sewer Inventory – Corrective action taken.

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. The legal authority for the primary government of the reporting entity is disclosed in Note 1 of the basic financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the 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 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 noted the following recommendations:

2016-001 Cash Disbursement Testing Exception (Third-Year Repeat Comment) – In our testing, we noted instances for which a purchase order was not being issued prior to a service being provided and an invoice entered into the accounts payable system. Per the Procurement policy, a purchase request must be issued prior to making a purchase. We recommend adhering to the procurement policy to prevent purchases being made by individuals without proper approval.

2018-001 Human Resources Review Processes – We noted that currently there is no formal review of information input into the human resources system by the Human Resources Officer. There is also no formal process for approval or review of information changes to an employee's information in the system. We recommend a formal review and approval process be put in place for all information input into the human resources system.

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 have any such findings.

City of Bunnell, Florida's Response to Findings

The City's responses to the findings identified in our audit are described in the letter titled Management's Response to the Auditor's Comments, as listed in the table of contents. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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

James Moore & Co., P.L.

Daytona Beach, Florida
June 26, 2019

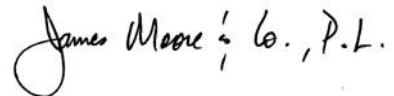
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor, City Commission, and City Manager,
City of Bunnell, Florida:

We have examined the City of Bunnell, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, 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.

In our opinion, the City of Bunnell, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

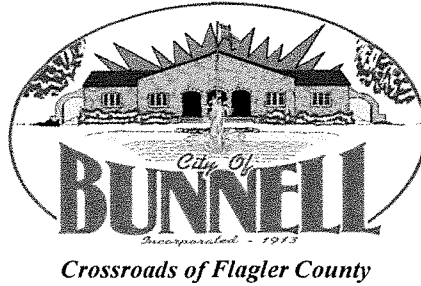


Daytona Beach, Florida
June 26, 2019

CATHERINE D. ROBINSON
MAYOR

JOHN ROGERS
VICE-MAYOR

DR. ALVIN B. JACKSON, JR.
CITY MANAGER



COMMISSIONERS:

BILL BAXLEY

DONNIE NOBLES

JAN REEGER

June 26, 2019

Management's Response to Findings

2018-001 Cash Disbursement Testing Exceptions

The City will provide required training on the City's Purchasing policy to all City staff. Also, the City is in the process of implementing a new purchasing card payment system for small dollar purchases that will not require a purchase order. The Finance Department will continue reporting to the City Manager when violations occur, so any additional appropriate action may be taken.

2016-001 Human Resources Review Process (Third-Year Repeat Comment)

The City completed a comprehensive review of all Human Resources records to insure proper documentation for all employee maintenance items are properly maintained in the personnel file. In addition, the City reviewed, updated, and obtained Commission approval for the position grade matrix in August 2017. The employee Personnel Manual was updated to include proper pay grade placement procedures and employee personnel file maintenance procedures.

A large, stylized handwritten signature in black ink, which appears to be "Dr. Alvin B. Jackson, Jr.".

Dr. Alvin B. Jackson, Jr.
City Manager