

**CITY OF BUNNELL, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

Shanea Stankiewicz

Prepared by:
City of Bunnell Finance Department

**CITY OF BUNNELL, FLORIDA
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SEPTEMBER 30, 2019**

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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, and each major fund of the City of Bunnell, Florida, (the City), as of and for the year ended September 30, 2019, 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.

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121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

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, as of September 30, 2019, 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.

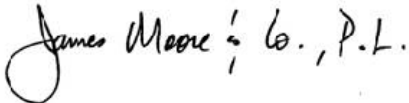
Other Matters

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 5, 2020, 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 5, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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, 2019.

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 \$19,992,473 (net position). Of this amount, \$4,105,020 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 \$2,122,038, an increase of \$200,301. The unassigned General Fund balance available for spending at the City's discretion is \$1,900,675.

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 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, parks and recreation and community 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 two categories: governmental funds and proprietary funds.

City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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 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 three 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.

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 \$19,992,473.

The largest portion of the City of Bunnell's net position \$13,794,211 (69%) 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

City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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, \$2,093,242 (10.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$4,105,020 (20.5%) 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 (\$68,429) of unrestricted net position is primarily due to the \$1,140,877 increase in net pension liability.

Business-type activities long-term liabilities increased \$224,902 primarily due to the financing of a new garbage truck for solid waste. Business-type activities capital assets increased \$1,006,604 primarily due to the acquisition of capital equipment and competition of capital improvements.

CITY OF BUNNELL'S NET POSITION
September 30,

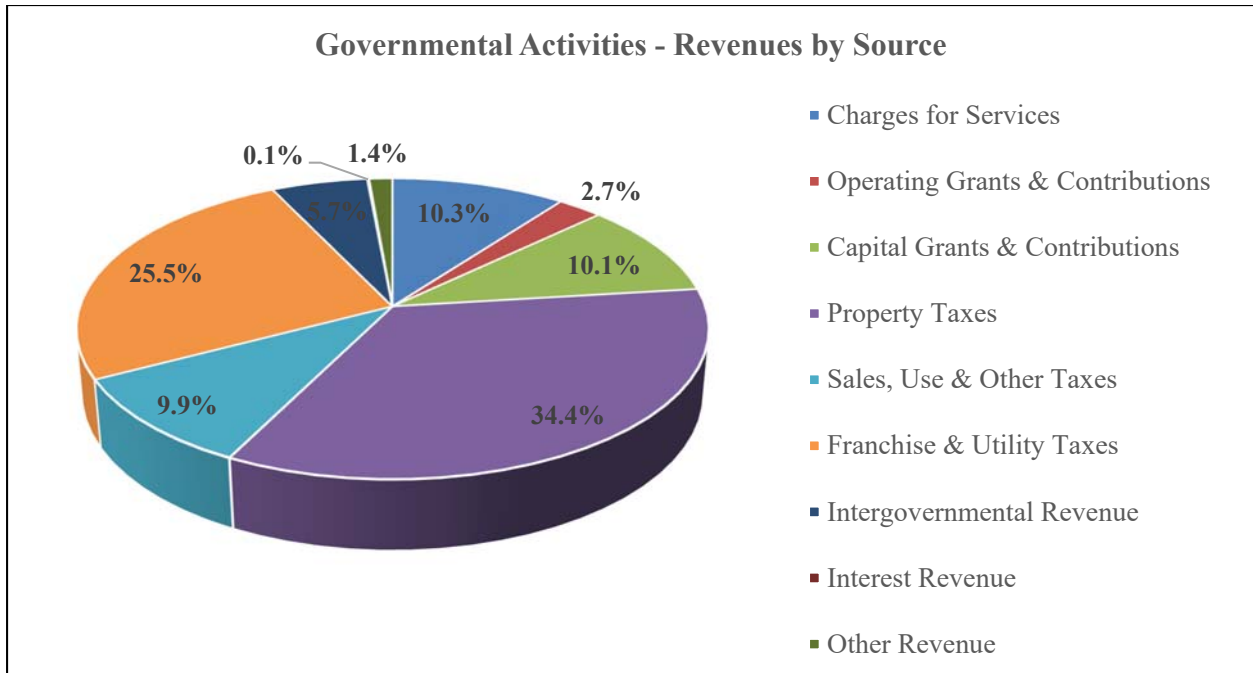
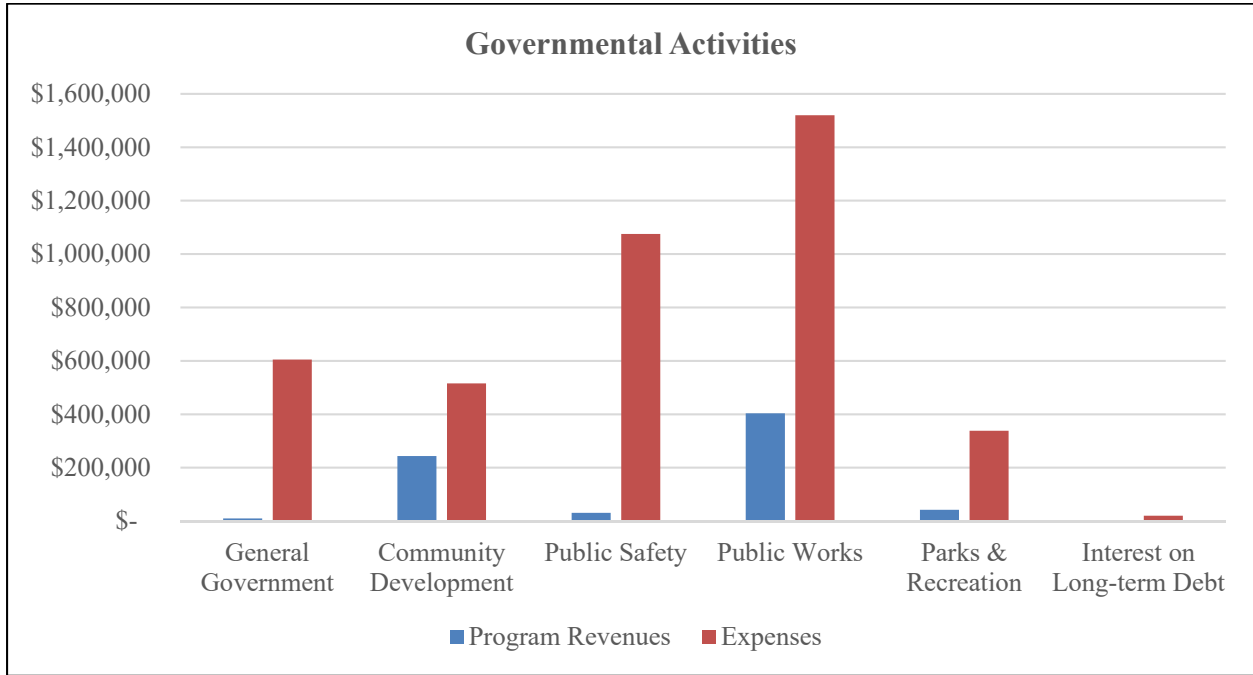
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 2,449,737	\$ 2,179,649	\$ 7,298,271	\$ 6,886,130	\$ 9,748,008	\$ 9,065,779
Capital Assets	3,619,828	4,221,089	16,731,610	15,725,006	20,351,438	19,946,095
Total Assets	<u>6,069,565</u>	<u>6,400,738</u>	<u>24,029,881</u>	<u>22,611,136</u>	<u>30,099,446</u>	<u>29,011,874</u>
Deferred Outflows	1,373,002	699,575	351,553	200,919	1,724,555	900,494
Total Deferred Outflows	<u>1,373,002</u>	<u>699,575</u>	<u>351,553</u>	<u>200,919</u>	<u>1,724,555</u>	<u>900,494</u>
Long-term Liabilities	3,712,003	2,645,537	6,418,330	6,193,428	10,130,333	8,838,785
Other Liabilities	394,397	336,805	831,967	777,393	1,226,364	1,114,198
Total Liabilities	<u>4,106,400</u>	<u>2,982,162</u>	<u>7,250,297</u>	<u>6,970,821</u>	<u>11,356,697</u>	<u>9,952,983</u>
Deferred Inflows	377,410	413,910	97,421	118,876	474,831	532,786
Total Deferred Inflows	<u>377,410</u>	<u>413,910</u>	<u>97,421</u>	<u>118,876</u>	<u>474,831</u>	<u>532,786</u>
Net Investment in Capital Assets	3,023,555	3,575,437	10,770,656	9,932,192	13,794,211	13,507,629
Restricted	3,631	102,443	2,089,611	1,827,695	2,093,242	1,930,138
Unrestricted	(68,429)	26,361	4,173,449	3,962,471	4,105,020	3,988,832
Total Net Position	<u>\$ 2,958,757</u>	<u>\$ 3,704,241</u>	<u>\$ 17,033,716</u>	<u>\$ 15,722,358</u>	<u>\$ 19,992,473</u>	<u>\$ 19,426,599</u>

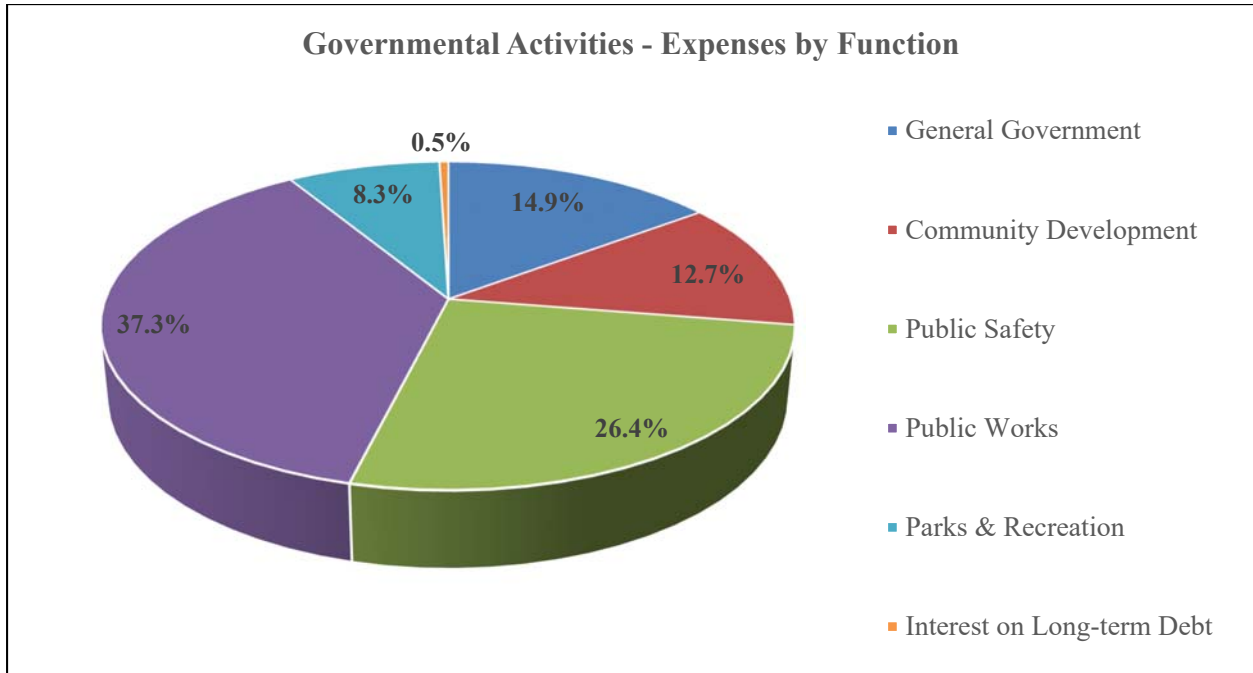
City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2019

CITY OF BUNNELL'S CHANGE IN NET POSITION
September 30, 2019

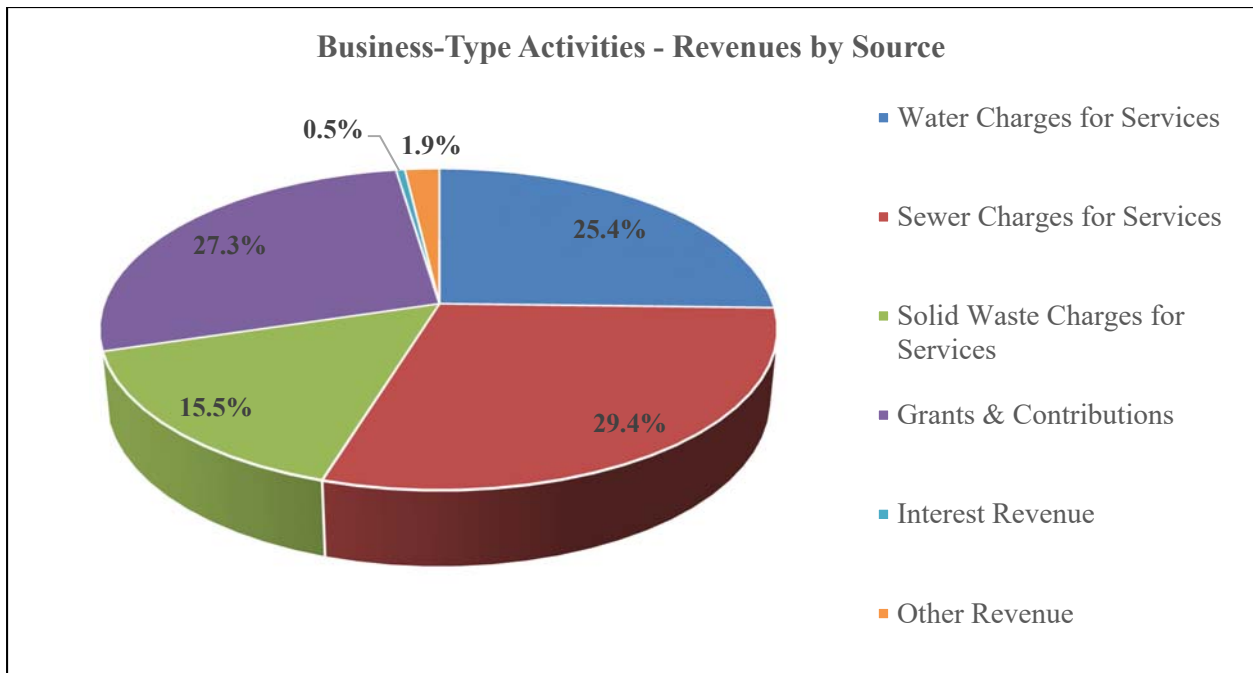
	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 325,402	\$ 327,824	\$ 3,708,661	\$ 3,525,456	\$ 4,034,063	\$ 3,853,280
Operating Grants & Contributions	84,005	84,866	24,634	(39,692)	108,639	45,174
Capital Grants & Contributions	320,476	247,949	1,415,289	959,301	1,735,765	1,207,250
General Revenues:						
Property Taxes	1,086,889	1,152,478	-	-	1,086,889	1,152,478
Sales & Use Taxes	311,533	198,039	-	-	311,533	198,039
Franchise & Utility Taxes	807,266	788,073	-	-	807,266	788,073
Intergovernmental Revenue	179,164	143,649	-	-	179,164	143,649
Interest Revenue	3,658	2,972	25,740	20,303	29,398	23,275
Other	43,286	17,498	100,732	81,736	144,018	99,234
Total Revenues	<u>3,161,679</u>	<u>2,963,348</u>	<u>5,275,056</u>	<u>4,547,104</u>	<u>8,436,735</u>	<u>7,510,452</u>
Expenses:						
General Government	604,827	603,869	-	-	604,827	603,869
Community Development	515,601	195,805	-	-	515,601	195,805
Public Safety	1,074,886	936,157	-	-	1,074,886	936,157
Public Works	1,519,379	650,112	-	-	1,519,379	650,112
Parks & Recreation	337,885	251,217	-	-	337,885	251,217
Interest on Long-term Debt	20,065	22,734	-	-	20,065	22,734
Water & Sewer	-	-	3,130,874	2,703,365	3,130,874	2,703,365
Solid Waste	-	-	667,344	669,839	667,344	669,839
Total Expenses	<u>4,072,643</u>	<u>2,659,894</u>	<u>3,798,218</u>	<u>3,373,204</u>	<u>7,870,861</u>	<u>6,033,098</u>
Increase (Decrease) in Net Position Before Transfers	(910,964)	303,454	1,476,838	1,173,900	565,874	1,477,354
Transfers In (Out)	165,480	159,734	(165,480)	(159,734)	-	-
Increase (Decrease) in Net Position	<u>(745,484)</u>	<u>463,188</u>	<u>1,311,358</u>	<u>1,014,166</u>	<u>565,874</u>	<u>1,477,354</u>
Net Position, Beginning (as restated)	3,704,241	3,241,053	15,722,358	14,708,192	19,426,599	17,949,245
Net Position, Ending	<u>\$ 2,958,757</u>	<u>\$ 3,704,241</u>	<u>\$ 17,033,716</u>	<u>\$ 15,722,358</u>	<u>\$ 19,992,473</u>	<u>\$ 19,426,599</u>

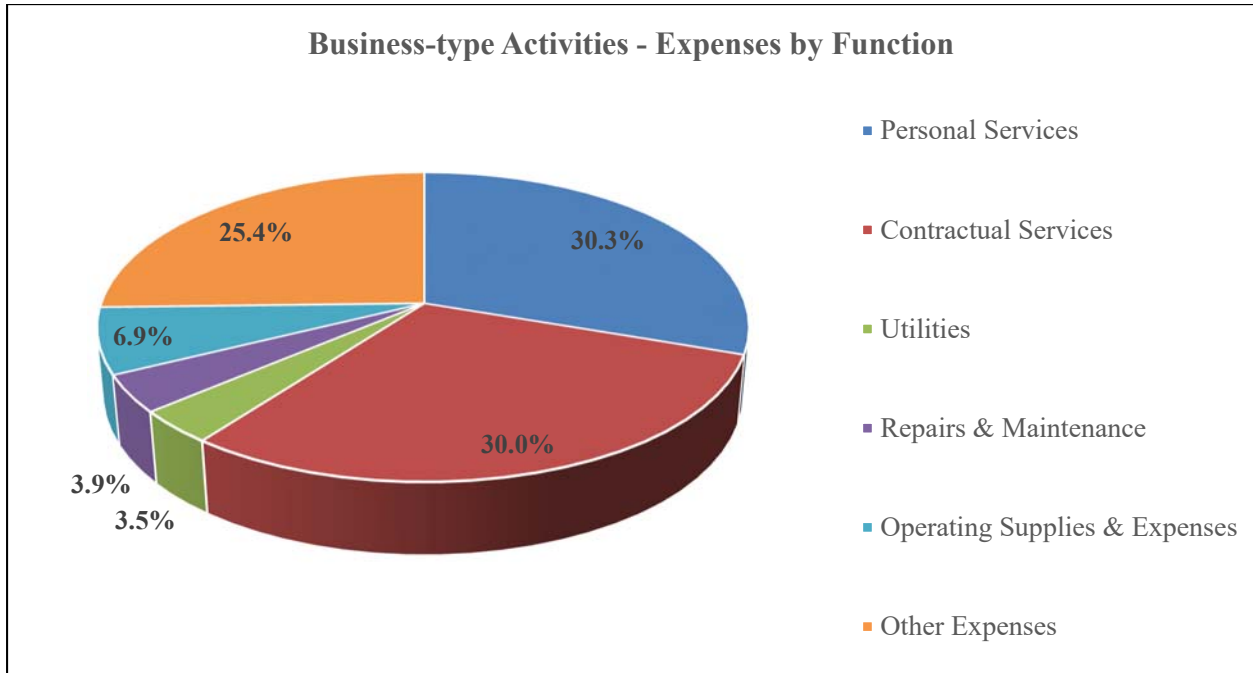
Governmental Activities – Governmental activities decreased the City of Bunnell's net position by \$745,484.





Business-type Activities – Business-type activities increased the City of Bunnell’s net position by \$1,311,358.





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, 2019, 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, 2019, unassigned fund balances were \$1,900,675, an increase of \$340,904 in comparison with the prior year. This amount constitutes unassigned General Fund balance, which is available for spending at the City's discretion.

The Community Redevelopment Agency had an increase of \$4, which brings the fund balance to \$3,631.

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.

The unrestricted net position of the Water and Sewer Funds at the end of the year amount to \$3,806,838. The total increase in net position in this fund was \$1,682.

The Solid Waste Fund showed an overall increase in unrestricted net position of \$209,296 primarily due to an increase in charges for services.

City of Bunnell, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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, 2019, amounts to \$20,351,438 (net of accumulated depreciation). This investment in capital assets includes land, buildings, 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 \$601,261 decrease in net capital assets for governmental activities and a \$1,006,604 increase in net capital assets for business-type activities.

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

- Two Ford Interceptors for the Police Department: \$77,000
- Ford F-150 Truck for the Police Department: \$38,577
- Power Edge Server: \$7,735
- Three John Deere Gators: \$23,677
- 2019 Peterbilt Garbage Truck: \$278,717
- Thompson Pump: \$34,865
- Wastewater Treatment Plant Improvements: \$350,072
- Construction in Progress:
 - Southside Sewer Rehab: \$703,725
 - Westside Sewer Improvements: \$348,287
 - SR 100 Reclaim Extension: \$59,789
- Booe Lift Station Rehab Improvements: \$19,908
- Southside Sewer Rehabilitation: \$47,251
- Zero Turn Mower: \$6,296
- Deen Road Drainage Improvements: \$319,648
- Street Resurfacing: \$50,000

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

	Governmental Activities	Business-type Activities	Total
Land	\$ 191,202	\$ 26,991	\$ 218,193
Construction in Progress	0	1,205,816	1,205,816
Buildings and Improvements	3,178,944	14,857,615	18,036,559
Equipment	249,712	641,188	890,900
Total	<u>\$ 3,619,828</u>	<u>\$ 16,731,610</u>	<u>\$ 20,351,468</u>

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

City of Bunnell, Florida
 Management's Discussion and Analysis
 For the Year Ended September 30, 2019

Long-Term Debt – At the end of fiscal year 2019, the City of Bunnell had total debt outstanding of \$6,423,637.

CITY OF BUNNELL'S OUTSTANDING DEBT
 Long- and Short-Term Obligations

	Governmental Activities	Business-type Activities	Total
Notes & Bonds Payable	\$ 596,273	\$ 5,827,364	\$ 6,423,637
Compensated Absences	64,518	23,945	88,463
Total	<u>\$ 660,791</u>	<u>\$ 5,851,309</u>	<u>\$ 6,512,100</u>

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 12.9% for 2019.
- The property values and assessments have stabilized over the past couple of years and the city is experiencing new growth. The City expects this upward trend to continue over the next several years.
- The millage rate of 6.43 was approved in September 2019, an increase of 5.17% above the roll back rate of 6.1140.
- 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, 2019**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,394,323	\$ 3,219,146	\$ 5,613,469
Investments	38,313	598,020	636,333
Receivables, net	101,445	486,709	588,154
Internal balances	(341,267)	341,267	-
Due from other governments	224,192	315,116	539,308
Inventories	3,715	72,207	75,922
Prepays	29,016	-	29,016
Restricted assets:			
Cash and cash equivalents	-	2,265,806	2,265,806
Capital assets:			
Land	191,202	26,991	218,193
Buildings and improvements	6,053,993	20,897,926	26,951,919
Equipment	1,346,005	1,763,434	3,109,439
Construction in progress	-	1,205,816	1,205,816
Accumulated depreciation	(3,971,372)	(7,162,557)	(11,133,929)
Total assets	<u>6,069,565</u>	<u>24,029,881</u>	<u>30,099,446</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,361,453	346,420	1,707,873
Deferred outflows related to OPEB	11,549	5,133	16,682
Total deferred outflows	<u>1,373,002</u>	<u>351,553</u>	<u>1,724,555</u>
LIABILITIES			
Accounts payable	71,982	81,031	153,013
Retainage payable	-	31,854	31,854
Accrued payroll and employee benefits	139,217	38,598	177,815
Customer deposits	5,566	355,639	361,205
Accrued rent	95,569	-	95,569
Unearned revenue	15,365	-	15,365
Accrued interest payable	-	42,605	42,605
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	50,569	276,253	326,822
Compensated absences	16,129	5,987	22,116
Due in more than one year:			
Bonds and notes payable	545,704	5,551,111	6,096,815
Compensated absences	48,389	17,958	66,347
Total OPEB liability	166,340	98,238	264,578
Net pension liability	2,951,570	751,023	3,702,593
Total liabilities	<u>4,106,400</u>	<u>7,250,297</u>	<u>11,356,697</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	370,099	94,172	464,271
Deferred inflows related to OPEB	7,311	3,249	10,560
Total deferred inflows	<u>377,410</u>	<u>97,421</u>	<u>474,831</u>
NET POSITION			
Net investment in capital assets	3,023,555	10,770,656	13,794,211
Restricted for:			
Capital improvements	-	1,744,690	1,744,690
Debt service	-	344,921	344,921
Community redevelopment	3,631	-	3,631
Unrestricted	(68,429)	4,173,449	4,105,020
Total net position	<u>\$ 2,958,757</u>	<u>\$ 17,033,716</u>	<u>\$ 19,992,473</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, 2019**

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	\$ 604,827	\$ 9,893	\$ -	\$ -	\$ (594,934)	\$ -	\$ (594,934)
Community development	515,601	243,346	-	-	(272,255)	-	(272,255)
Public safety	1,074,886	30,312	-	400	(1,044,174)	-	(1,044,174)
Public works	1,519,379	-	84,005	319,648	(1,115,726)	-	(1,115,726)
Parks and recreation	337,885	41,851	-	428	(295,606)	-	(295,606)
Interest on long-term debt	20,065	-	-	-	(20,065)	-	(20,065)
Total governmental activities	<u>4,072,643</u>	<u>325,402</u>	<u>84,005</u>	<u>320,476</u>	<u>(3,342,760)</u>	<u>-</u>	<u>(3,342,760)</u>
Business-type activities:							
Water	1,475,855	1,340,355	10,859	202,752	-	78,111	78,111
Solid Waste	667,344	818,910	2,915	-	-	154,481	154,481
Sewer	1,655,019	1,549,396	10,860	1,212,537	-	1,117,774	1,117,774
Total business-type activities	<u>3,798,218</u>	<u>3,708,661</u>	<u>24,634</u>	<u>1,415,289</u>	<u>-</u>	<u>1,350,366</u>	<u>1,350,366</u>
Total primary government	<u>\$ 7,870,861</u>	<u>\$ 4,034,063</u>	<u>\$ 108,639</u>	<u>\$ 1,735,765</u>	<u>(3,342,760)</u>	<u>1,350,366</u>	<u>(1,992,394)</u>
General revenues:							
Property taxes					1,086,889	-	1,086,889
Sales and use taxes					221,126	-	221,126
Franchise fees					271,459	-	271,459
Public service utility taxes					535,807	-	535,807
Other taxes					90,407	-	90,407
State revenue sharing					84,966	-	84,966
Other intergovernmental revenues					94,198	-	94,198
Investment earnings					3,658	25,740	29,398
Miscellaneous revenues					43,286	100,732	144,018
Transfers					165,480	(165,480)	-
Total general revenues and transfers					<u>2,597,276</u>	<u>(39,008)</u>	<u>2,558,268</u>
Change in net position					(745,484)	1,311,358	565,874
Net position - beginning					3,704,241	15,722,358	19,426,599
Net position - ending					<u>\$ 2,958,757</u>	<u>\$ 17,033,716</u>	<u>\$ 19,992,473</u>

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

**CITY OF BUNNELL, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	<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	\$ 2,390,692	\$ 3,631	\$ -	\$ -	\$ 2,394,323
Investments	38,313	-	-	-	38,313
Receivables, net	101,445	-	-	-	101,445
Due from other governments	224,192	-	-	-	224,192
Inventories	3,715	-	-	-	3,715
Prepaid items	29,016	-	-	-	29,016
Total assets	<u>\$ 2,787,373</u>	<u>\$ 3,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,791,004</u>
LIABILITIES					
Accounts payable	\$ 71,982	\$ -	\$ -	\$ -	\$ 71,982
Accrued payroll and employee benefits	139,217	-	-	-	139,217
Accrued rent	95,569	-	-	-	95,569
Customer deposits	5,566	-	-	-	5,566
Unearned revenue	15,365	-	-	-	15,365
Advances from other funds	341,267	-	-	-	341,267
Total liabilities	<u>668,966</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>668,966</u>
FUND BALANCES					
Nonspendable:					
Inventories	3,715	-	-	-	3,715
Prepaid items	29,016	-	-	-	29,016
Restricted for:					
Community redevelopment	-	3,631	-	-	3,631
Assigned to:					
Subsequent year's budget	185,001	-	-	-	185,001
Unassigned	1,900,675	-	-	-	1,900,675
Total fund balances	<u>2,118,407</u>	<u>3,631</u>	<u>-</u>	<u>-</u>	<u>2,122,038</u>
Total liabilities and fund balances	<u>\$ 2,787,373</u>	<u>\$ 3,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,791,004</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, 2019

Fund balances - total governmental funds \$ 2,122,038

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	7,591,200	
Less: accumulated depreciation	<u>(3,971,372)</u>	3,619,828

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	(2,951,570)	
Deferred outflows related to pensions	1,361,453	
Deferred inflows related to pensions	<u>(370,099)</u>	(1,960,216)

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	(166,340)	
Deferred outflows related to OPEB	11,549	
Deferred inflows related to OPEB	<u>(7,311)</u>	(162,102)

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	(596,273)	
Compensated absences	<u>(64,518)</u>	(660,791)

Net position of governmental activities \$ 2,958,757

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, 2019

	General	Community Redevelopment Agency	Capital Projects	Debt Service	Total Governmental Funds
REVENUES					
Taxes	\$ 2,065,304	\$ -	\$ 26,102	\$ -	\$ 2,091,406
Licenses and permits	313,028	-	-	-	313,028
Intergovernmental	625,635	-	-	-	625,635
Charges for services	613,612	-	-	-	613,612
Fines and forfeitures	31,966	-	-	-	31,966
Investment gain (loss)	3,654	4	-	-	3,658
Miscellaneous	66,794	-	-	-	66,794
Total revenues	<u>3,719,993</u>	<u>4</u>	<u>26,102</u>	<u>-</u>	<u>3,746,099</u>
EXPENDITURES					
Current:					
General government	1,035,121	-	-	-	1,035,121
Community development	267,828	-	-	-	267,828
Public safety	1,037,048	-	-	-	1,037,048
Public works	499,009	-	-	-	499,009
Parks and recreation	256,253	-	-	-	256,253
Capital outlay	546,575	-	-	-	546,575
Debt service:					
Principal	-	-	-	49,379	49,379
Interest and fiscal charges	5,093	-	-	14,972	20,065
Total expenditures	<u>3,646,927</u>	<u>-</u>	<u>-</u>	<u>64,351</u>	<u>3,711,278</u>
Excess (deficiency) of revenues over expenditures	<u>73,066</u>	<u>4</u>	<u>26,102</u>	<u>(64,351)</u>	<u>34,821</u>
Other financing sources (uses)					
Transfers in	286,771	-	-	60,724	347,495
Transfers out	(60,724)	-	(121,291)	-	(182,015)
Total other financing sources (uses)	<u>226,047</u>	<u>-</u>	<u>(121,291)</u>	<u>60,724</u>	<u>165,480</u>
Net change in fund balances	<u>299,113</u>	<u>4</u>	<u>(95,189)</u>	<u>(3,627)</u>	<u>200,301</u>
Fund balances, beginning of year	1,819,294	3,627	95,189	3,627	1,921,737
Fund balances, end of year	<u>\$ 2,118,407</u>	<u>\$ 3,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,122,038</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, 2019**

Net change in fund balances - total governmental funds	\$ 200,301
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	546,575
Depreciation expense	(269,815)
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. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold/disposed.	
	(878,021)
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	(435,188)
Change in total OPEB liability and deferred inflows/outflows related to OPEB	(12,255)
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	49,379
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	53,540
Change in net position of governmental activities	\$ (745,484)

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, 2019

	<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	\$ 1,936,460	\$ 1,972,460	\$ 2,065,304	\$ 92,844
Licenses and permits	295,634	295,634	313,028	17,394
Intergovernmental	275,956	697,218	625,635	(71,583)
Charges for services	567,954	608,677	613,612	4,935
Fines and forfeitures	14,826	14,826	31,966	17,140
Interest revenues	1,500	1,500	3,654	2,154
Miscellaneous	20,630	52,105	66,794	14,689
Total revenues	<u>3,112,960</u>	<u>3,642,420</u>	<u>3,719,993</u>	<u>77,573</u>
EXPENDITURES				
Current:				
General government:				
Legislative	163,546	163,546	164,412	(866)
Executive	124,397	124,397	132,741	(8,344)
Administration	341,278	411,606	464,986	(53,380)
Legal	84,204	84,204	84,183	21
Finance	225,200	233,942	188,799	45,143
Public safety:				
Police	1,166,917	1,056,996	1,037,048	19,948
Community development	306,366	306,366	267,828	38,538
Public works	554,995	549,045	499,009	50,036
Parks and recreation	273,321	273,321	256,253	17,068
Capital outlay	84,155	904,211	546,575	357,636
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	7,755	7,755	5,093	2,662
Total expenditures	<u>3,332,134</u>	<u>4,115,389</u>	<u>3,646,927</u>	<u>468,462</u>
Excess (deficiency) of revenues over expenditures	<u>(219,174)</u>	<u>(472,969)</u>	<u>73,066</u>	<u>546,035</u>
Other financing sources (uses)				
Transfers in	286,770	286,770	286,771	1
Transfers out	(67,596)	(60,726)	(60,724)	2
Total other financing sources (uses)	<u>219,174</u>	<u>226,044</u>	<u>226,047</u>	<u>3</u>
Net change in fund balances	<u>-</u>	<u>(246,925)</u>	<u>299,113</u>	<u>546,038</u>
Fund balances, beginning of year	1,819,294	1,819,294	1,819,294	-
Fund balances, end of year	<u>\$ 1,819,294</u>	<u>\$ 1,572,369</u>	<u>\$ 2,118,407</u>	<u>\$ 546,038</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, 2019

	<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	3,627	3,627	3,627	-
Fund balances, end of year	<u>\$ 3,627</u>	<u>\$ 3,627</u>	<u>\$ 3,631</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, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,424,978	\$ 1,389,740	\$ 404,428	\$ 3,219,146
Investments	299,010	299,010	-	598,020
Restricted cash and cash equivalents	51,882	28,935	8,637	89,454
Accounts receivable, net	159,255	207,831	119,623	486,709
Due from other governments	-	309,818	5,298	315,116
Inventories	52,964	19,243	-	72,207
Total current assets	<u>1,988,089</u>	<u>2,254,577</u>	<u>537,986</u>	<u>4,780,652</u>
Noncurrent assets:				
Restricted cash and cash equivalents	1,164,802	1,011,550	-	2,176,352
Advances to other funds	170,633	170,634	-	341,267
Capital assets:				
Land	13,250	13,741	-	26,991
Buildings and improvements	10,080,428	10,817,498	-	20,897,926
Equipment	402,397	452,449	908,588	1,763,434
Construction in progress	-	1,205,816	-	1,205,816
Accumulated depreciation	<u>(2,100,026)</u>	<u>(4,429,065)</u>	<u>(633,466)</u>	<u>(7,162,557)</u>
Total noncurrent assets	<u>9,731,484</u>	<u>9,242,623</u>	<u>275,122</u>	<u>19,249,229</u>
Total assets	<u>11,719,573</u>	<u>11,497,200</u>	<u>813,108</u>	<u>24,029,881</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	147,024	142,187	57,209	346,420
Deferred outflows related to OPEB	2,053	2,310	770	5,133
Total deferred outflows	<u>149,077</u>	<u>144,497</u>	<u>57,979</u>	<u>351,553</u>
LIABILITIES				
Current liabilities:				
Accounts payable	7,066	56,216	17,749	81,031
Retainage payable	-	31,854	-	31,854
Accrued payroll	15,912	17,204	5,482	38,598
Deposits	176,017	151,025	28,597	355,639
Compensated absences	1,990	2,050	1,947	5,987
Current maturities on long-term debt	105,499	104,828	19,077	229,404
Payable from restricted assets:				
Current maturities on long-term debt	23,600	17,052	6,197	46,849
Accrued interest payable	28,282	11,883	2,440	42,605
Total current liabilities	<u>358,366</u>	<u>392,112</u>	<u>81,489</u>	<u>831,967</u>
Noncurrent liabilities:				
Notes payable	4,086,532	1,211,220	253,359	5,551,111
Total OPEB liability	38,012	39,185	21,041	98,238
Net pension liability	318,740	308,259	124,024	751,023
Compensated absences	5,970	6,149	5,839	17,958
Total noncurrent liabilities	<u>4,449,254</u>	<u>1,564,813</u>	<u>404,263</u>	<u>6,418,330</u>
Total liabilities	<u>4,807,620</u>	<u>1,956,925</u>	<u>485,752</u>	<u>7,250,297</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	39,967	38,654	15,551	94,172
Deferred inflows related to OPEB	1,300	1,462	487	3,249
Total deferred inflows	<u>41,267</u>	<u>40,116</u>	<u>16,038</u>	<u>97,421</u>
NET POSITION				
Net investment in capital assets	4,046,828	6,727,339	(3,511)	10,770,656
Restricted for:				
Capital improvements	813,176	931,514	-	1,744,690
Debt service	241,636	97,088	6,197	344,921
Unrestricted	1,918,123	1,888,715	366,611	4,173,449
Total net position	<u>\$ 7,019,763</u>	<u>\$ 9,644,656</u>	<u>\$ 369,297</u>	<u>\$ 17,033,716</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, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues				
Charges for services	\$ 1,340,355	\$ 1,549,396	\$ 818,910	\$ 3,708,661
Operating expenses				
Personal services	490,345	491,937	166,720	1,149,002
Contractual services	319,360	494,104	327,338	1,140,802
Repairs and maintenance	19,907	82,397	45,650	147,954
Supplies	103,932	110,983	47,256	262,171
Utilities	44,128	85,728	3,400	133,256
Other expenses	73,217	56,119	12,950	142,286
Depreciation	244,878	270,053	43,649	558,580
Total operating expenses	1,295,767	1,591,321	646,963	3,534,051
Operating income (loss)	44,588	(41,925)	171,947	174,610
Nonoperating revenues (expenses)				
Interest earnings	12,666	12,666	408	25,740
Operating grants	10,859	10,860	2,915	24,634
Other income (expense)	26,028	26,390	48,314	100,732
Loss on disposition of fixed assets	(95,470)	(34,424)	-	(129,894)
Interest and amortization expense	(84,618)	(29,274)	(20,381)	(134,273)
Total nonoperating revenues (expenses)	(130,535)	(13,782)	31,256	(113,061)
Income (loss) before capital contributions and transfers	(85,947)	(55,707)	203,203	61,549
Capital grants	-	917,529	-	917,529
Capital contributions	202,752	295,008	-	497,760
Transfers out	(66,918)	(66,918)	(31,644)	(165,480)
Change in net position	49,887	1,089,912	171,559	1,311,358
Net position, beginning of year	6,969,876	8,554,744	197,738	15,722,358
Net position, end of year	<u>\$ 7,019,763</u>	<u>\$ 9,644,656</u>	<u>\$ 369,297</u>	<u>\$ 17,033,716</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, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities				
Cash received from customers	\$ 1,358,181	\$ 1,356,612	\$ 806,409	\$ 3,521,202
Cash paid to employees	(454,067)	(466,360)	(183,408)	(1,103,835)
Cash paid to suppliers	(591,226)	(797,073)	(434,831)	(1,823,130)
Other receipts (payments)	36,887	37,250	51,229	125,366
Net cash provided by (used in) operating activities	<u>349,775</u>	<u>130,429</u>	<u>239,399</u>	<u>719,603</u>
Cash flows from noncapital financing activities				
Interfund transfers	(66,918)	(66,918)	(31,644)	(165,480)
Interfund loans	64,022	64,022	(100,000)	28,044
Net cash provided by (used in) noncapital financing activities	<u>(2,896)</u>	<u>(2,896)</u>	<u>(131,644)</u>	<u>(137,436)</u>
Cash flows from capital and related financing activities				
Impact fees and capital contributions	202,752	295,008	-	497,760
Acquisition and construction of capital assets	(3,942)	(1,412,788)	(278,348)	(1,695,078)
Capital grants	-	917,529	30,828	948,357
Principal payments of long-term debt	(125,848)	(118,235)	(13,467)	(257,550)
Proceeds from issuance of long-term debt	-	-	292,100	292,100
Interest paid	(85,561)	(30,215)	(17,941)	(133,717)
Net cash provided by (used in) capital and related financing activities	<u>(12,599)</u>	<u>(348,701)</u>	<u>13,172</u>	<u>(348,128)</u>
Cash flows from investing activities				
Interest received	5,223	5,224	408	10,855
Net cash provided by (used in) investing activities	<u>5,223</u>	<u>5,224</u>	<u>408</u>	<u>10,855</u>
Net increase (decrease) in cash and cash equivalents	<u>339,503</u>	<u>(215,944)</u>	<u>121,335</u>	<u>244,894</u>
Cash and cash equivalents, beginning of year	2,302,159	2,646,169	291,730	5,240,058
Cash and cash equivalents, end of year	<u>\$ 2,641,662</u>	<u>\$ 2,430,225</u>	<u>\$ 413,065</u>	<u>\$ 5,484,952</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 44,588	\$ (41,925)	\$ 171,947	\$ 174,610
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:				
Depreciation	244,878	270,053	43,649	558,580
Other income (expense)	36,887	37,250	51,229	125,366
Changes in assets and liabilities:				
Accounts receivable	(3,129)	(355)	(15,878)	(19,362)
Due from other governments	7,506	(204,357)	-	(196,851)
Inventories and prepaids	(14,370)	19,349	-	4,979
Accounts payable and accrued liabilities	(16,312)	12,909	1,763	(1,640)
Deposits	13,449	11,928	3,377	28,754
Compensated absences	(4,356)	(4,400)	(12,310)	(21,066)
Net pension liability	37,703	26,678	(5,478)	58,903
Total OPEB liability	2,931	3,299	1,100	7,330
Net cash provided by operating activities	<u>\$ 349,775</u>	<u>\$ 130,429</u>	<u>\$ 239,399</u>	<u>\$ 719,603</u>
Cash and cash equivalents classified as:				
Unrestricted	\$ 1,424,978	\$ 1,389,740	\$ 404,428	\$ 3,219,146
Restricted	1,216,684	1,040,485	8,637	2,265,806
Total cash and cash equivalents	<u>\$ 2,641,662</u>	<u>\$ 2,430,225</u>	<u>\$ 413,065</u>	<u>\$ 5,484,952</u>

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(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, 2019

(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.

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 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.

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.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

(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 Fund** accounts for the activities of the City's water distribution system.

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

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

(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, 2019

(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, 2019

(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 at 50% 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, 2019

(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 and OPEB in the proprietary funds and government-wide statement of net position and are discussed further in Note (9) and Note 10.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(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 and OPEB in the proprietary funds and government-wide statement of net position and are discussed further in Note (9) and Note 10.

(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, 2019, was 6.4300 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, 2018
Levy Date:	November 1, 2018
Due Date:	March 31, 2019
Lien Date:	June 1, 2019

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(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, 2019, 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 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. 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, 2019, the investment pool had a weighted average maturity of 33 days, was rated AAAM by Standard & Poor's (S&P), and had a carrying value of \$636,333. The City held no assets or investments carried at fair value at September 30, 2019, 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 three 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, 2019

(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, 2019, the City's investment of \$636,333 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, 2019:

	<u>Gross Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Receivable</u>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 101,445	\$ -	\$ 101,445
Totals – Governmental Type Activities	<u>101,445</u>	<u>-</u>	<u>101,445</u>
Business-Type Activities			
Water Fund			
Accounts receivable	230,643	(71,388)	159,255
Solid Waste Fund			
Accounts receivable	177,770	(58,147)	119,623
Sewer Fund			
Accounts receivable	310,559	(102,728)	207,831
Totals – Business-Type Activities	<u>718,972</u>	<u>(232,263)</u>	<u>486,709</u>
Totals	<u>\$ 820,417</u>	<u>\$ (232,263)</u>	<u>\$ 588,154</u>

In addition to accounts receivable, the City also recorded \$539,308 in due from other governments at September 30, 2019.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2019, 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	\$ -	\$ (13,800)	\$ 191,202
Construction in progress	830,666	-	(830,666)	-
Total capital assets, not being depreciated	<u>1,035,668</u>	<u>-</u>	<u>(844,466)</u>	<u>191,202</u>
Capital assets, being depreciated –				
Buildings	5,878,239	382,990	(207,236)	6,053,993
Equipment	3,018,159	163,585	(1,835,739)	1,346,005
Total capital assets, being depreciated	8,896,398	546,575	(2,042,975)	7,399,998
Less: accumulated depreciation	<u>(5,710,977)</u>	<u>(269,815)</u>	<u>2,009,420</u>	<u>(3,971,372)</u>
Total capital assets, being depreciated, net	<u>3,185,421</u>	<u>(276,760)</u>	<u>(33,555)</u>	<u>3,428,626</u>
Governmental activities capital assets, net	<u>\$ 4,221,089</u>	<u>\$ (276,760)</u>	<u>\$ (878,021)</u>	<u>\$ 3,619,828</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 26,991	\$ -	\$ -	\$ 26,991
Construction in progress	235,032	1,320,856	(350,072)	1,205,816
Total capital assets, not being depreciated	<u>262,023</u>	<u>1,320,856</u>	<u>(350,072)</u>	<u>1,232,807</u>
Capital assets, being depreciated –				
Buildings and improvements	20,598,742	373,709	(74,525)	20,897,926
Equipment	2,332,435	375,375	(944,376)	1,763,434
Total capital assets, being depreciated	22,931,177	749,084	(1,018,901)	22,661,360
Less: accumulated depreciation	<u>(7,468,194)</u>	<u>(558,580)</u>	<u>864,217</u>	<u>(7,162,557)</u>
Total capital assets, being depreciated, net	<u>15,462,983</u>	<u>190,504</u>	<u>(154,684)</u>	<u>15,498,803</u>
Business-type activities capital assets, net	<u>\$ 15,725,006</u>	<u>\$ 1,511,360</u>	<u>\$ (504,756)</u>	<u>\$ 16,731,610</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 31,375
Community development	7,738
Public safety	36,026
Parks and recreation	51,169
Public works	<u>143,507</u>
Total depreciation expense - governmental activities	<u>\$ 269,815</u>
Business-type activities:	
Water	\$ 244,878
Solid waste	43,649
Sewer	<u>270,053</u>
Total depreciation expense - business-type activities	<u>\$ 558,580</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(7) Long-Term Debt:

A summary of the long-term liability transactions for the City for the fiscal year ended September 30, 2019, 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	\$ 645,652	\$ -	\$ (49,379)	\$ 596,273	\$ 50,569
Compensated absences	118,058	50,634	(104,174)	64,518	16,129
Governmental activities – Total long-term liabilities	<u>\$ 763,710</u>	<u>\$ 50,634</u>	<u>\$ (153,553)</u>	<u>\$ 660,791</u>	<u>\$ 66,698</u>
Business-type activities:					
Long-term debt:					
Notes and bonds payable	\$ 5,155,838	\$ 292,100	\$ (195,509)	\$ 5,252,429	\$ 212,611
SRF Notes payable	636,976	-	(62,041)	574,935	63,642
Total long-term debt	<u>5,792,814</u>	<u>292,100</u>	<u>(257,550)</u>	<u>5,827,364</u>	<u>276,253</u>
Compensated absences	45,011	25,885	(46,951)	23,945	5,987
Business-type activities – Total long-term liabilities	<u>\$ 5,837,825</u>	<u>\$ 317,985</u>	<u>\$ (304,501)</u>	<u>\$ 5,851,309</u>	<u>\$ 282,240</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>	
2020	\$ 50,569	\$ 14,027	\$ 276,252	\$ 119,524	\$ 460,372
2021	51,789	12,752	309,658	112,845	487,044
2022	53,038	11,486	316,721	105,999	487,244
2023	54,317	10,189	323,954	98,976	487,436
2024	55,627	8,885	331,360	91,772	487,644
2025-2029	298,913	23,244	1,510,890	353,649	2,186,696
2030-2034	32,020	291	604,864	230,519	867,694
2035-2039	-	-	456,293	185,713	642,006
2040-2044	-	-	501,218	140,821	642,039
2045-2049	-	-	511,154	93,102	604,256
2050-2054	-	-	555,000	43,783	598,783
2055	-	-	130,000	2,439	132,439
Total	<u>\$ 596,273</u>	<u>\$ 80,874</u>	<u>\$ 5,827,364</u>	<u>\$ 1,579,142</u>	<u>\$ 8,083,653</u>

Notes and bonds payable in the City’s governmental activities at September 30, 2019, 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.	\$ 596,273
Total long-term debt, governmental activities	<u>\$ 596,273</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

Notes and bonds payable in the City's business-type activities at September 30, 2019, 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.	\$ 410,201
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.	164,733
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.	1,580,749
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.	3,128,000
Solid Waste Revenue Note, in the original amount of \$292,100, dated February 13, 2019; due in semiannual payments of \$17,308, including interest at 3.43% through January 1, 2029. Repayment of loan balance is secured by a solid waste utility revenues.	278,634
Total long-term debt, business-type activities	\$ 5,827,364

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, 2019, the balance of this conduit debt outstanding is \$1,058,240.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

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.

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

For the year ended September 30, 2019, 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 Fund	\$ -	\$ 170,633
Sewer Fund	-	170,634
Business-Type Activities		
Water Fund:		
General Fund	170,633	-
Sewer Fund:		
General Fund	170,634	-
Totals – All Funds	<u>\$ 341,267</u>	<u>\$ 341,267</u>

For the year ended September 30, 2019, interfund transfers consisted of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities		
General Fund:		
Debt Service Fund	\$ -	\$ 60,724
Capital Projects Fund	121,291	-
Water Fund	66,918	-
Solid Waste Fund	31,644	-
Sewer Fund	66,918	-
Debt Service Fund:		
General Fund	60,724	-
Capital Projects Fund:		
General Fund	-	121,291
Business-Type Activities		
Water Fund:		
General Fund	-	66,918
Solid Waste Fund:		
General Fund	-	31,644
Sewer Fund:		
General Fund	-	66,918
	<u>\$ 347,495</u>	<u>\$ 347,495</u>

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, Sewer, and Solid Waste Funds to the General Fund represents payments in lieu of taxes.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(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, 2019, 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.

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.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

(9) Employees' Retirement Plans: (Continued)

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

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, 2019, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Before June 30, 2019	After June 30, 2019
Regular Class	8.26%	8.47%
Special Risk	24.50%	25.48%
Senior Management Service Class	24.06%	25.40%
Regular Class Not Eligible for FRS	5.16%	5.22%

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

Actual contributions made for City employees participating in FRS and HIS for the plan year ended June 30, 2019, were as follows:

City Contributions – FRS	\$	251,328
City Contributions – HIS		45,220
Employee Contributions		81,724

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

At September 30, 2019, the City reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 2,791,411
HIS	911,182
Total	\$ 3,702,593

The net pension liability was measured as of June 30, 2019, 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, 2019 and 2018, the City's proportional share of the FRS and HIS net pension liabilities were as follows:

Plan	2019	2018
FRS	0.008105469%	0.005902651%
HIS	0.008143556%	0.005223074%

For the plan year ended June 30, 2019, pension expense was recognized related to the FRS and HIS plan as follows:

FRS	\$	696,252
HIS		83,506
Total	\$	779,758

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

Deferred outflows/inflows related to pensions:

At September 30, 2019, 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	\$ 165,567	\$ (1,732)	\$ 11,067	\$ (1,116)
Changes of assumptions	716,954	-	105,506	-
Net different between projected and actual investment earnings	-	(154,435)	588	(74,473)
Change in City's proportionate share	394,763	(118,913)	271,110	(113,602)
Contributions subsequent to the measurement date	36,754	-	5,564	-
	<u>\$ 1,314,038</u>	<u>\$ (275,080)</u>	<u>\$ 393,835</u>	<u>\$ (189,191)</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, 2020. 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:

2020	\$ 311,459
2021	134,978
2022	271,361
2023	240,008
2024	149,524
Thereafter	<u>93,954</u>
Total	<u>\$ 1,201,284</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 2019 for the period July 1, 2013, through June 30, 2018. 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, 2019

(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 6.90%. This rate decreased from the prior year rate, which was 7.00%. 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 3.50% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.87%. 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 2019, 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%	3.3%
Fixed income	18.0%	4.1%
Global equities	54.0%	8.0%
Real estate	10.0%	6.7%
Private equity	11.0%	11.2%
Strategic investments	6.0%	5.9%
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	6.90%	\$ 4,825,420	\$ 2,791,411	\$ 1,092,669
HIS	3.50%	1,040,161	911,182	803,757

**CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

B. 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, 2019, actual employer contributions to this plan totaled \$29,520.

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

Plan Description—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. 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, 2018, the date of the latest actuarial valuation, plan participation consisted of 37 covered individuals, including one inactive employee and beneficiaries and 36 active employees. Plan participation does not include any inactive employees entitled to but not yet receiving benefits.

Actuarial Assumptions and Other Inputs—The total OPEB liability in the October 1, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Discount rate	3.58%
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, 2019.

Mortality rates were based on the sex-distinct rates set forth in the RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

Total OPEB Liability—Changes in the OPEB liability for the fiscal year ended September 30, 2019, were as follows:

	Total OPEB Liability
Balance at September 30, 2018	\$ 240,755
Changes for a year:	
Service cost	15,635
Interest	9,045
Differences between expected and actual experience	(11,523)
Changes of assumptions	18,203
Benefit payments – implicit rate subsidy	(7,537)
Other changes	-
Net changes	23,823
Balance at September 30, 2019	\$ 264,578

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 3.58%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 286,633	\$ 264,578	\$ 244,798

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

The following presents the total OPEB liability of the City calculated using the healthcare cost trend rate of 8% graded down to 5%, 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%) or 1% higher (9.00%) than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rates	1% Increase
Total OPEB Liability	\$ 237,923	\$ 264,578	\$ 296,039

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources:

For the year ended September 30, 2019; the City recognized OPEB expense of \$17,701. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Demographic experience	\$ -	\$ 10,560
Changes of assumptions	16,682	-
Total	\$ 16,682	\$ 10,560

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended</u> <u>September 30,</u>		
2020	\$	558
2021		558
2022		558
2023		558
2024		558
Thereafter		3,332

(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:**

Subsequent to September 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of June 5, 2020, management believes that a material impact on the City’s financial position and results of future operations is reasonably possible.

(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 and that City believes will apply to them. 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 June 15, 2021.

GASB issued Statement No. 91, *Conduit Debt Obligations*, in May 2019. GASB 91 provides for a single method of reporting conduit debt obligations and requires essential information related to the conduit debt obligations be disclosed in the notes to the financial statements. The provisions in GASB 91 are effective for periods beginning after December 15, 2021.

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,					
	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)						
Proportion of the net pension liability	0.008105469%	0.005902651%	0.005736974%	0.006115975%	0.717755300%	0.008108986%
Proportionate share of the net pension liability	\$ 2,791,411	\$ 1,777,909	\$ 1,696,958	\$ 1,544,288	\$ 927,077	\$ 494,767
Covered payroll	2,724,119	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	102.47%	104.20%	101.23%	92.52%	45.31%	21.06%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)						
Proportion of the net pension liability	0.008143556%	0.005223074%	0.005258092%	0.005855760%	0.006967227%	0.008068319%
Proportionate share of the net pension liability	\$ 911,182	\$ 552,816	\$ 562,219	\$ 682,465	\$ 710,548	\$ 754,408
Covered payroll	2,724,119	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	33.45%	32.40%	33.54%	40.89%	34.73%	32.11%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	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,					
	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)						
Contractually required contribution	\$ 251,328	\$ 168,221	\$ 149,348	\$ 167,167	\$ 190,099	\$ 205,334
Contributions in relation to the contractually required contribution	251,328	168,221	149,348	167,167	190,099	205,334
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,724,119	\$ 1,706,317	\$ 1,676,346	\$ 1,669,149	\$ 2,046,001	\$ 2,349,609
Contributions as a percentage of covered payroll	9.23%	9.86%	8.91%	10.02%	9.29%	8.74%
Health Insurance Subsidy Program (HIS)						
Contractually required contribution	\$ 45,220	\$ 28,325	\$ 27,827	\$ 21,031	\$ 25,780	\$ 28,195
Contributions in relation to the contractually required contribution	45,220	28,325	27,827	21,031	25,780	28,195
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,724,119	\$ 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%	1.66%	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)

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 15,635	\$ 19,282
Interest	9,045	8,520
Differences between expected and actual experience	(11,523)	-
Changes of assumptions	18,203	-
Benefit payments – implicit rate subsidy	<u>(7,537)</u>	<u>(3,612)</u>
Net change in total OPEB liability	23,823	24,190
Total OPEB liability – beginning	<u>240,755</u>	<u>216,565</u>
Total OPEB liability – ending	<u><u>\$ 264,578</u></u>	<u><u>\$ 240,755</u></u>
Covered payroll	\$ 1,461,205	\$ 1,791,159
Total OPEB liability as a percentage of covered payroll	18.11%	13.44%
Measurement date	09/30/2019	09/30/2018
Actuarial valuation date	10/01/2018	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:

3.58%	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, and each major fund of the City of Bunnell, Florida (the City) as of and for the year ended September 30, 2019, 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 5, 2020.

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.

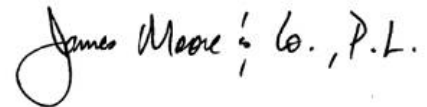
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 5, 2020

**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 financial statements of City of Bunnell, Florida (the City) as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 5, 2020.

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 5, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings and recommendation from the prior year's audit 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:

2016-001 Cash Disbursement Testing Exception – Corrective action taken.

2018-001 Human Resources Review Processes – 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.b. 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.

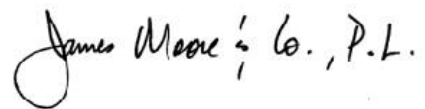
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the following recommendations:

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.

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.

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 5, 2020

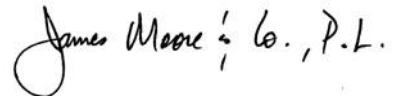
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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, 2019. 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, 2019, 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, 2019.



Daytona Beach, Florida
June 5, 2020

AFFIDAVIT

BEFORE ME, the undersigned authority, personally appeared Shanea Stankiewicz, who being duly sworn, deposes and says on oath that:

1. I am the Chief Financial Officer of the City of Bunnell, which is a local governmental entity of the State of Florida;
2. The City of Bunnell adopted Ordinance No. 2011-15 implementing an impact fee; and
3. The City of Bunnell has complied and, as of the date of this Affidavit, remains in compliance with Section 163.31801, Florida Statutes.

FURTHER AFFIANT SAYETH NAUGHT.

Shanea Stankiewicz
 Chief Financial Officer of the Entity

STATE OF FLORIDA
 COUNTY OF ~~(Name of County)~~ Flagler

SWORN TO AND SUBSCRIBED before me this 1st day of April, 2020.



Kristen A Bates
 NOTARY PUBLIC
 Print Name Kristen A Bates

Personally known X or produced identification _____

Type of identification produced: _____

My Commission Expires:

3/10/2024