

CITY OF PAXTON
PAXTON, FLORIDA

FINANCIAL STATEMENTS
Year Ended September 30, 2018



CITY OF PAXTON, FLORIDA
CITY OFFICIALS AS OF SEPTEMBER 30, 2018

MAYOR

Hayward Thomas

CITY COUNCIL

Bobby J. Kemp - Chairman

Jenice Armstrong – Vice-Chairman

Charles Cook

Ann Sexton

Travis McMillan

CITY CLERK - TREASURER

Suzan Imfeld

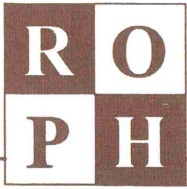
CITY ATTORNEY

Clay Adkinson

CITY OF PAXTON, FLORIDA
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INDEPENDENT AUDITORS' REPORT



RABREN, ODOM, PIERCE & HAYES, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

MEMBERS

American Institute of Certified Public Accountants, PCPS/The Alliance for CPA Firms, Alabama Society of Certified Public Accountants, Florida Institute of Certified Public Accountants
Governmental Audit Quality Center

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 and each major fund, of the City of Paxton as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison on pages 3 through 9 and page 16 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 May 31, 2019, on our consideration of the City of Paxton'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 effectiveness of the City of Paxton, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Paxton, Florida's internal control over financial reporting and compliance.

Rabren, Odom, Pierce & Hayes, PC

Andalusia, Alabama
May 31, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The City's management discussion and analysis presents an overview of the City's financial activities for the fiscal years ended September 30, 2018 and 2017. Please read it in conjunction with the Independent Auditors' Report, beginning on page 1 and the City's financial statements beginning on page 10.

The City reports its financial position under Governmental Accounting Standards Board (GASB) Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis.

The intent is to provide a brief, objective, and easily readable analysis of the City's financial performance for the years ending September 30, 2018 and 2017.

Financial Highlights:

The City's net position decreased by \$131,891 during year ending September 30, 2018 resulting from capital improvement projects. The overall assets of the City exceeded liabilities (net position) at September 30, 2018 by \$2,918,920 and September 30, 2017 by \$3,050,811.

At September 30, 2018, \$285,719 (unrestricted net position) was available to meet the government's general ongoing obligations to citizens and creditors. At September 30, 2017, this amount was \$417,670.

At September 30, 2018, the City's governmental funds reported an ending fund balance of \$262,457, representing a decrease of \$136,722 from the September 30, 2017 balance of \$399,179.

At September 30, 2018, the City's business type activities reported an ending net position of \$2,035,397, representing an increase of \$39,414 over the September 30, 2017 balance of \$1,995,983.

Governmental fund's revenues increased by \$29,334 in fiscal year 2018 or a 5.3 percent increase from the prior fiscal year. The fiscal year 2017 reported an increase of \$45,779 or a 9.0 percent increase from the prior year. Business type activity charges for services revenues were \$390,272 at September 30, 2018 and \$354,157 at September 30, 2017. This represented an increase of \$36,115 or 10.0 percent.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of: 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, which consist of the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses. 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 Government's net position changed during the fiscal years. It focuses on the gross and net costs of various activities, which are provided by general taxes and other revenues. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the 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 (such as uncollected taxes).

The governmental activities of the City include general government, public safety, highways & streets, sanitation and culture/recreation. Business type activities include water and sewer.

The government-wide financial statements can be found on pages 10-11 of this report.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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 statement, governmental fund financial statements focus on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is similar to the manner in which the budget is developed. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided to demonstrate budgetary compliance.

The basic governmental funds financial statements can be found on pages 12-20 of this report.

Proprietary Funds:

Proprietary or enterprise funds are used to account for business type activities. These funds account for operations that are financed and operated in a manner similar to private business enterprises with the intent to recover the costs for providing goods and services through user charges. The City maintains separate enterprise funds to account for the water and sewer operations. These statements can be found on pages 17-20 of this report.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-37 of this report.

Government-Wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$2,918,920 at September 30, 2018 and by \$3,050,811 at September 30, 2017.

The following is a condensed Statement of Net Position as of September 30, 2018 and 2017:

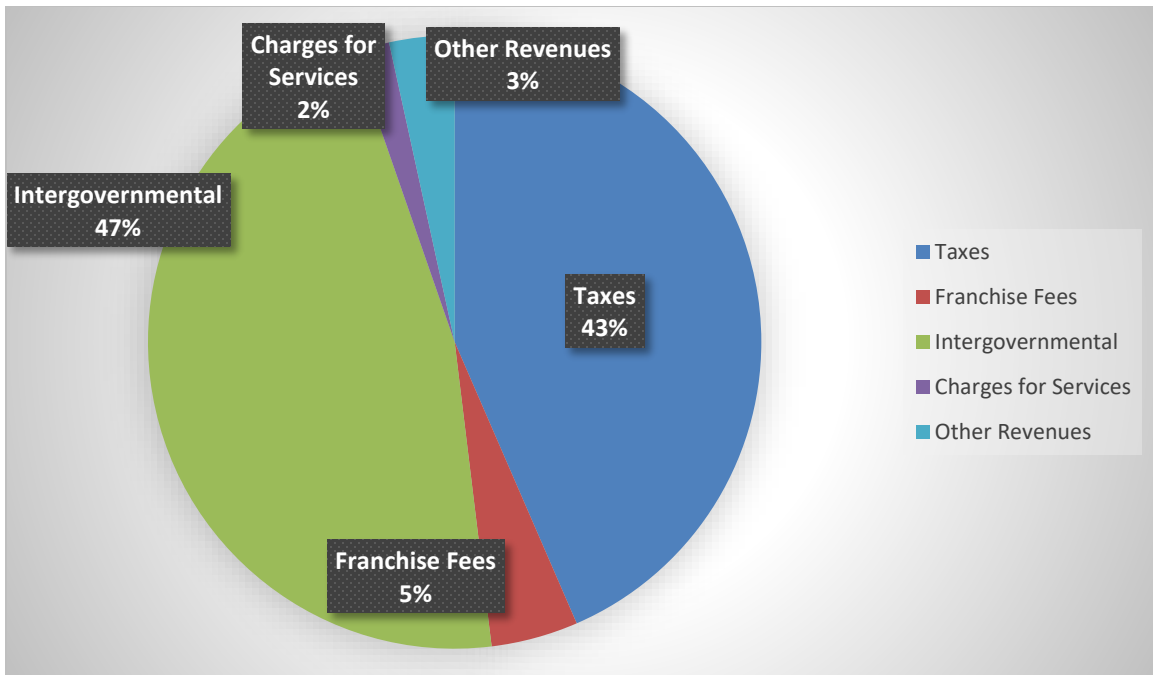
	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 737,295	\$ 616,394
Capital Assets	3,566,406	3,153,082
Total Assets	<u>4,303,701</u>	<u>3,769,476</u>
Current Liabilities	312,207	65,503
Long-Term Liabilities	1,072,574	653,162
Total Liabilities	<u>1,384,781</u>	<u>718,665</u>
Net Position:		
Invested in Capital Assets		
Net of Related Debt	2,417,071	2,478,002
Restricted for Debt Service	216,130	155,139
Unrestricted	285,719	417,670
Total Net Position	<u>\$ 2,918,920</u>	<u>\$ 3,050,811</u>

At September 30, 2018 and 2017 the largest portion of the City's net position (approximately 82 percent) was reflected in investment in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its 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.

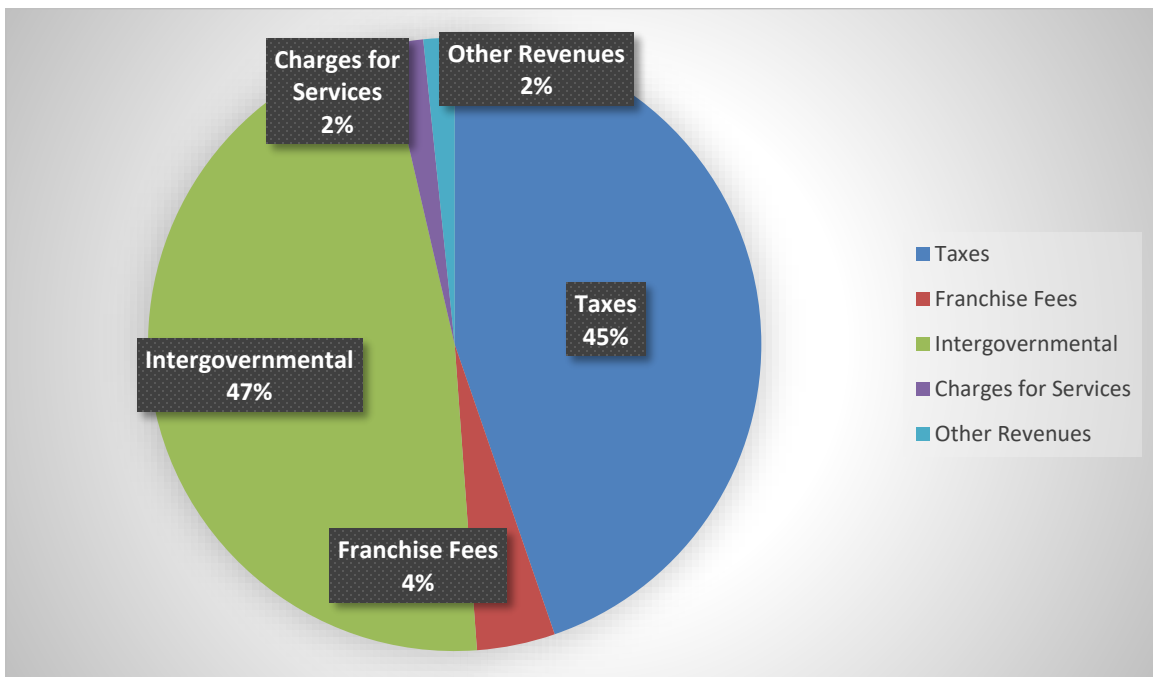
The unrestricted net position \$285,719 at September 30, 2018 and \$417,670 at September 30, 2017 may be used to meet the government's ongoing obligations to citizens and creditors.

The following graph shows revenues by type for the government-wide Statement of Activities for the years ended September 30, 2018 and 2017.

Year Ending 2018 Revenues by Source



Year Ending 2017 Revenues by Source



The following is a condensed Statement of Activities of governmental activities for the years ended September 30, 2018 and 2017:

	September 30,	
	2018	2017
Revenues:		
Program Revenue:		
Charges for Services	\$ 10,982	\$ 10,925
General Revenues:		
Franchise Fees and Taxes	279,876	270,232
Other	118,225	187,975
Total Revenues	<u>409,083</u>	<u>469,132</u>
Expenses:		
General Government	297,231	264,863
Public Safety	2,177	2,114
Highways and Streets	11,739	13,644
Sanitation	238,739	184,936
Culture and Recreation	30,502	23,751
Total Expenses	<u>580,388</u>	<u>489,308</u>
Decrease in Net Position	(171,305)	(20,176)
Net Position - Beginning	<u>1,054,828</u>	<u>1,075,004</u>
Net Position - Ending	<u>\$ 883,523</u>	<u>\$ 1,054,828</u>

Financial Analysis of the City's Funds

As noted earlier, the City uses Fund Accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The City's governmental funds reported an ending fund balance of \$262,457 at the end of fiscal year 2018 and \$399,179 at the end of fiscal year 2017. This resulted in a decrease of \$136,722 in fiscal year 2018. The non-spendable fund balance was \$68,850, restricted was \$30 and the unassigned fund balance was \$193,577 at September 30, 2018. The non-spendable fund balance was \$68,850 and the unassigned fund balance was \$330,329 at September 30, 2017. The business type activities unrestricted net position is \$23,292 at September 30, 2018, which can only be utilized within these business type activities. At September 30, 2017, the unrestricted net position for the business type activities was \$18,491.

The remainder of governmental fund balances are restricted to indicate that they are either restricted in what they can be used for or have been committed for particular purposes and therefore not available for spending.

The general fund is the chief operating fund of the City. At September 30, 2018 the unassigned fund balance of the General Fund was \$262,457 and at September 30, 2017 was \$330,329.

The basic governmental funds financial statements can be found on pages 12-20 of this report.

Business Type Activities:

Business type activities increased the City’s net position by \$39,414 during fiscal year 2018 and decreased by \$117,096 during fiscal year 2017. The City has two business type activities. These business type activities are water and sewer operations. The unrestricted net position for water at September 30, 2018 was \$175,626 and \$170,904 at September 30, 2017. The unrestricted deficit in net position for the sewer fund was \$152,334 at September 30, 2018 and \$152,413 at September 30, 2017.

The following is a condensed Statement of Net Position of Business-Type Activities for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Revenues:		
Program Revenue:		
Charges for Services	\$ 390,272	\$ 354,157
	<u>390,272</u>	<u>354,157</u>
Other Income (Expense)		
Other Expense	(33,562)	(34,503)
Total Revenues	<u>356,710</u>	<u>319,654</u>
Expenses:		
Water	356,292	380,885
Sewer	<u>132,036</u>	<u>135,998</u>
Total Expenses	488,328	516,883
Loss Before Transfers	(131,618)	(197,229)
Transfers In	<u>171,032</u>	<u>80,133</u>
Increase (Decrease) in Net Position	39,414	(117,096)
Net Position - Beginning	<u>1,995,983</u>	<u>2,113,079</u>
Net Position - Ending	<u>\$ 2,035,397</u>	<u>\$ 1,995,983</u>

Capital Asset and Debt Administration:

The City’s investment in capital assets as of September 30, 2018 was \$3,566,406 (net of accumulated depreciation) and at September 30, 2017 was \$3,153,082 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment and water and sewer systems, net of accumulated depreciation. Capital expenditures of \$16,855 were used to purchase equipment and make land improvements. The City spent \$600,316 for the Waterline Improvements Project. Additional information on the City’s capital assets can be found in Note 4 on pages 28-30 of this report.

Long Term Debt:

At the end of fiscal year 2017, the City had total bonded debt of \$675,080. At September 30, 2018 this was amount was \$653,162. The City also had an outstanding loan anticipation loan of \$441,507 at September 30, 2018.

Outstanding Debt at September 30, 2018 and 2017 was:

	September 30,	
	2018	2017
Water System Revenue Bonds, Series 2006A	\$ 117,816	\$ 120,039
Water System Revenue Bonds, Series 2006B	89,846	91,541
Sewer Revenue Bonds, Series 1994	445,500	463,500
Water System Revenue Bonds Anticipation Note, Series 2018	441,507	-
	<u>\$ 1,094,669</u>	<u>\$ 675,080</u>

Additional information on the City’s debt can be found in Note 5 on pages 30-35 of this report.

Request for Information

This financial report is designed to present users with a general overview of the City’s finances and to demonstrate the City’s accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the City’s Clerk or the Mayor at P. O. Box 5200, Paxton, FL 32538.



FINANCIAL STATEMENTS

CITY OF PAXTON, FLORIDA
STATEMENT OF NET POSITION
September 30, 2018

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 450,015	\$ 11,177	\$ 461,192
Cash and Cash Equivalents - Restricted	30	216,100	216,130
Receivables, Net	35,408	23,518	58,926
Prepaid Expenses	-	1,047	1,047
Internal Balances	(23,085)	23,085	-
Capital Assets, not being depreciated	303,166	711,896	1,015,062
Capital Assets, being depreciated	317,900	2,233,444	2,551,344
Total Assets	1,083,434	3,220,267	4,303,701
LIABILITIES			
Accounts Payable	198,225	54,666	252,891
Accrued Interest	1,686	2,747	4,433
Customer Deposits	-	32,788	32,788
Noncurrent Liabilities			
Due Within One Year	-	22,095	22,095
Due in More than One Year	-	1,072,574	1,072,574
Total Liabilities	199,911	1,184,870	1,384,781
NET POSITION			
Invested in Capital Assets, Net of Related Debt	621,066	1,796,005	2,417,071
Restricted	30	216,100	216,130
Unrestricted	262,427	23,292	285,719
Total Net Position	\$ 883,523	\$ 2,035,397	\$ 2,918,920

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:						
General Government	\$ 297,231	\$ 10,982	\$ -	\$ (286,249)		\$ (286,249)
Public Safety	2,177	-	-	(2,177)		(2,177)
Highways and Streets	11,739	-	-	(11,739)		(11,739)
Sanitation	238,739	-	-	(238,739)		(238,739)
Culture and Recreation	30,502	-	-	(30,502)		(30,502)
Total Governmental Activities	<u>580,388</u>	<u>10,982</u>	<u>-</u>	<u>(569,406)</u>		<u>(569,406)</u>
BUSINESS-TYPE ACTIVITIES:						
Water	365,798	285,437	-		\$ (80,361)	(80,361)
Sewer	156,291	104,835	-		(51,456)	(51,456)
Total Business-Type Activities	<u>522,089</u>	<u>390,272</u>	<u>-</u>		<u>(131,817)</u>	<u>(131,817)</u>
Total Primary Government	<u>\$ 1,102,477</u>	<u>\$ 401,254</u>	<u>\$ -</u>	<u>(569,406)</u>	<u>(131,817)</u>	<u>(701,223)</u>
GENERAL REVENUES						
				227,287	-	227,287
				24,981	-	24,981
				26,626	-	26,626
				982	-	982
				30	-	30
				270,318	-	270,318
				33	63	96
				17,360	136	17,496
				1,516	-	1,516
				(171,032)	171,032	-
Total General Revenues				<u>398,101</u>	<u>171,231</u>	<u>569,332</u>
Change in Net Position				(171,305)	39,414	(131,891)
Net Position, Beginning				<u>1,054,828</u>	<u>1,995,983</u>	<u>3,050,811</u>
Net Position, Ending				<u>\$ 883,523</u>	<u>\$ 2,035,397</u>	<u>\$ 2,918,920</u>

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 September 30, 2018

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 450,015	\$ 450,015
Receivables, Net	35,408	35,408
Restricted Assets:		
Cash and Cash Equivalents	<u>30</u>	<u>30</u>
 Total Assets	 <u><u>\$ 485,453</u></u>	 <u><u>\$ 485,453</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 198,225	\$ 198,225
Accrued Liabilities	1,686	1,686
Due to Other Funds	<u>23,085</u>	<u>23,085</u>
 Total Liabilities	 <u>222,996</u>	 <u>222,996</u>
 FUND BALANCES		
Nonspendable	68,850	68,850
Restricted	30	30
Unassigned	<u>193,577</u>	<u>193,577</u>
 Total Fund Balances	 <u>262,457</u>	 <u>262,457</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 485,453</u></u>	 <u><u>\$ 485,453</u></u>

The accompanying notes are an integral part of these statements.

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

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

Total Fund Balances - Governmental Funds	\$ 262,457
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental Capital Assets	1,204,282	
Less: Accumulated Depreciation	<u>(583,216)</u>	<u>621,066</u>

Net Position of Governmental Activities	<u><u>\$ 883,523</u></u>
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The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended September 30, 2018

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES		
Taxes	\$ 252,268	\$ 252,268
Franchise Fees	26,626	26,626
Licenses and Permits	982	982
Intergovernmental	270,318	270,318
Charges for Services	10,982	10,982
Fines and Forfeitures	30	30
Interest	33	33
Miscellaneous	17,360	17,360
Total Revenues	<u>578,599</u>	<u>578,599</u>
EXPENDITURES		
General Government	281,352	281,352
Public Safety	1,021	1,021
Highways and Streets	10,374	10,374
Sanitation	238,731	238,731
Culture and Recreation	12,717	12,717
Capital Outlay	3,194	3,194
Total Expenditures	<u>547,389</u>	<u>547,389</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>31,210</u>	<u>31,210</u>
OTHER FINANCING SOURCES (USES)		
Transfers to Other Funds	(171,032)	(171,032)
Sale of Assets	3,100	3,100
Total Other Financing Uses	<u>(167,932)</u>	<u>(167,932)</u>
Net Change in Fund Balance	(136,722)	(136,722)
FUND BALANCE - Beginning	<u>399,179</u>	<u>399,179</u>
FUND BALANCE - Ending	<u>\$ 262,457</u>	<u>\$ 262,457</u>

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended September 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ (136,722)

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Expenditures for depreciable capital assets	3,194	
Less: Current year depreciation	<u>(36,193)</u>	(32,999)

Proceeds from the disposal of assets are reported as other financing sources of revenue in the governmental funds, but in the Statement of Activities only the gain or loss is reported. (1,584)

Change in Net Position of Governmental Activities \$ (171,305)

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended September 30, 2018

	ORIGINAL AND FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
REVENUES			
Taxes	\$ 243,400	\$ 252,268	\$ 8,868
Franchise Fees	28,000	26,626	(1,374)
License and Permits	2,000	982	(1,018)
Intergovernmental	248,500	270,318	21,818
Charges for Services	13,800	10,982	(2,818)
Fines and Forfeitures	-	30	30
Interest	-	33	33
Miscellaneous	8,700	17,360	8,660
Total Revenues	544,400	578,599	34,199
Expenditures			
General Government	242,400	281,352	(38,952)
Public Safety	-	1,021	(1,021)
Highways and Streets	11,000	10,374	626
Sanitation	200,000	238,731	(38,731)
Culture and Recreation	13,000	12,717	283
Capital Outlay	10,000	3,194	6,806
Contingency	18,000	-	18,000
Total Expenditures	494,400	547,389	(52,989)
EXCESS OF REVENUES OVER EXPENDITURES	50,000	31,210	(18,790)
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	(50,000)	(171,032)	(121,032)
Sale of Assets	-	3,100	3,100
Total Other Financing Uses	(50,000)	(167,932)	(117,932)
Net Change in Fund Balances	-	(136,722)	(136,722)
FUND BALANCE - Beginning	399,179	399,179	399,179
FUND BALANCE - Ending	\$ 399,179	\$ 262,457	\$ 262,457

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER FUND	SEWER FUND	TOTALS
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 11,177	\$ -	\$ 11,177
Receivables, Net	23,518	-	23,518
Prepaid Insurance	1,047	-	1,047
Due from (to) Other Funds	173,470	(150,385)	23,085
Total Current Assets	209,212	(150,385)	58,827
NONCURRENT ASSETS:			
Restricted Cash and Cash Equivalents	63,301	152,799	216,100
Capital Assets, Net of Accumulated Depreciation	1,331,058	1,614,282	2,945,340
Total Noncurrent Assets	1,394,359	1,767,081	3,161,440
Total Assets	1,603,571	1,616,696	3,220,267
LIABILITIES			
CURRENT LIABILITIES:			
Retainage Payable	54,666	-	54,666
Accrued Interest Payable	798	1,949	2,747
Customer Deposits	32,788	-	32,788
Bonds and Notes Payable	4,095	18,000	22,095
Total Current Liabilities	92,347	19,949	112,296
NONCURRENT LIABILITIES:			
Bonds and Notes Payable	645,074	427,500	1,072,574
Total Liabilities	737,421	447,449	1,184,870
NET POSITION			
Invested in Capital Assets, Net of Related Debt	627,223	1,168,782	1,796,005
Restricted	63,301	152,799	216,100
Unrestricted (Deficit)	175,626	(152,334)	23,292
Total Net Position	\$ 866,150	\$ 1,169,247	\$ 2,035,397

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year Ended September 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER FUND	SEWER FUND	TOTALS
REVENUES			
Charges for Services	\$ 285,437	\$ 104,835	\$ 390,272
Total Revenues	285,437	104,835	390,272
OPERATING EXPENSES			
Salaries & Fringe Benefits	99,023	-	99,023
Bad Debt Expense	1,365	297	1,662
Contractual Services	27,597	18,777	46,374
Insurance	38,224	14,921	53,145
Utilities	20,651	27,068	47,719
Repairs and Maintenance	23,659	8,117	31,776
Materials and Supplies	29,292	11,286	40,578
Other Expense	2,500	481	2,981
Depreciation	113,981	51,089	165,070
Total Operating Expenses	356,292	132,036	488,328
Operating Loss	(70,855)	(27,201)	(98,056)
NONOPERATING REVENUE (EXPENSES)			
Miscellaneous Income	136	-	136
Interest Income	29	34	63
Interest Expense	(9,506)	(24,255)	(33,761)
Total Nonoperating Expenses	(9,341)	(24,221)	(33,562)
Loss before Transfers	(80,196)	(51,422)	(131,618)
Transfers from Other Funds	91,662	79,370	171,032
Change in Net Position	11,466	27,948	39,414
NET POSITION - Beginning	854,684	1,141,299	1,995,983
NET POSITION - Ending	\$ 866,150	\$ 1,169,247	\$ 2,035,397

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended September 30, 2018

	BUSINESS-TYPE ACTIVITIES		
	WATER FUND	SEWER FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 279,524	\$ 104,835	\$ 384,359
Payments to Suppliers	(142,093)	(80,947)	(223,040)
Payments to Employees	(99,023)	-	(99,023)
Net Cash Provided By Operating Activities	38,408	23,888	62,296
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous Income	136	-	136
Transfers from (to) Other Funds	(74,989)	92,708	17,719
Net Cash Provided (Used) By Noncapital Financing Activities	(74,853)	92,708	17,855
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of Equipment	(412,344)	-	(412,344)
Proceeds from Long-Term Debt	441,507	-	441,507
Interest Payments on Debt	(9,521)	(24,334)	(33,855)
Principal Payments on Debt	(3,918)	(18,000)	(21,918)
Transfers from (to) Other Funds	20,683	(13,338)	7,345
Net Cash Provided (Used) By Capital Financing Activities	36,407	(55,672)	(19,265)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	30	34	64
Net Cash Provided By Investing Activities	30	34	64
Net Increase (Decrease) in Cash and Cash Equivalents	(8)	60,958	60,950
Cash and Cash Equivalents, Beginning			
Unrestricted	11,188	-	11,188
Restricted	63,298	91,841	155,139
	74,486	91,841	166,327
Cash and Cash Equivalents, Ending			
Unrestricted	11,177	-	11,177
Restricted	63,301	152,799	216,100
	\$ 74,478	\$ 152,799	\$ 227,277

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
 STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
 Year Ended September 30, 2018

RECONCILIATION OF OPERATING LOSS
 TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

	BUSINESS-TYPE ACTIVITIES		
	WATER FUND	SEWER FUND	TOTALS
Operating Loss	\$ (70,855)	\$ (27,201)	\$ (98,056)
Adjustments to Reconcile Operating Loss to Net Cash provided by Operating Activities:			
Depreciation	113,981	51,089	165,070
Accounts Receivable	(5,913)	-	(5,913)
Customer Deposits	1,195	-	1,195
Net Cash Provided By Operating Activities	<u>\$ 38,408</u>	<u>\$ 23,888</u>	<u>\$ 62,296</u>

The accompanying notes are an integral part of these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Paxton was originally incorporated under Chapter 29-404, Law of Florida, Act of 1953. Subsequent amendments were made under Chapter 69-1459 and under local ordinance in 1981. The City operates under the Council-Mayor form of government and provides the following services as authorized by its charter: public safety, water, culture-recreation, public improvements, sewer, and general administrative service.

The accounting policies of the City of Paxton conform to generally accepted accounting principles as set forth by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

REPORTING ENTITY

Statements No. 14 and No. 34 of the Governmental Accounting Standards Board establishes standards for defining and reporting on the financial reporting entity. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency where there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. There are no component units which should be included as part of the financial reporting entity of the City of Paxton, Florida.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements are comprised of the statement of net assets and the statement of activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

Invested in Capital Assets, Net of Related Debt – This category represents capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted – This category represents constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation. The balance restricted at September 30, 2018 was \$216,130 reserved for capital improvements and debt service payments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unrestricted – This category represents net position that are not subject to externally imposed stipulations and are available for any purpose.

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three major categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contribute to the change in the net position for the fiscal year.

The government-wide statement of net position and the statement of activities are presented on a consolidated basis and are reflected on a full accrual, economic resource basis.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity.

The 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 follow and report additional and detailed information about operations for major funds. The City of Paxton currently does not have any funds considered non-major. A reconciliation is provided that converts the results of the governmental fund accounting to the government-wide presentations.

The following are reported as major governmental funds:

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

The City reports the following major proprietary funds:

Water Fund – This fund accounts for all operations of the water department.

Sewer Fund – This fund accounts for all operations of the sewer department.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting.

The focus of the GASB 34 is on the City as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed to enhance the usefulness of the information.

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable – Amounts that cannot be spent because they are either not spendable in form or they are legally or contractually required to be maintained intact. The City of Paxton has an amount of \$68,850 classified as non-spendable fund balance at September 30, 2018.

Restricted – Amounts with constraints placed on their use that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. The City has \$30 classified as restricted at September 30, 2018.

Committed – Amounts that can only be used for specific purposes imposed by formal action of the City of Paxton, and remains binding unless removed in the same manner.

Assigned – Amounts that are constrained by the City for specific purposes but do not meet criteria to be classified as restricted or committed.

Unassigned – Residual amounts for the General Fund and includes all spendable amounts not contained in the other classifications.

BASIS OF PRESENTATION

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City uses the following fund categories and fund types:

Governmental Funds

General Fund – To account for all financial resources except those required to be accounted for in another fund. The General Fund is the City’s operating fund.

Proprietary Funds

Enterprise Funds – These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expense, including depreciation) of providing goods or services to the general public be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Non-Current Governmental Assets

GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Position.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider are met.

All governmental fund financial statements are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Expenditures are generally recognized when the related fund liability is incurred. Revenues are considered to be available when they are collectible within the current period or soon thereafter. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Those revenues susceptible to accrual are franchise taxes, grants relative to incurred cost, interest revenue and charges for services.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Material unbilled utility service receivables, if any, are recorded at year end.

Cash and Cash Equivalents – Cash and cash equivalents are cash on hand as well as demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

Accounts Receivable – Trade receivables are reported at gross amounts due from customers and, where appropriate reduced by an estimated portion that is expected to be uncollectible. At year end all outstanding receivables were deemed collectible. The City grants credit to its customers who use its services, substantially all of whom are local residents or businesses.

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

Allowance for Doubtful Accounts - The City makes an estimate, based on the prior years, as to the amount of its accounts receivable in its enterprise funds that will not be collectible. The City makes a charge for this amount against operations and establishes a reserve for doubtful accounts. As the accounts are determined to be uncollectible they are then charged against this reserve. At September 30, 2018, the reserve balance was \$4,619. The City grants credit to customers who use its various services, substantially all of whom are local residents or businesses.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

The cost of normal maintenance and repairs that do not add value to the asset or materially extend assets lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets	Years
Buildings	30-50
Building Improvements	7-15
Vehicles	5-10
Equipment	7-15
Water & Sewer System	5-50

Compensated Absences - The City has adopted written policies as to the accumulation of vacation and sick leave but has elected not to record any expenditure or related liability for accumulated vacation and sick leave benefits of its employees. Such amounts are recorded only when taken and are not considered to be material.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities, business type activities or proprietary fund type statement of net position.

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

Cash Flows - The City considers investments with a maturity of less than 90 days as cash equivalents for the purpose of the statement of cash flows. The amount of interest actually paid by the City’s Enterprise Funds during the year totaled \$33,855.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETS AND BUDGETARY ACCOUNTING

Usually during the month of September, the Mayor submits to the City Council a proposed budget for the fiscal year commencing the following October 1. The budget includes proposed expenditures and the means of financing them. The budget is legally adopted by the Council for the upcoming fiscal year. The City does not use encumbrance accounting and any amounts not expended under the budget lapse at year end. Expenditures may not legally exceed budgeted appropriations at the fund level. It is City policy to amend the budget subsequent to year end for any revenues or expenditures that exceeded budgeted amounts during the year. As such, the “Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual -- General Fund” presented in the financial statements reflects the amended budget that is adopted by the City subsequent to year end.

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles.

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – The custodial credit risk for deposits is the risk that, in the event of a bank failure, the City will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City maintains its deposits with “Qualified Public Depositories” as defined in chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

Under Florida Statute 280 and the federal deposit insurance program, all the City’s deposits are fully insured or collateralized with collateral held by the State Treasurer. Currently, the City is not exposed to any known interest rate or credit risks.

Cash	
Restricted for Customer Deposits	\$ 12,864
Restricted for Debt Service	152,799
Restricted for Capital Improvements	30
Restricted Investments	50,437
	<u>\$ 216,130</u>

CITY OF PAXTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 4 – CAPITAL ASSETS

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

	Balance 10/1/2017	Additions	Deletions	Balance 9/30/2018
GOVERNMENTAL ACTIVITIES:				
Capital Assets, not being depreciated				
Land	\$ 242,393	-	-	\$ 242,393
Total capital assets not being depreciated	242,393	-	-	242,393
Capital Assets, being depreciated				
Buildings and Improvements	801,164	-	(86,139)	715,025
Vehicles	110,451	-	(62,628)	47,823
Furniture and Fixtures	5,052	-	-	5,052
Land Improvements	60,773	1,982	-	62,755
Equipment	156,734	1,212	(26,712)	131,234
Total capital assets being depreciated	1,134,174	3,194	(175,479)	961,889
Less accumulated depreciation for:				
Buildings	411,395	27,499	(84,555)	354,339
Vehicles	94,336	4,835	(62,628)	36,543
Furniture and Fixtures	3,084	1,010	-	4,094
Land Improvements	59,856	494	-	60,350
Equipment	152,247	2,355	(26,712)	127,890
	720,918	36,193	(173,895)	583,216
Total capital assets, being depreciated, net	413,256	(32,999)	(1,584)	378,673
Governmental activities capital assets, net	<u>\$ 655,649</u>	<u>\$ (32,999)</u>	<u>\$ (1,584)</u>	<u>\$ 621,066</u>

CITY OF PAXTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance 10/1/2017	Additions	Deletions	Balance 9/30/2018
BUSINESS-TYPE ACTIVITIES				
Capital Assets, not being depreciated				
Land	\$ 56,572	\$ -	\$ -	\$ 56,572
Construction in Progress	55,008	600,316	-	655,324
Total capital assets not being depreciated	111,580	600,316	-	711,896
Capital Assets, being depreciated				
Water System and Improvements	1,581,904	-	-	1,581,904
Equipment	686,709	10,567	(34,501)	662,775
Furniture and Fixtures	2,166	-	(1,166)	1,000
Sewer System and Improvements	2,422,576	-	-	2,422,576
Land Improvements	-	2,094	-	2,094
Buildings	13,629	-	(5,700)	7,929
Total capital assets being depreciated	4,706,984	12,661	(41,367)	4,678,278
Less accumulated depreciation for:				
Water System and Improvements	994,883	76,494	-	1,071,377
Equipment	492,063	39,281	(34,501)	496,843
Furniture and Fixtures	1,600	200	(1,166)	634
Sewer System and Improvements	822,920	48,451	-	871,371
Land Improvements	-	116	-	116
Buildings	9,665	528	(5,700)	4,493
	2,321,131	165,070	(41,367)	2,444,834
Total capital assets, being depreciated, net	2,385,853	(152,409)	-	2,233,444
Business-Type activities capital assets, net	\$ 2,497,433	\$ 447,907	\$ -	\$ 2,945,340

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 15,879
Public Safety	1,156
Highways and Streets	1,365
Sanitation	8
Culture and Recreation	<u>17,785</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 36,193</u>
Business-Type Activities	
Water Fund	\$ 113,981
Sewer Fund	<u>51,089</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 165,070</u>

NOTE 5 – LONG-TERM DEBT

Long-Term Debt Activity for the year ended September 30, 2018 was as follows:

	Balance 10/1/2017	Additions	Reductions	Balance 9/30/2018	Due Within One Year
Sewer Revenue Bonds, Series 1994	\$ 463,500	\$ -	\$ 18,000	\$ 445,500	\$ 18,000
Water Revenue Bonds, Series 2006A	91,541	-	1,695	89,846	1,772
Water Revenue Bonds, Series 2006B	120,039	-	2,223	117,816	2,323
Water Revenue Bonds, Anticipation Note Series 2018	<u>-</u>	<u>441,507</u>	<u>-</u>	<u>441,507</u>	<u>-</u>
	<u>\$ 675,080</u>	<u>\$ 441,507</u>	<u>\$ 21,918</u>	<u>\$ 1,094,669</u>	<u>\$ 22,095</u>

CITY OF PAXTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 5 – LONG-TERM DEBT (Continued)

The City completed construction of a new water collection and treatment system during the year ended September 30, 1995. In conjunction with this project the City executed a \$640,000 Water and Sewer System Revenue Bond Anticipation Notes Series 1994, with Barnett Bank of Northwest Florida, N.A

Subsequently the City issued a Water and Sewer Revenue Bonds in the amount of \$685,500 all of which were purchased by Rural Economic and Community Development. The proceeds from this issue were used to retire the Revenue Bond Anticipation notes along with the interest due.

<u>Bond Numbers</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
23	9/1/19	5.25%	\$ 18,000	\$ 23,389	\$ 41,389
24	9/1/20	5.25%	20,000	22,444	42,444
25	9/1/21	5.25%	20,000	21,394	41,394
26	9/1/22	5.25%	22,000	20,344	42,344
27	9/1/23	5.25%	23,000	19,189	42,189
28	9/1/24	5.25%	24,000	17,981	41,981
29	9/1/25	5.25%	25,000	16,721	41,721
30	9/1/26	5.25%	27,000	15,409	42,409
31	9/1/27	5.25%	28,000	13,991	41,991
32	9/1/28	5.25%	29,000	12,521	41,521
33	9/1/29	5.25%	31,000	10,999	41,999
34	9/1/30	5.25%	33,000	9,371	42,371
35	9/1/31	5.25%	34,000	7,639	41,639
36	9/1/32	5.25%	36,000	5,854	41,854
37	9/1/33	5.25%	38,000	3,964	41,964
38	9/1/34	5.25%	37,500	1,969	39,469
			<u>\$ 445,500</u>	<u>\$ 223,179</u>	<u>\$ 668,679</u>

NOTE 5 – LONG TERM DEBT (Continued)

The revenue of the sewer system as well as the revenue of the water system are specific revenues pledged for the repayment of the Water and Sewer Revenue Bonds.

Sewer Bond covenants require the City to make monthly payments to a sinking fund in amounts based upon a pro rata portion of the current year debt service requirement. Additionally, the bond covenant also requires a monthly payment to a reserve account equal to 1/10 of 1/12 of the maximum bond service requirement of the current or future years. In addition, a reserve for future debt service requirements must be maintained. There are a number of other limitations, restrictions and covenants, pertaining to bond and interest sinking fund and reserve cash requirements, insurance, user fees, etc. contained in the debt instruments. The City is in material compliance with these limitations, restrictions, and covenants.

The City of Paxton has issued two separate Water System Bonds, Series 2006A in the amount of \$107,000 and Series 2006B in the amount of \$139,000 all of which were purchased by Rural Economic and Community Development. The proceeds from these issues were used as matching funds for grants to repair the water system. The following is a schedule of the debt service requirements necessary to retire the bonds.

CITY OF PAXTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

NOTE 5 – LONG TERM DEBT (Continued)

Below is the schedule for the Water System Revenue Bond, Series 2006A

<u>Bond Numbers</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
13	9/1/19	4.50%	\$ 1,772	\$ 4,175	\$ 5,947
14	9/1/20	4.50%	1,851	4,096	5,947
15	9/1/21	4.50%	1,935	4,012	5,947
16	9/1/22	4.50%	2,022	3,925	5,947
17	9/1/23	4.50%	2,113	3,834	5,947
18	9/1/24	4.50%	2,208	3,739	5,947
19	9/1/25	4.50%	2,307	3,640	5,947
20	9/1/26	4.50%	2,411	3,536	5,947
21	9/1/27	4.50%	2,520	3,427	5,947
22	9/1/28	4.50%	2,633	3,314	5,947
23	9/1/29	4.50%	2,751	3,196	5,947
24	9/1/30	4.50%	2,875	3,072	5,947
25	9/1/31	4.50%	3,005	2,942	5,947
26	9/1/32	4.50%	3,140	2,807	5,947
27	9/1/33	4.50%	3,281	2,666	5,947
28	9/1/34	4.50%	3,429	2,518	5,947
29	9/1/35	4.50%	3,583	2,364	5,947
30	9/1/36	4.50%	3,744	2,203	5,947
31	9/1/37	4.50%	3,913	2,034	5,947
32	9/1/38	4.50%	4,089	1,858	5,947
33	9/1/39	4.50%	4,273	1,674	5,947
34	9/1/40	4.50%	4,465	1,482	5,947
35	9/1/41	4.50%	4,666	1,281	5,947
36	9/1/42	4.50%	4,876	1,071	5,947
37	9/1/43	4.50%	5,095	852	5,947
38	9/1/44	4.50%	5,325	622	5,947
39	9/1/45	4.50%	5,564	383	5,947
			<u>\$ 89,846</u>	<u>\$ 70,723</u>	<u>\$ 160,569</u>

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018

NOTE 5 – LONG TERM DEBT (Continued)

Below is the schedule for the Water System Revenue Bond, Series 2006B

<u>Bond Numbers</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
13	9/1/19	4.50%	\$ 2,323	\$ 5,403	\$ 7,726
14	9/1/20	4.50%	2,428	5,298	7,726
15	9/1/21	4.50%	2,537	5,189	7,726
16	9/1/22	4.50%	2,651	5,075	7,726
17	9/1/23	4.50%	2,771	4,955	7,726
18	9/1/24	4.50%	2,895	4,831	7,726
19	9/1/25	4.50%	3,025	4,701	7,726
20	9/1/26	4.50%	3,162	4,564	7,726
21	9/1/27	4.50%	3,304	4,422	7,726
22	9/1/28	4.50%	3,453	4,273	7,726
23	9/1/29	4.50%	3,608	4,118	7,726
24	9/1/30	4.50%	3,770	3,956	7,726
25	9/1/31	4.50%	3,940	3,786	7,726
26	9/1/32	4.50%	4,117	3,609	7,726
27	9/1/33	4.50%	4,303	3,423	7,726
28	9/1/34	4.50%	4,496	3,230	7,726
29	9/1/35	4.50%	4,698	3,028	7,726
30	9/1/36	4.50%	4,910	2,816	7,726
31	9/1/37	4.50%	5,131	2,595	7,726
32	9/1/38	4.50%	5,362	2,364	7,726
33	9/1/39	4.50%	5,603	2,123	7,726
34	9/1/40	4.50%	5,855	1,871	7,726
35	9/1/41	4.50%	6,119	1,607	7,726
36	9/1/42	4.50%	6,394	1,332	7,726
37	9/1/43	4.50%	6,682	1,044	7,726
38	9/1/44	4.50%	6,982	744	7,726
39	9/1/45	4.50%	7,297	429	7,726
			<u>\$ 117,816</u>	<u>\$ 90,786</u>	<u>\$ 208,602</u>

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018

NOTE 5 – LONG TERM DEBT (Continued)

The following is a schedule of the Water and Sewer revenue bond debt service requirements for the next five years and thereafter. In concurrence with this project, the city received funding from

Years Ended September 30,	Principal	Interest
2019	\$ 22,095	\$ 32,967
2020	465,786	31,838
2021	24,472	30,595
2022	26,673	29,344
2023	27,864	27,978
Thereafter	<u>527,779</u>	<u>231,966</u>
	<u>\$ 1,094,669</u>	<u>\$ 384,688</u>

The City, pursuant to the Credit Agreement dated April 27, 2018, issued a Water System Revenue Bond Anticipation Note, Series 2018 with COBANK, ACB. Under the terms of the loan the principal cannot exceed \$454,000. The purpose of the Commitment is to provide interim financing for the Waterline Replacement Project. The loan will mature on April 27, 2020. Monthly interest payments are made on the unpaid principal at a variable interest rate. Mandatory Prepayment is due immediately upon receipt of the loan proceeds from the USDA. At September 30, 2018 the balance of this loan was \$441,507. Interest expense was \$3,812 for year ended September 30, 2018.

The City began construction of the Waterline Replacement Project during the year ended September 30, 2018. Funding for the project was provided by the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development, through a loan in the amount of \$454,000 and grant in the amount of \$1,002,900. The loan is scheduled to be repaid over 40 years, with payments equal to annual amortized installments, beginning one year after loan closing. The loan will be secured by Revenue Bonds to be issued by the City in the amount of \$454,000 that will in turn be secured by a first parity lien on all revenues of the City’s water and wastewater systems. As of September 30, 2018, the City had not received the loan proceeds from the USDA.

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2018

NOTE 6 – DUE TO/FROM OTHER FUNDS

The following is a schedule of the inter-fund receivables and payables at September 30, 2018:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 68,850	\$ 91,935
Water Works Fund	192,643	19,173
Sewer Fund	-	150,385
Totals	<u>\$ 261,493</u>	<u>\$ 261,493</u>

NOTE 7 – TRANSFERS

The following is a schedule of transfers between funds at September 30, 2018:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 98,362	\$ 269,394
Water Works Fund	255,292	163,630
Sewer Fund	79,370	-
Totals	<u>\$ 433,024</u>	<u>\$ 433,024</u>

NOTE 8 – FRANCHISE FEES

The City has granted franchises to various utilities (electric, telephone, cable TV, L.P. gas) to operate within the City. In exchange for this right the franchisees have contracted to pay the City a fee ranging from one to three percent of their gross receipts. The City has no responsibility for the maintenance or upkeep of these utilities.

NOTE 9 – RISK MANAGEMENT

The City of Paxton is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies, effectively transferring any risk of loss.

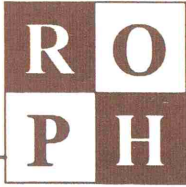
NOTE 10 – CONTINGENT LIABILITIES

The City's compliance with the various requirements of the USDA Rural Development as they relate to the loans that it received are subject to program compliance audits conducted by the lender or their representative. The amount, if any, of expenditures which may be disallowed by the lender cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 31, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION



RABREN, ODOM, PIERCE & HAYES, P.C.

Certified Public Accountants

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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 and Members of the City Council
City of Paxton
Paxton, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Paxton, Florida as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Paxton, Florida's basic financial statements and have issued our report dated May 31, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying “Schedule of Findings and Responses” that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Paxton’s Response to Findings

City of Paxton, Florida’s response to the findings identified in our audit is described in the accompanying “Schedule of Findings and Responses.” City of Paxton’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rabren, Odom, Pierce + Hayes, PC

Andalusia, Alabama
May 31, 2019

CITY OF PAXTON, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2018

Condition Number: 2018-01

Criteria: A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles.

Condition: The City does not have personnel with sufficient knowledge to analyze complex transactions to ensure that all transactions were properly recorded in the accounting records or to prepare GAAP-based financial statements.

Cause: The City of Paxton is a small entity with few employees and therefore lacks the resources necessary to select and apply the appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles.

Effect: The City of Paxton relies on their external auditor for all adjustments to be made that are required as part of the audit process and to prepare the financial statements.

Management

Response: See Management Letter on page 42.

Condition Number 2018-02

Criteria: A fundamental concept of internal control is the separation of duties.

Condition: No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Cause: Due to the small size of the City of Paxton, the accounting and administrative staff are precluded from performing certain internal controls that would be preferred.

Effect: If the separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected.

Management

Response: See Management Letter on page 42.

CITY OF PAXTON, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
Year Ended September 30, 2018

Condition Number: 2017-01

Criteria: A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles.

Condition: The City does not have personnel with sufficient knowledge to analyze complex transactions to ensure that all transactions were properly recorded in the accounting records or to prepare GAAP-based financial statements.

Cause: The City of Paxton is a small entity with few employees and therefore lacks the resources necessary to select and apply the appropriate accounting principles to prepare financial statements in accordance with generally accepted accounting principles.

Effect: The City of Paxton relies on their external auditor for all adjustments to be made that are required as part of the audit process and to prepare the financial statements.

Management

Response: See Management Letter on page 42.

Condition Number 2017-02

Criteria: A fundamental concept of internal control is the separation of duties.

Condition: No one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

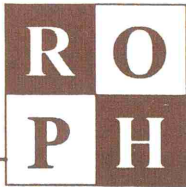
Cause: Due to the small size of the City of Paxton, the accounting and administrative staff are precluded from performing certain internal controls that would be preferred.

Effect: If the separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected.

Management

Response: See Management Letter on page 42.

MANAGEMENT LETTER



RABREN, ODOM, PIERCE & HAYES, P.C.

Certified Public Accountants

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Paxton, Florida, as of and for the year ended September 30, 2018, and have issued our report thereon dated May 31, 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 Florida Auditor General.

Other Reports and Schedule

We have issued our 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* and Chapter 10.550 Rules of the Auditor General and Schedule of Findings. Disclosure in that report, which is dated May 31, 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. Recommendations were made, however due to the small size of the entity; management believes the cost of correcting these conditions would exceed the benefits to be derived from doing so. As noted below, these deficiencies remained at fiscal year ended September 30, 2018.

Tabulation of Uncorrected Audit Findings

2017-2018 Finding #	2016-2017 Finding #	2015-2016 Finding #	2014-2015 Finding #
2018-01	2017-01	2016-01	2015-01
2018-02	2017-02	2016-02	2015-02

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 City of Paxton was established under Chapter 29-04, Law of Florida, Act of 1953. Subsequent amendments were made under Chapter 69-1459 and under local ordinance in 1981.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City of Paxton has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Paxton 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. It is management's responsibility to monitor the City of Paxton's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Paxton for the fiscal year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2018. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit of the City of Paxton, Florida we noted findings and recommendations in our "Schedule of Findings".

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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.

Purpose of this Letter

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

Rabren, Odom, Pierce & Hayes, PC

Andalusia, Alabama
May 31, 2019



City of Paxton

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Suzan Imfeld
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Judy Williams
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May 31, 2019

Auditor General's Office
P.O. Box 1735
Tallahassee, Florida 32302

This letter is in response to the findings identified by our Auditors' in their Management Letter dated May 31, 2019.

Section 10.554 (1)(i)1 states in the management letter whether or not recommendations made in preceding annual financial audit reports have been followed.


Section 10.554(1)(i)3 states in the management letter that we address any recommendations to improve our financial management, accounting procedures, and internal controls.

In response to both of the above items, the City of Paxton is a small entity with limited staff and complete segregation of duties is not always possible. The City of Paxton does separate duties to the extent possible and is always searching for ways to keep recordkeeping duties separate from the custody of assets. We also have no one on staff to prepare GAAP-based financial statements. However, with the small size of our entity and budget constraints, employing a full time accountant is not practical. We will continue to rely on our external auditors' for the preparation of our financial statements.

We believe the cost of correcting both above conditions would exceed the benefits to be derived from doing so.

We believe that our actions are responsive to the findings as reported by our Auditors' in their Management Letter and will correct the situations as identified by them.

Sincerely,


Hayward Thomas, Mayor
City of Paxton