



City of Bonifay, Florida

FINANCIAL STATEMENTS

September 30, 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Bonifay, Florida (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama

June 30, 2021

City of Bonifay, Florida Management's Discussion and Analysis

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

Since the MD&A is designed to present an overview of the City's current year's activities, resulting changes and currently known facts as well as the financial activities for two fiscal years ended September 30, 2020 and September 30, 2019, please read in conjunction with the City's financial statements (beginning on page 12).

Financial Highlights

The assets of the City exceeded its liabilities at September 30, 2020 by \$25,602,704 (net position). Net investment in capital assets was \$24,484,103; \$952,966 was restricted as to its use and the City had unrestricted net position of \$165,635.

The City's total net position increased by \$1,039,115 during the year ended September 30, 2020. This increase is due in part to an increase in utility rates during fiscal year 2020.

City Highlights

During 2020, the City has seen many positive changes within the community. The Waste Water Treatment Plant renovation was completed which increased the City's influent capacity. This increase is beneficial to the Highway 79 Corridor Authority project comprised of Holmes and Washington Counties and the City of Bonifay to bring new businesses into the City and the immediate area around the I-10 Exchange located in Holmes and Washington counties. The City will provide water and sewer for the Corridor project and is working closely with the Authority Board on the infrastructure plans for this area south of I-10.

The City has been working diligently to revitalize the Downtown Area of Bonifay. The City was awarded a Competitive Partnership grant that allowed the City to develop a Strategy Plan and Action Plan for the Downtown Revitalization Project. These plans include the application to have the downtown area designated as a Downtown Historic District. This designation will benefit not only the City, but business owners in the area. The City held community meetings and held an Asset Mapping exercise which allowed the community and State agencies an input into the plans. The City was awarded a CDBG Slum & Blight grant through DEO to assist in this effort. The City was one of the first recipients of this grant.

The City continues to work on a FEMA Hazard Mitigation project that will assist in preventing flooding in our city limits. The Camp Branch project is designed to move water through the City more efficiently by widening the existing ditch and bridges so that water can flow quicker through the City and does not cause flooding by allowing the waters to overflow from the ditch.

The City applied for Rural Infrastructure Funds that were made available due to Hurricane Michael. The City was awarded two (2) applications of the three (3) that were submitted. One of the awards is to develop a plan to improve the drainage issues within the City limits. This plan is to pinpoint

City of Bonifay, Florida **Management's Discussion and Analysis**

issues that need to be addressed to improve the flow of storm water. The Second award is for the renovation of the downtown parking lot. The parking lot is to be completely renovated and will make the area safer for our community and provide more parking for our downtown area and improve the visual appeal of our downtown area.

As a result of the community meetings that were held in developing the Strategy and Action plans for Downtown Revitalization, the City approved the hiring of a Code Enforcement Officer and make cleaning up the city limits a priority.

Using this Annual Report

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

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the City's net position changed during the 2020 fiscal year. The focus is on both the gross and net costs of various activities, both governmental and business-type, that are supported by the City's general tax and other revenues. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. uncollected taxes earned, and earned but unused vacation leave). This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net position is an indication of whether the City's financial health is improving or deteriorating.

Both of the financial statements distinguish the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of

City of Bonifay, Florida Management's Discussion and Analysis

the City include general government, public safety, transportation, physical environment, and culture and recreation.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term requirements.

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

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

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

Proprietary Funds

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

City of Bonifay, Florida Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 23 - 48 of this report.

Government-Wide Financial Analysis

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

Statement of Net Position

The following schedule reflects the condensed statements of net position:

City of Bonifay, Florida
Management's Discussion and Analysis

<i>As of September 30,</i>	2020	2019	Change
<i>Governmental Activities</i>			
Assets			
Current assets	\$ 213,036	\$ 238,871	\$ (25,835)
Capital assets	1,261,303	1,149,485	111,818
Total assets	1,474,339	1,388,356	85,983
Liabilities			
Current liabilities	332,197	164,555	167,642
Non-current liabilities	88,304	117,913	(29,609)
Total liabilities	420,501	282,468	138,033
Net Position			
Net investment in capital assets	1,082,184	966,842	115,342
Restricted (deficit)	7,459	(49,871)	57,330
Unrestricted	(35,805)	188,917	(224,722)
Total net position	\$ 1,053,838	\$ 1,105,888	\$ (52,050)
<i>Business-Type Activities</i>			
Assets			
Current assets	\$ 1,746,653	\$ 2,025,402	\$ (278,749)
Capital assets	28,969,988	27,816,980	1,153,008
Total assets	30,716,641	29,842,382	874,259
Liabilities			
Current liabilities	869,100	860,717	8,383
Noncurrent liabilities	5,313,016	5,544,553	(231,537)
Total liabilities	6,182,116	6,405,270	(223,154)
Net Position			
Net investment in capital assets	23,401,919	22,048,867	1,353,052
Restricted	945,507	1,081,018	(135,511)
Unrestricted	187,099	307,227	(120,128)
Total net position	\$ 24,534,525	\$ 23,437,112	\$ 1,097,413

Statement of Activities

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

**City of Bonifay, Florida
Management's Discussion and Analysis**

<i>For the years ended September 30,</i>	<u><i>Business-Type Activities</i></u>		
	2020	2019	Change
Revenues			
Program revenues			
Charges for services	\$ 2,743,040	\$ 2,694,036	\$ 49,004
Capital grants and contributions	1,440,665	709,232	731,433
General revenues			
Miscellaneous	23,626	15,825	7,801
Interest	8,626	10,505	(1,879)
Total revenues	4,215,957	3,429,598	786,359
Expenses			
Sewer	592,006	564,360	27,646
Water	651,885	602,684	49,201
Sanitation	1,526,298	1,520,468	5,830
Total expenses	2,770,189	2,687,512	82,677
Excess revenue over expenses	1,445,768	742,086	703,682
Unrealized loss on investments	3,724	4,908	(1,184)
Transfers in (out)	(372,668)	(513,144)	140,476
Increase in net position	1,076,824	233,850	842,974
Net Position - beginning	23,437,112	23,203,262	233,850
Prior Period Adjustment - see note 9	20,589	-	20,589
Net Position - beginning (as restated)	23,457,701	23,203,262	254,439

City of Bonifay, Florida
Management's Discussion and Analysis

<i>For the years ended September 30,</i>	<i>Business-Type Activities</i>		
	2020	2019	Change
Revenues			
Program revenues			
Charges for services	\$ 2,743,040	\$ 2,694,036	\$ 49,004
Capital grants and contributions	1,440,665	709,232	731,433
General revenues			
Miscellaneous	23,626	15,825	7,801
Interest	8,626	10,505	(1,879)
Total revenues	4,215,957	3,429,598	786,359
Expenses			
Sewer	592,006	564,360	27,646
Water	651,885	602,684	49,201
Sanitation	1,526,298	1,520,468	5,830
Total expenses	2,770,189	2,687,512	82,677
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Transfers in (out)	(372,668)	(513,144)	140,476
Increase in net position	1,076,824	233,850	842,974
Net Position - beginning	23,437,112	23,203,262	233,850
Prior Period Adjustment - see note 9	20,589	-	20,589
Net Position - beginning (as restated)	23,457,701	23,203,262	254,439
Net Position - ending	\$ 24,534,525	\$ 23,437,112	\$ 1,097,413

Financial Analysis of the City's Funds

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

Governmental Funds

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

City of Bonifay, Florida Management's Discussion and Analysis

As of September 30, 2020, the City's governmental funds reported a combined ending fund balance of \$23,962. Of this amount, there were funds restricted for capital improvement of \$7,459 leaving an unassigned balance of \$16,503.

Proprietary Funds

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

Proprietary fund net position as of September 30, 2020 was \$23,437,112. \$22,120,171 was invested in capital assets net of related debt, \$986,399 was restricted primarily for capital improvements and debt service, and unrestricted net position was \$330,542.

General Fund Budgetary Highlights

General fund revenues exceeded budgeted revenues by \$304,204 and actual expenditures exceeded budgeted expenditures by \$210,026.

Capital Assets and Debt Administration

Capital Assets - The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020 amounts to \$30,231,291 (net of accumulated depreciation), which is an increase of \$1,264,826 over the prior year. The capital assets activity for the year is detailed in Note 2 to the financial statements. Increases during the year represent additions to those categories, while decreases represent retirement of assets during the year and depreciation of depreciable assets for the year. The City scrapped two vehicles during the year that incurred hurricane damage. The City had no capital asset retirements for its business-type activities during fiscal year 2020. The City expended resources to acquire \$1,739,754 in capital asset additions during the year.

Long-Term Debt - As of September 30, 2020, the City had \$5,687,528 in notes payable and revenue bonds payable. The long-term debt activity for the year is detailed in Note 2 to the financial statements. The City's total debt decreased by \$275,821 due to payments made on long-term debt during the year.

Requests for Information

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

City of Bonifay, Florida
Statement of Net Position

<i>September 30, 2020</i>	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 69,716	\$ 143,046	\$ 212,762
Investments	-	109,921	109,921
Receivables, net	69,944	385,159	455,103
Grant receivable	65,917	-	65,917
Restricted assets			
Cash and cash equivalents	7,459	720,391	727,850
Investments	-	388,136	388,136
Capital assets			
Non-depreciable	310,277	9,949,126	10,259,403
Depreciable, net	951,026	19,020,862	19,971,888
Total assets	1,474,339	30,716,641	32,190,980
Liabilities			
Accounts payable	162,166	405,829	567,995
Accrued liabilities	33,819	17,084	50,903
Payable from restricted assets			
Accrued interest	-	13,216	13,216
Customer deposits	-	106,306	106,306
Short-term debt	61,142	-	61,142
Unearned revenue - grant	-	44,147	44,147
Non-current liabilities			
Due within one year			
Compensated absences	45,397	25,983	71,380
Notes payable	29,673	77,135	106,808
Revenue bonds payable	-	179,400	179,400
Due in more than one year			
Notes payable	88,304	1,142,701	1,231,005
Revenue bonds payable	-	4,170,315	4,170,315
Total liabilities	420,501	6,182,116	6,602,617
Net Position			
Net investment in capital assets	1,082,184	23,401,919	24,484,103
Restricted	7,459	945,507	952,966
Unrestricted (deficit)	(35,805)	187,099	151,294
Total net position	\$ 1,053,838	\$ 24,534,525	\$ 25,588,363

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida
Statement of Activities

For the year ended September 30, 2020

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions
Primary Government			
Governmental activities			
General government	\$ 362,861	\$ 10,193	\$ 119,082
Public safety	769,846	91,481	27,500
Transportation	408,194	2,970	-
Physical environment	104,381	-	-
Culture and recreation	145,864	-	-
Total governmental activities	1,791,146	104,644	146,582
Business-type activities			
Sanitation	592,006	619,850	-
Water	651,885	859,465	-
Sewer	1,526,298	1,263,725	-
Total business-type activities	2,770,189	2,743,040	-
Total primary government	\$ 4,561,335	\$ 2,847,684	\$ 146,582

General Revenues
Sales taxes
Gasoline taxes
Utility taxes
Franchise taxes
Other taxes
Interest Income
Gain on sale of assets
Unrealized gain on investments
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position, beginning of year (as originally reported)
Prior period adjustment - see note 16
Net position, beginning of year (as restated)
Net position, end of year

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida
Statement of Activities

Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (233,586)	\$ -	\$ (233,586)
-	(650,865)	-	(650,865)
4,000	(401,224)	-	(401,224)
-	(104,381)	-	(104,381)
-	(145,864)	-	(145,864)
4,000	(1,535,920)	-	(1,535,920)
-	-	27,844	27,844
25,000	-	232,580	232,580
1,415,665	-	1,153,092	1,153,092
1,440,665	-	1,413,516	1,413,516
\$ 1,444,665	(1,535,920)	1,413,516	(122,404)
	260,629	-	260,629
	57,320	-	57,320
	355,155	-	355,155
	278,010	-	278,010
	107,734	-	107,734
	182	8,626	8,808
	2,578	-	2,578
	-	3,724	3,724
	49,594	23,626	73,220
	372,668	(372,668)	-
	1,483,870	(336,692)	1,147,178
	(52,050)	1,076,824	1,024,774
	1,105,888	23,437,112	24,543,000
	-	20,589	20,589
	1,105,888	23,457,701	24,563,589
	\$ 1,053,838	\$ 24,534,525	\$ 25,588,363

City of Bonifay
Balance Sheet – Governmental Funds

<i>September 30, 2020</i>	General Fund	Fuel Tax Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 69,716	\$ -	\$ 69,716
Receivables	135,861	-	135,861
Restricted assets			
Cash and cash equivalents	-	7,459	7,459
Total assets	\$ 205,577	\$ 7,459	\$ 213,036
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 162,166	\$ -	\$ 162,166
Accrued liabilities	33,819	-	33,819
Total liabilities	195,985	-	195,985
Fund balances			
Restricted	-	7,459	7,459
Unassigned	9,592	-	9,592
Total fund balances	9,592	7,459	17,051
Total liabilities and fund balances	\$ 205,577	\$ 7,459	\$ 213,036

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position

September 30, 2020

Total fund balance - governmental funds	\$ 17,051
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	1,261,303
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(45,397)
Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	(179,119)
<hr/>	
Net position of governmental activities	\$ 1,053,838
<hr/>	

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida

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

<i>For the year ended September 30, 2020</i>	General Fund	Fuel Tax Fund	Total Governmental Funds
Revenues			
Taxes	\$ 895,572	\$ 57,320	\$ 952,892
Licenses and permits	10,193	-	10,193
Intergovernmental	314,388	-	314,388
Charges for services	33,074	-	33,074
Fines and forfeitures	3,527	-	3,527
Interest income	172	10	182
Miscellaneous	49,593	-	49,593
Total revenues	1,306,519	57,330	1,363,849
Expenditures			
General government	301,243	-	301,243
Public safety	742,532	-	742,532
Transportation	390,712	-	390,712
Physical environment	104,471	-	104,471
Culture and recreation	119,986	-	119,986
Capital outlay	225,375	-	225,375
Debt service, principal	34,385	-	34,385
Debt service, interest	7,602	-	7,602
Total expenditures	1,926,306	-	1,926,306
Excess (deficiency) of revenues over (under) expenditures	(619,787)	57,330	(562,457)
Other Financing Sources (Uses)			
Debt proceeds	30,861	-	30,861
Proceeds from sale of capital assets	6,911	-	6,911
Transfers in	372,668	-	372,668
Net other financing sources (uses)	410,440	-	410,440
Net change in fund balances	(209,347)	57,330	(152,017)
Fund balances, beginning of year	218,939	(49,871)	169,068
Fund balances, end of year	\$ 9,592	\$ 7,459	\$ 17,051

The accompanying notes are an integral part of these financial statements.

City of Bonifay, 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, 2020

Net change in fund balances - total governmental funds: \$ (152,017)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. 269,313

Governmental funds report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported based on book value of capital assets sold or disposed. (4,333)

Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position. (153,162)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.
Compensated absences (15,375)

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.
Debt proceeds (30,861)
Repayment of debt 34,385

Change in net position of governmental activities \$ (52,050)

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes	\$ 775,000	\$ 775,000	\$ 895,572	\$ 120,572
Licenses and permits	10,250	10,250	10,193	(57)
Intergovernmental	165,000	165,000	314,388	149,388
Charges for services	32,500	32,500	33,074	574
Fines and forfeitures	6,000	6,000	3,527	(2,473)
Interest	25	25	172	147
Miscellaneous	13,540	13,540	49,593	36,053
Total revenues	1,002,315	1,002,315	1,306,519	304,204
Expenditures				
General government	276,119	276,119	301,243	(25,124)
Public safety	599,457	599,457	742,532	(143,075)
Transportation	347,815	347,815	390,712	(42,897)
Physical environment	106,146	106,146	104,471	1,675
Culture and recreation	138,802	138,802	119,986	18,816
Capital outlay	207,750	207,750	225,375	(17,625)
Debt service, principal	30,613	30,613	34,385	(3,772)
Debt service, interest	9,578	9,578	7,602	1,976
Total expenditures	1,716,280	1,716,280	1,926,306	(210,026)
Excess (deficiency) of revenues over (under) expenditures	(713,965)	(713,965)	(619,787)	94,178
Other Financing Sources (Uses)				
Debt proceeds	-	-	30,861	30,861
Transfers in	537,165	537,165	372,668	(164,497)
Net other financing sources (uses)	537,165	537,165	410,440	(126,725)
Net change in fund balance	(176,800)	(176,800)	(209,347)	(32,547)
Fund balance, beginning of year	218,939	218,939	218,939	-
Fund balance, end of year	\$ 42,139	\$ 42,139	\$ 9,592	\$ (32,547)

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida
Statement of Net Position
Proprietary Funds

<i>September 30, 2020</i>	Business-Type Activities - Enterprise Funds			
	Sanitation	Water	Sewer	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 77,264	\$ 65,226	\$ 556	\$ 143,046
Investments	-	-	109,921	109,921
Receivables, net	80,776	111,675	192,708	385,159
Restricted assets				
Cash and cash equivalents	-	196,991	523,400	720,391
Investments	-	-	388,136	388,136
Prepaid expenses	-	-	-	-
Total current assets	158,040	373,892	1,214,721	1,746,653
Non-current assets				
Land and construction in progress	7,952	116,687	9,824,487	9,949,126
Capital assets, net of depreciation	-	4,009,448	15,011,414	19,020,862
Total non-current assets	7,952	4,126,135	24,835,901	28,969,988
Total assets	165,992	4,500,027	26,050,622	30,716,641
Liabilities				
Current liabilities				
Accounts payable	96,296	37,181	272,352	405,829
Accrued liabilities	690	13,219	3,175	17,084
Compensated absences	183	14,973	10,827	25,983
Unearned revenue - grant	-	-	44,147	44,147
Notes payable	-	5,472	71,663	77,135
Total current liabilities	97,169	70,845	402,164	570,178
Current liabilities payable from restricted assets				
Accrued interest	-	3,990	9,226	13,216
Deposits	-	106,306	-	106,306
Revenue bonds payable	-	33,000	146,400	179,400
Total current liabilities payable from restricted assets	-	143,296	155,626	298,922

-Continued-

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida
Statement of Net Position (Continued)
Proprietary Funds

<i>September 30, 2020</i>	Business-Type Activities - Enterprise Funds			
	Sanitation	Water	Sewer	Total
Long-term liabilities				
Notes payable	-	84,864	1,057,837	1,142,701
Revenue bonds payable	-	1,217,556	2,952,759	4,170,315
Total long-term liabilities	-	1,302,420	4,010,596	5,313,016
Total liabilities	97,169	1,516,561	4,568,386	6,182,116
Net Position				
Net investment in capital assets	7,952	2,786,725	20,607,242	23,401,919
Restricted	-	87,344	858,163	945,507
Unrestricted	60,871	109,397	16,831	187,099
Total net position	\$ 68,823	\$ 2,983,466	\$ 21,482,236	\$ 24,534,525

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds

<i>For the year ended September 30, 2020</i>	Business-Type Activities - Enterprise Funds			
	Sanitation	Water	Sewer	Total
Operating Revenues				
Charges for services	\$ 619,850	\$ 816,486	\$ 1,263,725	\$ 2,700,061
Utility tax	-	42,979	-	42,979
Total operating revenues	619,850	859,465	1,263,725	2,743,040
Operating Expenses				
Salaries	35,864	192,765	167,917	396,546
Taxes and licenses	2,759	14,262	12,618	29,639
Retirement expense	1,500	7,500	5,625	14,625
Health insurance	9,943	50,037	37,185	97,165
Other insurance	2,467	28,133	41,197	71,797
Utilities	69	50,112	478,493	528,674
Repairs and maintenance	2,706	47,001	41,878	91,585
Bad debts	2,056	4,887	4,111	11,054
Depreciation	-	106,757	489,014	595,771
Gas and oil	-	7,603	5,046	12,649
Postage	-	6,135	758	6,893
Contractual services	532,908	44,298	35,012	612,218
Chemicals and lab fees	-	6,715	60,898	67,613
Operating supplies	895	8,155	22,770	31,820
Miscellaneous	839	21,176	5,913	27,928
Total operating expenses	592,006	595,536	1,408,435	2,595,977
Operating income (loss)	27,844	263,929	(144,710)	147,063
Non-Operating Revenues (Expenses)				
Interest income	-	54	8,572	8,626
Interest expense	-	(56,349)	(117,863)	(174,212)
Grant revenue	-	25,000	1,415,665	1,440,665
Unrealized gain on investments	-	-	3,724	3,724
Miscellaneous	351	14,443	8,841	23,635
Total non-operating revenues (expenses)	351	(16,852)	1,318,930	1,302,429
Income Before Transfers	28,195	247,077	1,174,220	1,449,492
Transfers in	137,500	24,830	206,944	369,274
Transfers out	(157,040)	(381,634)	(203,268)	(741,942)
Change in net position	8,655	(109,727)	1,177,896	1,076,824
Net position, beginning of year (as originally reported)	60,168	3,072,604	20,304,340	23,437,112
Prior period adjustment - see note 9	-	20,589	-	20,589
Net position, beginning of year (as restated)	60,168	3,093,193	20,304,340	23,457,701
Net position, end of year	\$ 68,823	\$ 2,983,466	\$ 21,482,236	\$ 24,534,525

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida
Statement of Cash Flows - Proprietary Funds

<i>For the year ended September 30, 2020</i>	Business-Type Activities - Enterprise Funds			
	Sanitation	Water	Sewer	Total
Operating Activities				
Receipts from customers, users and others	\$ 620,176	\$ 860,034	\$ 1,239,735	\$ 2,719,945
Payments to suppliers	(501,162)	(289,258)	(611,575)	(1,401,995)
Payments to employees	(36,112)	(185,563)	(164,042)	(385,717)
Net cash provided by (used in) operating activities	82,902	385,213	464,118	932,233
Non-Capital Financing Activities				
Transfers out	(19,540)	(351,474)	3,676	(367,338)
Miscellaneous	351	14,443	16,271	31,065
Net cash provided by (used in) non-capital financing activities	(19,189)	(337,031)	19,947	(336,273)
Capital and Related Financing Activities				
Bond principal payments	-	(32,000)	(138,801)	(170,801)
Note principal payments	-	(5,330)	(71,057)	(76,387)
Interest payments	-	(61,679)	(117,863)	(179,542)
Proceeds from long-term debt	-	25,000	20,321	45,321
Acquisition and construction of capital assets	-	(9,005)	(1,739,754)	(1,748,759)
Proceeds from capital grants	-	25,000	1,214,469	1,239,469
Net cash provided by (used in) capital and related financing activities	-	(58,014)	(832,685)	(890,699)
Investing Activities				
Redemption (purchase) of investments	-	3,041	(26,525)	(23,484)
Interest received	-	54	8,563	8,617
Net cash provided by (used in) investing activities	-	3,095	(17,962)	(14,867)
Net increase (decrease) in cash and cash equivalents	63,713	(6,737)	(366,582)	(309,606)
Cash and cash equivalents, beginning of year	13,551	268,954	890,538	1,173,043
Cash and cash equivalents, end of year	\$ 77,264	\$ 262,217	\$ 523,956	\$ 863,437
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position				
Cash and cash equivalents - current assets	\$ 77,264	\$ 65,226	\$ 556	\$ 143,046
Cash and cash equivalents - restricted assets	-	196,991	523,400	720,391
Cash and cash equivalents, end of year	\$ 77,264	\$ 262,217	\$ 523,956	\$ 863,437

-Continued-

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida
Statement of Cash Flows - Proprietary Funds (Continued)

<i>For the year ended September 30, 2020</i>	Business-Type Activities - Enterprise Funds			
	Sanitation	Water	Sewer	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating				
Operating income (loss)	\$ 27,844	\$ 263,929	\$ (144,710)	\$ 147,063
Adjustments to reconcile operating income to cash provided by (used in) operating activities				
Depreciation and amortization	-	106,757	489,014	595,771
Changes in operating assets and liabilities				
(Increase) decrease in assets				
Accounts receivable	326	(2,562)	(23,990)	(26,226)
Prepaid expenses	210	5,784	9,159	15,153
Increase (decrease) in liabilities				
Accounts payable	54,770	972	130,770	186,512
Accrued payroll liabilities	392	2,068	1,416	3,876
Compensated absences	(640)	5,134	2,459	6,953
Customer deposits	-	3,131	-	3,131
Total adjustments	55,058	121,284	608,828	785,170
Net cash provided by (used in) operating activities	\$ 82,902	\$ 385,213	\$ 464,118	\$ 932,233

The accompanying notes are an integral part of these financial statements.

City of Bonifay, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. It is also financially accountable for a legally separate agency if its officials appoint a voting majority of that agency’s governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Based upon the application of this criterion, it was determined that there were no other entities subject to consideration for inclusion in the City’s financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital

City of Bonifay, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (continued)

requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when they are collectible within 90 days of the end of the current fiscal period.

City of Bonifay, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

Fuel Tax Fund – This is the City's fund to record fuel tax. It also accounts for street repairs projects.

The City reports the following major proprietary funds:

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Budgetary Basis of Accounting

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

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within government function categories. Transfers of appropriations between government function categories require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level.

The general fund actual expenditures exceeded budgeted expenditures by \$210,026. The excess was funded with unanticipated revenues.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash, Cash Equivalents, and Pooled Cash Investments

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Receivables and Unbilled Revenue - Proprietary Fund

Provisions for uncollectible utilities charges are charged to revenues in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses. The City grants credit to customers who use its various services, substantially all of whom are local residents or businesses. An amount for unbilled revenue is recorded in the water and sewer funds for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

City of Bonifay, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” within the fund financial statements. Long-term borrowings between funds are classified as “advances to other funds” or “advances from other funds” in the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are funds are netted as part of the reconciliation to the government-wide presentation.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. It is the City’s policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

Investments

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

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

City of Bonifay, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Investments are stated at fair value, except for certificates of deposit, which are carried at amortized cost, in accordance with GASB Statement No. 31. U.S. Treasury notes and U.S. Agency and instrumentalities obligations are valued at quoted market. The reported value of the Local Government Surplus Funds Trust Fund Investment Pool's Prime account ("Prime") is shown at share value as it meets the criteria to be "2A-7 Like" at September 30, 2020. The City invests funds throughout the year in the Prime account, administered by the State Board of Administration ("SBA"), under the regulator oversight of the State of Florida. Throughout the year and as of September 30, 2020, the SBA contained certain floating and variable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments were purchased to add relative value to its portfolio. There is a risk of loss of interest on the investments if there are changes in the underlying indexed base. The investments with the SBA represented approximately 23% of the City's investment portfolio at September 30, 2020.

Capital Assets

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the City chose to include all such items with an acquisition date after October 1, 2003. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Interest incurred during the construction phase on loans obtained for long-term construction projects are capitalized into the cost of the asset. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

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

City of Bonifay, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City had no item that qualified for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City had no item that qualified for reporting in this category.

Compensated Absences

The City's vacation pay policies allow an employee to accumulate up to a maximum of 240 hours of unused vacation time, which will be paid to the employee in the event of termination of employment. The City's sick pay policies allow an employee to accumulate up to a maximum of 720 hours of unused sick leave. However, there is no provision for payment of sick leave to the employee in the event of termination of employment. The liability for such leave is reported as incurred in the Government-wide and proprietary fund financial statements. The liability for these amounts in the government-wide statements consists of unpaid, accumulated annual leave balances.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Bonifay, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the Government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

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

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

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

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

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

City of Bonifay, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Property taxes attach as an enforceable lien on real property and are levied by the County Commission at the first regular meeting in February of each year based on the property record as of the preceding October 1. The taxes are due the following October 1 and are delinquent after December 31st. The enforceable claim exists as of October 1 preceding the February meeting of the County Commission. Florida Statutes allow the City to assess and collect property taxes within its municipal limits. However, the City has chosen to operate on revenues generated from

City of Bonifay, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (continued)

other sources. Its primary sources of revenue come from state collected and shared revenues generated from sales and gasoline taxes.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 30, 2021. See Note 8 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Date of Certain Authoritative Guidance*. GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. GASB 95 had no impact on the City’s financial statements.

Pronouncements Issued But Not yet Effective

The GASB has issued statements that will become effective in future years. These statements are as follows:

In January 2017, the GASB issued Statement No. 84 (GASB 84), *Fiduciary Activities*. GASB 84 establishes specific criteria for identifying fiduciary activities and the requirements for financial statement reporting. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate

City of Bonifay, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. In addition, recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred which compels the government to disburse fiduciary resources should also be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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 payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90 (GASB 90), *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of GASB 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

In May 2019, the GASB issued Statement No. 91 (GASB 91), *Conduit Debt Obligations*. The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92 (GASB 92), *Omnibus 2020*. The objectives of GASB 92 are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93 (GASB 93), *Replacement of Interbank Offered Rates*. The purpose of GASB 93 is to address accounting and financial reporting implications that result from the replacement of interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). GASB 93 achieves this objective by (1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable, (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of the interest rate swap, and (6) clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

In March 2020, the GASB issued Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in GASB 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in GASB 94 as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in GASB 94, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GASB 94 is effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for government end users (governments). GASB 96 (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset— an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. GASB 96 is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements for GASB 97 are effective for reporting periods beginning after June 15, 2021.

The City is evaluating the requirements of the above statements and the impact on reporting.

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The City maintains its deposits with “Qualified Public Depositories” as defined in chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. The City’s Demand and time deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

Investments were comprised of the following:

<u>September 30,</u>	<u>2020</u>
<i>Reported at amortized cost:</i>	
Certificates of deposit	\$ 38,371
Prime Fund Florida State Board of Administration	109,921
<i>Reported at fair value:</i>	
U.S. Government and Agency Securities	349,765
Total investments	\$ 498,057

The City invests in the Florida State Board of Administration Local Government Surplus Funds Trust Fund (Florida PRIME). The Local Government Surplus Funds Trust Fund is a "2a-7 like" pool and, therefore, the City's pool account balance (amortized cost) is used as the fair value for financial reporting. At September 30, 2020, the fair value and the carrying value of these funds was \$109,921. The funds are reported as investments in the statement of net position.

Florida PRIME is administered by the SBA, under the regulatory oversight of the State of Florida. Florida PRIME is rated by Standard and Poor’s as AAAM. At September 30, 2020, Florida PRIME’s investments dollar weighted average days to maturity (WAM) was 48 days. Next interest rate reset dates for floating rate securities are used in the calculation of WAM and weighted average life (WAL) is 63 days. Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2019 through September 30, 2020. As of September 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City’s daily access to 100 percent of their account value.

Florida PRIME is governed by Chapters 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration, (the “SBA”). These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments (continued)

activities and investments of the State Board of Administration. Additional information and investment policies regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration at www.sbafla.com/prime. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (the “SEC”); however, the State has adopted operating procedures consistent with the requirements for a “2a-7 like” pool.

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

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City has limited its interest rate risk by investing in low risk instruments with a maturity of 60 months or less. At September 30, 2020, the City held the following investments:

Investment Type	Fair Value	Maturities (in years)			
		0-1 Year	1-2 Years	2-3 Years	3-5 Years
Prime Fund Florida State Board of Administration	\$ 109,921	\$ 109,921	\$ -	\$ -	\$ -
Certificates of Deposit	38,371	38,371	-	-	-
US Government and Agency Securities	349,765	100,886	51,633	197,248	51,269
	\$ 498,057	\$ 249,178	\$ 51,633	\$ 197,248	\$ 51,269

Credit risk – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations.

Concentration risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments. Credit quality risk results from potential default of investments that are not financially sound.

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Investment Type	Credit Rating	Concentration Risk at Fair Value	Percentage of Total Investments*
US Treasury Bond	AAA	\$ 349,765	90 %

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

Fair Value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

The following table presents the City's financial assets carried at fair value by level within the valuation hierarchy as of September 30, 2020:

Fair Value Measurements at Reporting Date Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fair Value				
<i>September 30, 2020</i>				
US Government and Agency Securities	\$	349,765	\$ 349,765	\$ -
			\$ -	\$ -

Restricted Cash and Investments

Restricted cash and investments are comprised of the following:

	Governmental	Business- Type
Cash		
Restricted to customer deposits	\$ -	\$ 106,951
Restricted to street improvements	7,459	-
Restricted to utility improvements	-	600,834
Restricted to debt service	-	12,606
Total	\$ 7,459	\$ 720,391

Investments

<u>Restricted to debt service and capital improvements</u>	<u>\$ -</u>	<u>\$ 388,136</u>
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Accounts Receivable

The City deems all governmental fund amounts collectible therefore an allowance for doubtful accounts is not necessary. All account receivables are shown net of allowances for uncollectible accounts for enterprise funds. The accounts receivable and allowance for uncollectible accounts at September 30, 2020, were as follows:

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable (continued)

	General Fund	Sanitation Fund	Water Fund	Sewer Fund	Total
Taxes	\$ 38,480	\$ -	\$ -	\$ -	\$ 38,480
Grants	65,917	-	-	-	65,917
Accounts	38,375	80,776	111,675	200,138	430,964
Total	\$ 142,772	\$ 80,776	\$ 111,675	\$ 192,708	\$ 535,361

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

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 80,303	\$ 30,442	\$ -	\$ 110,745
Construction-in-progress	-	199,532	-	199,532
Capital assets, not being depreciated	80,303	229,974	-	310,277
Capital assets, being depreciated				
Buildings and improvements	1,364,886	-	-	1,364,886
Machinery and equipment	1,793,877	39,339	(28,644)	1,804,572
Capital assets, being depreciated	3,158,763	39,339	(28,644)	3,169,458
Less accumulated depreciation for				
Buildings and improvements	(860,298)	(39,069)	-	(899,367)
Machinery and equipment	(1,229,283)	(114,093)	24,311	(1,319,065)
Total accumulated depreciation	(2,089,581)	(153,162)	24,311	(2,218,432)
Total capital assets, being depreciated, net	1,069,182	(113,823)	(4,333)	951,026

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 521,589	\$ -	\$ -	\$ 521,589
Construction in progress	7,727,851	1,690,661	-	9,427,537
Capital assets, not being depreciated	8,249,440	1,690,661	-	9,949,126
Capital assets, being depreciated:				
Buildings and plant	26,647,624	-	-	26,647,624
Furniture, vehicles and equipment	1,112,806	49,093	-	1,161,899
Total capital assets, being depreciated	27,760,430	49,093	-	27,809,523
Less accumulated depreciation	(8,192,890)	(595,771)	-	(8,788,661)
Total capital assets, being depreciated, net	19,567,540	(546,678)	-	19,020,862

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

<i>For the year ended September 30,</i>	2020
Governmental activities	
General government	\$ 49,881
Public safety	77,820
Culture and recreation	25,461
Total depreciation expense – governmental activities	\$ 153,162
Business-type activities	
Water	\$ 106,757
Sewer	489,014
Total depreciation expense – business-type activities	\$ 595,771

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Short-Term Debt

Line of Credit

	Governmental Activities
First Federal Bank of Florida – A revolving line of credit for operating purposes with a maximum amount available of \$100,000. The amount available for draw at September 30, 2020 is \$38,858. Interest is due monthly at 4%.	\$ 61,142
	61,142

Changes in short-term debt for the year ended September 30, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities	\$36,281	\$30,861	\$6,000	\$61,142
				\$61,142

Long-Term Debt and Liabilities

Notes Payable

Notes payable at September 30, 2020 consist of the following:

	Governmental Activities	Business-Type Activities
First Federal Bank of Florida – A note payable in monthly installments of \$1,647 including interest at 4.75%. The note matures September 25, 2024 and is unsecured.	\$ 71,793	\$ -
First Federal Bank of Florida – A note payable in monthly installments of \$1,197 including interest at 3.49%. The note matures February 11, 2024 and is unsecured.	46,184	-
Florida Department of Environmental Protection – A loan to cover the cost of water system improvements and upgrades. The loan is payable in semiannual principal installments of \$1,662 plus accrued interest at 2.71%. The loan matures November 15, 2030 and is secured by a lien on utility system revenues.	-	30,200

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

	Governmental Activities	Business-Type Activities
Florida Department of Environmental Protection – A loan to cover the cost of water system improvements and upgrades. The loan is payable in semiannual principal installments of \$1,662 plus accrued interest at 2.71%. The loan matures November 15, 2030 and is secured by a lien on utility system revenues.	-	35,136
Florida Department of Environmental Protection – A loan to cover the cost of drinking water system upgrades. The loan is expected to be payable in semiannual principal installments of \$12,175 plus accrued interest at 1.27%. The loan matures May 15, 2023 and is secured by a lien on utility system revenues.	-	25,000
Florida Department of Environmental Protection – A loan to cover the cost of wastewater system upgrades. The loan is payable in semiannual principal installments of \$37,847 plus accrued interest at 0.46%. The loan matures July 15, 2038 and is secured by a lien on utility system revenues.	-	1,129,500
Total	\$ 117,977	\$ 1,219,836

Bonds Payable

	Business-Type Activities
Water and Sewer Revenue Bonds – 1985 Series , authorized and issued \$520,300, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	\$ 108,000
Water and Sewer Revenue Bonds – 1985 Series , authorized and issued \$100,000, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	22,759

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

	Business-Type Activities
Water and Sewer Revenue Bonds – 1990 Series , authorized and issued \$1,498,100, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	630,100
Water and Sewer Revenue Bonds – 1990 Series , authorized and issued \$427,600, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	180,300
Water and Sewer Revenue Bonds – 2005 A Series , authorized and issued \$1,436,300, interest at 4.25%, principal and interest payable annually at September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	1,053,856
Water and Sewer Revenue Bonds – 2005 B Series , authorized and issued \$246,700, interest at 4.25%, principal and interest payable annually at September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	196,700
Water and Sewer Revenue Bonds – 2012 Series , authorized and issued 2,389,000, interest at 2.75%, principal and interest payable annually at September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	2,158,000
Total	\$ 4,349,715

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Debt service requirements on long-term debt at September 30, 2020 are as follows:

<i>Year ending September 30,</i>	Governmental Activities	
	Principal	Interest
2021	\$ 29,673	\$ 4,452
2022	30,944	3,181
2023	32,171	1,854
2024	25,189	537
2025	-	-
	\$ 117,977	\$ 10,024

<i>Year ending September 30,</i>	Business-type Activities			
	Notes Payable		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2021	\$ 77,105	\$ 6,812	\$ 179,400	\$ 162,695
2022	79,883	6,768	187,900	155,008
2023	80,515	6,136	194,700	147,230
2024	81,035	5,616	201,460	138,538
2025	81,559	7,784	174,900	129,891
2026-2030	415,862	14,729	897,800	532,549
2031-2035	384,206	5,276	572,000	391,794
2036-2040	19,672	91	675,000	287,545
2041-2045	-	-	715,000	162,958
2046-2050	-	-	445,000	74,212
2051-2055	-	-	196,000	15,650
Less remaining funds available for use	-	-	(89,444)	-
	\$ 1,219,837	\$ 53,212	\$ 4,349,716	\$ 2,198,070

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Debt and Liabilities (continued)

Long-term liability activity for the year ended September 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Compensated absences	\$ 30,022	\$ 15,375	\$ -	\$ 45,397	\$ 45,397
Notes payable from direct borrowings	146,362		(28,385)	117,977	29,673
Governmental activities long-term liabilities	\$ 176,384	\$ 15,375	\$ (28,385)	\$ 163,374	\$ 75,070

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities					
Compensated absences	\$ 19,024	\$ 6,959	\$ -	\$ 25,983	\$ 25,983
Notes payable from direct borrowings	1,271,471	25,000	(76,635)	1,219,836	77,135
Revenue bonds payable	4,520,516	-	(170,801)	4,349,715	179,400
Business-type activities long-term liabilities	\$ 5,811,011	\$ 31,959	\$ (247,436)	\$ 5,595,534	\$ 282,518

Interfund Receivables, Payables and Transfers

Operating Transfers	Transfers		Net
	In	Out	
Major Funds			
General fund	\$ 372,668	\$ -	\$ 372,668
Sanitation	137,500	(157,040)	(19,540)
Water	24,830	(381,634)	(356,804)
Sewer	206,944	(203,268)	3,676
Total	\$ 741,942	\$ (741,942)	\$ -

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. These amounts should be repaid during the next fiscal year.

City of Bonifay, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Net Investment in Capital Assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 1,261,303	\$ 28,969,988	\$ 30,231,291
Outstanding debt related to capital assets	(179,119)	(5,568,069)	(5,747,188)
Net investment in capital assets	\$ 1,082,184	\$ 23,401,919	\$ 24,484,103

Note 3: DEFERRED COMPENSATION PLAN

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

Note 4: RETIREMENT PLAN

The City has established a noncontributory, defined contribution retirement plan under Internal Revenue Code Section 457(b). This plan covers all full-time employees of the City who have completed at least 12 months of service and are at least 18 years of age. The amount of contribution each plan year is by the City Council at their discretion. The total contribution to the plan for the year ended September 30, 2020 was \$37,750.

Note 5: RISK MANAGEMENT

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

Note 6: COMMITMENTS AND CONTINGENCIES

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

City of Bonifay, Florida
Notes to Financial Statements

Note 6: COMMITMENTS AND CONTINGENCIES (Continued)

Grants - Grant funds received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such reviews may result in requests for reimbursements due to disallowed expenditures. Based upon experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2020, there were no questioned or disallowed costs as a result of reviews by grantor agencies in process or completed.

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

Project	Contract Amount	Expended to Date	Estimated Remaining Commitment
<i>Business-type Activities:</i>			
2018 CDBG Project	\$ 650,000	\$ 119,082	\$ 530,918
RIF Downtown Parking Lot Project	446,163	22,599	423,564
Fire Station Expansion Project	854,430	57,850	796,580
FEMA – Hazard Mitigation Program	4,363,913	1,869,558	2,494,355
	\$ 6,314,506	\$ 2,069,089	\$ 4,245,417

Note 7: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Note 8: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2020 through June 30, 2021, the date the current year’s financial statements were available to be issued. The City received CARES Act funding in the amount of \$244,983 during the fiscal year ending September 30, 2021.

City of Bonifay, Florida
Notes to Financial Statements

Note 9: PRIOR PERIOD ADJUSTMENT

An error was discovered in which the City did not capitalize engineering costs incurred on a construction project for the water fund in the prior year in the amount of \$20,859. The correction of this error resulted in an increase in the balance of previously reported construction in progress and net investment in capital assets for the water fund in the amount of \$20,859. This project remains active at September 30, 2020.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Bonifay, Florida (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2021.

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) as a basis for designing 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2010-001, 2020-001, and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Bonifay's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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

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

Enterprise, Alabama

June 30, 2021

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

Honorable Mayor and Members of
the City Council
Bonifay, Florida

Report on Compliance for Each Major Federal Program

We have audited City of Bonifay (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-002 that we consider to be a material weakness.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs and was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

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

Enterprise, Alabama

June 30, 2021

City of Bonifay, Florida
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Agency/Pass-Through Grantor/Program Title	CFDA Number	Contract/Grant Number	Expenditures	Payments to Subrecipients
U.S. Environmental Protection Agency				
Passed through Florida Department of Environmental Protection Capitalization Grants for Drinking Water State Revolving Funds *	66.468	DW 300140	\$ 50,000	\$ -
U.S. Department of Housing & Urban				
Passed through Florida Department of Economic Opportunity Community Development Block Grant	14.228	20DB-00-02-42-02-C01	119,082	-
U.S. Department of Homeland Security				
Passed through Florida Division of Emergency Management Disaster Grants - Public Assistance Hazard Mitigation Grant (HMGP)	97.039	19-HM-9J-02-41-02-032	1,415,664	-
U.S. Department of Agriculture				
Passed through Florida Department of Agriculture Cooperative Forestry Assistance	10.664	N/A	27,500	-
Total expenditures of federal awards			\$ 1,612,246	\$ -

* Drinking Water State Revolving Fund Cluster

See independent auditors' report and accompanying notes to the schedule of expenditures of federal awards.

City of Bonifay, Florida
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying schedule of expenditures of federal awards includes the federal spending of the City of Bonifay, Florida (the "City") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not represent the financial position of the City.

Note 2: INDIRECT COST RATE

The Uniform Guidance allows an organization to elect a 10% de minimums indirect cost rate. For the year ended September 30, 2020, the City did not elect to use this rate.

Note 3: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES

The City received \$25,000 in federal loans during the year ended September 30, 2020.

Note 4: SUB-RECIPIENTS

During the year ended September 30, 2020 the City had no sub-recipients.

Note 5: NONCASH ASSISTANCE AND OTHER

The City did not receive any noncash assistance or federally funded insurance during the year ended September 30, 2020.

Note 6: CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City.

City of Bonifay, Florida
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Note 7: FEDERAL PASS-THROUGH FUNDS

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

City of Bonifay, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I: Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | Yes |
| 4. Identification of major programs | |

CFDA Number	Federal Program
-------------	-----------------

97.039	Hazard Mitigation Grant
--------	-------------------------

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | No |

Section II: Financial Statement Findings (Repeat)

2010-001 Financial Statement Preparation Knowledge

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

City of Bonifay, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Criteria – Auditing Standards Board AU-C Section 265 requires auditors to disclose for reports substantially drafted by external auditors whether or not the entity’s institutional experience, background and knowledge of Governmental Accounting and Financial Accounting Standards prohibits the entity from preparing the financial statements internally including full note disclosures as required by those standards.

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

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

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

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

2020-001 Preparation of Schedule of Expenditures of Federal Awards and State Financial Assistance (Repeat)

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

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

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

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

City of Bonifay, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

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

Views of Responsible Officials and Planned Corrective Actions – The City is in agreement with the finding noted. The City will seek additional training and technical assistance for the accounting staff in the area of grants and contract accounting in an effort to resolve this condition.

Item 2020-002 Uniform Guidance Written Policies, Procedures and Standards of Conduct (Repeat)
(See detail in Section III)

Section III: Federal Award Findings and Questioned Costs

Item 2020-002 Uniform Guidance Written Policies, Procedures and Standards of Conduct (Repeat)
Hazard Mitigation Grant #97.039
US Department of Homeland Security
Florida Division of Emergency Management
19-HM-9J-02-41-02-032 (10/1/2019 – 9/30/2020)

Condition – The City’s written policies, procedures and standards of conduct do not conform to the requirements of the Uniform Guidance.

Criteria – Grantees should have written policies, procedures, and standards of conduct as required by 2 CFR 200, Subparts D & E of the Uniform Guidance. 2 CFR 200, Subparts D & E requires the non-Federal entity to establish and maintain written policies, procedures, and standards of conduct including internal controls over the Federal awards that provides reasonable assurance that the non-Federal entity is managing the Federal statutes, regulations, and the terms and conditions of the Federal award. Specific requirements relate to the following:

- § 200.302 Financial management
- § 200.305 Payment
- § 200.319 Competition
- § 200.320 Methods of procurement to be followed
- § 200.430 Compensation—personal services
- § 200.431 Compensation—fringe benefits

Cause – The City has not fully complied with the requirements to prepare written policies, procedures, and standards of conduct as required by 2 CFR 200, Subparts D & E of the Uniform Guidance.

Questioned Costs – Not determinable

Effect – Lack of written policies, procedures, and standards of conduct could result in noncompliance related to federal awards.

City of Bonifay, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Recommendation – We recommend that the City update its written policies, procedures, and standards of conduct to include all the required elements as provided in 2 CFR 200, Subparts D & E of the Uniform Guidance.

Management's Response – Management is in agreement with the finding noted and is in the process of formally updating its written policies and procedures to ensure that they conform to the requirements contained in the Uniform Guidance.

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

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

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

Summary Schedule of Prior Year Audit Findings

2010-001 – Repeat finding in the current year

2016-001 – Repeat finding in the current year

2019-001 – Partially corrected

**City of Bonifay
301 N. Etheridge Street
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**Roger Brooks, Vice Mayor
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Travis Cook, Seat 3
Larry F. White, Seat 4**

Corrective Action Plan

2010-001 Financial Statement Preparation Knowledge (Repeat)

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

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

Anticipated Completion: September 30, 2021

Responsible Party: City Clerk and Accountant

2020-001 Internal Controls over the Schedule of Expenditure of Federal and State Financial Assistance (Repeat)

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

Action Taken: The City will seek additional training and technical assistance for the accounting staff in the area of grants and contract accounting in an effort to resolve this condition.

Anticipated Completion: September 30, 2021

Responsible Party: City Clerk and Accountant

2020-002 Uniform Guidance Written Policies, Procedures and Standards of Conduct – Management’s Response (Repeat)

Recommendation: We recommend that the City update its written policies, procedures, and standards of conduct to include all the required elements as provided in 2 CFR 200, Subparts D & E of the Uniform Guidance.

Action Taken: Management is in the process of formally updating its written policies and procedures to ensure that they conform to the requirements contained in the Uniform Guidance.

Anticipated Completion: September 30, 2021

Responsible Party: City Clerk and Accountant

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL
GOVERNMENT INVESTMENT POLICIES**

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

We have examined the compliance of the City of Bonifay, Florida (the "City") with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management of the City is responsible for the City's compliance with those specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020.

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

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

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

Enterprise, Alabama

June 30, 2021

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Bonifay, Florida (the "City") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 30, 2021.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 30, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2018-19 FY Finding No.	2017-18 FY Finding No.
2010-001	2010-001	2010-001
2020-001	2016-001	2016-001
2020-002	2019-001	2016-004

Official Title and Legal Authority

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

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.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 the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we made recommendations in the accompanying Schedule of Findings and Questioned Costs.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

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

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

Enterprise, Alabama

June 30, 2021