

CITY OF PAXTON
PAXTON, FLORIDA

FINANCIAL STATEMENTS

Year Ended September 30, 2020



CITY OF PAXTON, FLORIDA
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CITY OF PAXTON, FLORIDA
CITY OFFICIALS AS OF SEPTEMBER 30, 2020

MAYOR

Ann Sexton

CITY COUNCIL

Jenice Armstrong - Chairman

William McRae – Vice-Chairman

Keith Ross

Travis McMillan

Bobby Kemp

CITY CLERK - TREASURER

Suzan Imfeld

CITY ATTORNEY

Clay Adkinson

INDEPENDENT AUDITORS' REPORT



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

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

MEMBERS

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, on our consideration of the City of Paxton, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Paxton, Florida's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Paxton, Florida's internal control over financial reporting and compliance.

Rabren, Odom, Pierce & Hayes, PC

Andalusia, Alabama
March 25, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Paxton, Florida

Management's Discussion and Analysis

The City of Paxton, Florida's (the City) management discussion and analysis presents an overview of the City's financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the Independent Auditors' Report, beginning on page 1 and the City's financial statements beginning on page 12 of the Basic Financial Statements.

The City reports its financial position as required by the Governmental Accounting Standards Board (GASB). The GASB requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis.

The intent is to provide a brief, objective, and easily readable analysis of the City's financial position and performance as of and for the year ending September 30, 2020.

Financial Highlights:

The City's net position increased by \$139,976 during the year ending September 30, 2020 due to the receipt of grant revenues related to capital assets. The overall assets of the City exceeded liabilities (net position) at September 30, 2020 by \$3,688,099.

At September 30, 2020, \$487,225 (unrestricted net position) was available to meet the government's general ongoing obligations to citizens and creditors.

At September 30, 2020, the City's governmental funds reported an ending fund balance of \$487,584, representing a decrease of \$49,028.

At September 30, 2020, the City's business type activities reported an ending net position of \$2,693,387, representing an increase of \$217,268.

Governmental fund's revenues decreased by \$41,285 in fiscal year 2020 or a 6.9 percent decrease from the prior fiscal year. Business type activity charges for services revenues were \$436,968 at September 30, 2020 representing an increase of \$7,109 or 1.7 percent.

Overview of the Financial Statements:

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

City of Paxton, Florida

Management's Discussion and Analysis

Government-Wide Financial Statements:

The government-wide financial statements, which consist of the Statement of Net Position and the Statement of Activities, are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector businesses. The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the Government's net position changed during the fiscal years. It focuses on the gross and net costs of various activities, which are provided by general taxes and other revenues. All changes in net position are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as uncollected taxes).

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

The government-wide financial statements can be found on pages 12-13 of the Basic Financial Statements.

Fund Financial Statements:

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

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflow and outflow of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is similar to the manner in which the budget is developed. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided on page 18 of the Basic Financial Statements to demonstrate budgetary compliance.

City of Paxton, Florida

Management's Discussion and Analysis

The basic governmental funds financial statements can be found on pages 14-17 of the Basic Financial Statements.

Proprietary Funds:

Services provided to the general public for which customers are charged a fee are generally reported in enterprise funds, which are a type of proprietary fund. Proprietary funds use the same basis of accounting as business-type activities; therefore, the financial statements include additional information, such as depreciation expense and cash flows, which are not presented for governmental funds. The City maintains separate proprietary funds to account for the water and sewer operations. These statements can be found on pages 19-22 of the Basic Financial Statements.

Notes to the Financial Statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-38 of the Basic Financial Statements.

Government-Wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,688,099 at September 30, 2020 and by \$3,548,123 at September 30, 2019.

The following is a condensed Statement of Net Position as of September 30, 2020 and 2019:

Condensed Statement of Net Position							Total
	Governmental Activities		Business-Type Activities		Total		Percentage
	2020	2019	2020	2019	2020	2019	Change
							2020-2019
Current and Other Assets	\$ 601,640	\$ 546,760	\$ 230,108	\$ 281,572	\$ 831,748	\$ 828,332	0.41%
Capital Assets	507,128	535,392	3,574,935	3,307,548	4,082,063	3,842,940	6.22%
Total Assets	<u>1,108,768</u>	<u>1,082,152</u>	<u>3,805,043</u>	<u>3,589,120</u>	<u>4,913,811</u>	<u>4,671,272</u>	5.19%
Current Liabilities	114,056	10,148	65,738	36,524	179,794	46,672	285.23%
Long-Term Liabilities	-	-	1,045,918	1,076,477	1,045,918	1,076,477	-2.84%
Total Liabilities	<u>114,056</u>	<u>10,148</u>	<u>1,111,656</u>	<u>1,113,001</u>	<u>1,225,712</u>	<u>1,123,149</u>	9.13%
Net Position:							
Invested in Capital Assets							
Net of Related Debt	507,128	535,392	2,529,017	2,231,071	3,036,145	2,766,463	9.75%
Restricted for Debt Service	101	100	164,628	187,483	164,729	187,583	-12.18%
Unrestricted	<u>487,483</u>	<u>536,512</u>	<u>(258)</u>	<u>57,565</u>	<u>487,225</u>	<u>594,077</u>	-17.99%
Total Net Position	<u>\$ 994,712</u>	<u>\$ 1,072,004</u>	<u>\$ 2,693,387</u>	<u>\$ 2,476,119</u>	<u>\$ 3,688,099</u>	<u>\$ 3,548,123</u>	3.95%

City of Paxton, Florida

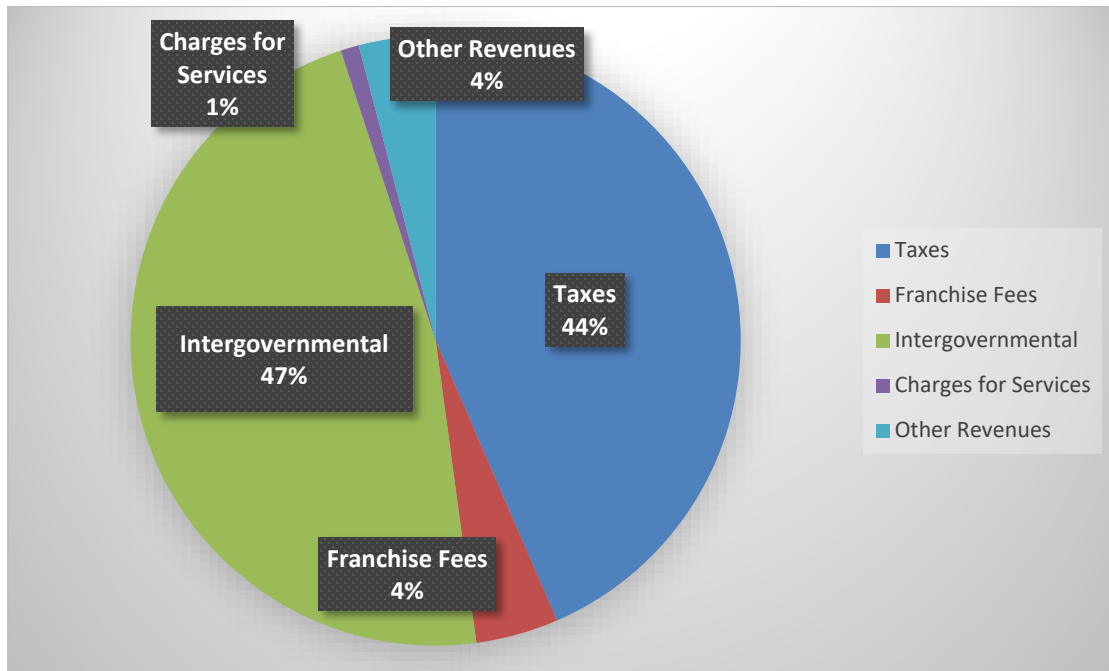
Management's Discussion and Analysis

At September 30, 2020 and 2019 the largest portion of the City's net position (approximately 82 percent) was reflected in investment in capital assets (e.g. land, buildings, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The unrestricted net position \$487,225 at September 30, 2020, and \$594,077 at September 30, 2019, may be used to meet the government's ongoing obligations to citizens and creditors.

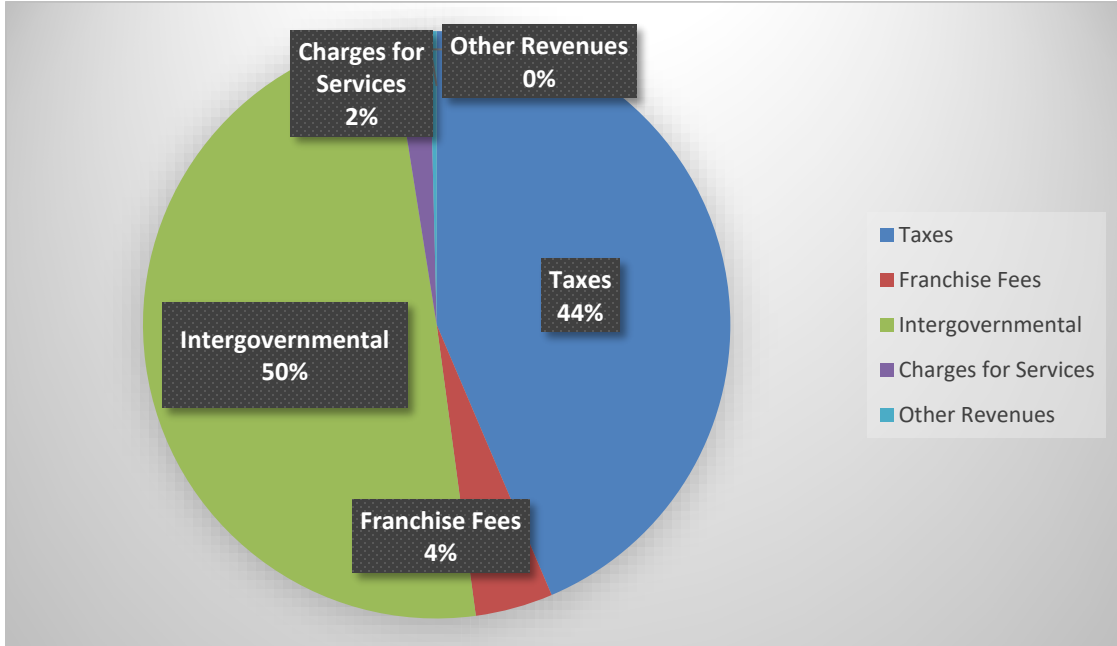
The following graph shows revenues by type for the governmental activities for the years ended September 30, 2020 and 2019.

Year Ending 2020 Revenues by Source



City of Paxton, Florida
Management's Discussion and Analysis

Year Ending 2019 Revenues by Source



City of Paxton, Florida
Management's Discussion and Analysis

The following is a condensed Statement of Activities for the years ended September 30, 2020 and 2019:

Condensed Statement of Activities For the Year ended September 30							
	Governmental Activities		Business-Type Activities		Totals		Total Percentage Change 2020-2019
	2020	2019	2020	2019	2020	2019	
Revenues:							
Program Revenue:							
Charges for Services	\$ 5,425	\$ 12,300	\$ 436,968	\$ 429,859	\$ 442,393	\$ 442,159	0.05%
Capital Contributions	-	4,000	313,509	720,635	313,509	724,635	-56.74%
General Revenues:							
Franchise Fees and Taxes	267,599	279,394	-	-	267,599	279,394	-4.22%
Other	210,550	450,773	75,301	(163,486)	285,851	287,287	-0.50%
Total Revenues	483,574	746,467	825,778	987,008	1,309,352	1,733,475	-24.47%
Expenses:							
General Government	508,768	514,850	-	-	508,768	514,850	-1.18%
Public Safety	2,214	2,619	-	-	2,214	2,619	-15.46%
Highways and Streets	14,179	12,001	-	-	14,179	12,001	18.15%
Culture and Recreation	35,705	28,516	-	-	35,705	28,516	25.21%
Water	-	-	443,488	379,410	443,488	379,410	16.89%
Sewer	-	-	165,022	166,876	165,022	166,876	-1.11%
Total Expenses	560,866	557,986	608,510	546,286	1,169,376	1,104,272	5.90%
Increase (Decrease) in Net Position	(77,292)	188,481	217,268	440,722	139,976	629,203	-77.75%
Net Position - Beginning	1,072,004	883,523	2,476,119	2,035,397	3,548,123	2,918,920	21.56%
Net Position - Ending	<u>\$ 994,712</u>	<u>\$ 1,072,004</u>	<u>\$ 2,693,387</u>	<u>\$ 2,476,119</u>	<u>\$ 3,688,099</u>	<u>\$ 3,548,123</u>	3.95%

Financial Analysis of the City's Funds

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

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, unrestricted fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

City of Paxton, Florida

Management's Discussion and Analysis

The City's governmental funds reported an ending fund balance of \$487,584 at the end of fiscal year 2020 and \$536,612 at the end of fiscal year 2019. This was a decrease of \$49,028 in fiscal year 2020. The non-spendable fund balance was \$68,850, restricted was \$101 and the unassigned fund balance was \$418,633 at September 30, 2020. The non-spendable fund balance was \$68,850, restricted was \$100 and the unassigned fund balance was \$467,662 at September 30, 2019.

The general fund is the only governmental fund of the City. At September 30, 2020 the unassigned fund balance of the General Fund was \$418,633 and at September 30, 2019 was \$467,662.

The basic governmental funds financial statements can be found on pages 14-17 of the Basic Financial Statements.

Proprietary Funds:

The City's proprietary funds are the business type activities reported in the government-wide financial statements. The City has two such funds: water and sewer. The same information is presented in proprietary fund statements, just with greater detail. The City presents both the water and sewer fund as major funds.

Water Fund - The Water Fund's net position decreased \$80,639 from during the fiscal year 2020 and increased by \$428,166 during fiscal year 2019. The Water Fund's unrestricted net position is \$172,295 at September 30, 2020, and \$209,820 at September 30, 2019.

Sewer Fund - The Sewer Fund's net position increased \$297,907 from during the fiscal year 2020 and increased by \$12,556 during fiscal year 2019. The Sewer Fund's unrestricted net position is a deficit of \$172,553 at September 30, 2020, and a deficit of \$152,255 at September 30, 2019.

The proprietary fund statements can be found on pages 19-22 of the Basic Financial Statements.

Capital Asset and Debt Administration:

The City's investment in capital assets as of September 30, 2020 was \$4,082,063 (net of accumulated depreciation) and at September 30, 2019 was \$3,842,940 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment and water and sewer systems, net of accumulated depreciation. The City spent \$337,756 towards the Sewer Improvements Project during fiscal year 2020.

City of Paxton, Florida
Management's Discussion and Analysis

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Land	\$ 188,362	\$ 56,572	\$ 244,934
Construction in Progress	-	496,461	496,461
Infrastructure	-	5,109,659	5,109,659
Equipment	170,073	679,357	849,430
Improvements	62,755	2,094	64,849
Furniture and Fixtures	5,052	1,000	6,052
Buildings	715,025	7,929	722,954
Software	-	33,600	33,600
Total capital assets	<u>1,141,267</u>	<u>6,386,672</u>	<u>7,527,939</u>
Less accumulated depreciation	<u>(634,139)</u>	<u>(2,811,737)</u>	<u>(3,445,876)</u>
Total capital assets, net	<u>\$ 507,128</u>	<u>\$ 3,574,935</u>	<u>\$ 4,082,063</u>

Additional information on the City's capital assets can be found in Note 4 on pages 30-32 of notes to the financial statements.

Long Term Debt:

At the end of fiscal year 2020, the City had total bonded debt of \$1,045,918. At September 30, 2019 this amount was \$1,076,477. As of September 30, 2020 and 2019, all debt was held in the proprietary funds.

City of Paxton, Florida
Management's Discussion and Analysis

Outstanding Debt at September 30, 2020 and 2019 was:

	September 30,	
	2020	2019
Water System Revenue Bonds, Series 2006A	\$ 115,493	\$ 115,493
Water System Revenue Bonds, Series 2006B	86,223	88,074
Water System Revenue Bonds, Series 2018	436,702	445,410
Sewer Revenue Bonds, Series 1994	407,500	427,500
	\$ 1,045,918	\$ 1,076,477

Additional information on the City's debt can be found in Note 5 on pages 32-37 of notes to the financial statements.

Request for Information

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



FINANCIAL STATEMENTS

CITY OF PAXTON, FLORIDA
STATEMENT OF NET POSITION
September 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 578,809	\$ 11,188	\$ 589,997
Cash and Cash Equivalents - Restricted	101	164,628	164,729
Receivables, Net	45,815	30,160	75,975
Prepaid Expenses	-	1,047	1,047
Internal Balances	(23,085)	23,085	-
Capital Assets, not being depreciated	188,362	553,033	741,395
Capital Assets, net of depreciation	318,766	3,021,902	3,340,668
Total Assets	1,108,768	3,805,043	4,913,811
LIABILITIES			
Accounts Payable	114,056	20,385	134,441
Accrued Interest	-	8,175	8,175
Customer Deposits	-	37,178	37,178
Noncurrent Liabilities			
Due Within One Year	-	35,728	35,728
Due in More than One Year	-	1,010,190	1,010,190
Total Liabilities	114,056	1,111,656	1,225,712
NET POSITION			
Invested in Capital Assets, Net of Related Debt	507,128	2,529,017	3,036,145
Restricted	101	164,628	164,729
Unrestricted	487,483	(258)	487,225
Total Net Position	\$ 994,712	\$ 2,693,387	\$ 3,688,099

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF ACTIVITIES
Year Ended September 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES:						
General Government	\$ 508,768	\$ 5,425	\$ -	\$ (503,343)		\$ (503,343)
Public Safety	2,214	-	-	(2,214)		(2,214)
Highways and Streets	14,179	-	-	(14,179)		(14,179)
Culture and Recreation	35,705	-	-	(35,705)		(35,705)
Total Governmental Activities	<u>560,866</u>	<u>5,425</u>	<u>-</u>	<u>(555,441)</u>		<u>(555,441)</u>
BUSINESS-TYPE ACTIVITIES:						
Water	443,488	317,313	-		\$ (126,175)	(126,175)
Sewer	165,022	119,655	313,509		268,142	268,142
Total Business-Type Activities	<u>608,510</u>	<u>436,968</u>	<u>313,509</u>		<u>141,967</u>	<u>141,967</u>
Total Primary Government	<u>\$ 1,169,376</u>	<u>\$ 442,393</u>	<u>\$ 313,509</u>	<u>(555,441)</u>	<u>141,967</u>	<u>(413,474)</u>
GENERAL REVENUES						
Sales Tax				218,166	-	218,166
Utility Taxes				23,825	-	23,825
Franchise Fees				24,352	-	24,352
Licenses and Permits				1,256	-	1,256
Fines and Forfeits				129	-	129
Intergovernmental				262,074	-	262,074
Interest				394	311	705
Miscellaneous				20,801	2,142	22,943
Transfers In (Out)				(72,848)	72,848	-
Total General Revenues				<u>478,149</u>	<u>75,301</u>	<u>553,450</u>
Change in Net Position				(77,292)	217,268	139,976
Net Position, Beginning				<u>1,072,004</u>	<u>2,476,119</u>	<u>3,548,123</u>
Net Position, Ending				<u>\$ 994,712</u>	<u>\$ 2,693,387</u>	<u>\$ 3,688,099</u>

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 September 30, 2020

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
	<u> </u>	<u> </u>
ASSETS		
Cash and Cash Equivalents	\$ 578,809	\$ 578,809
Receivables, Net	45,815	45,815
Restricted Assets:		
Cash and Cash Equivalents	<u>101</u>	<u>101</u>
 Total Assets	 <u><u>\$ 624,725</u></u>	 <u><u>\$ 624,725</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 114,056	\$ 114,056
Due to Other Funds	<u>23,085</u>	<u>23,085</u>
 Total Liabilities	 <u>137,141</u>	 <u>137,141</u>
 FUND BALANCES		
Nonspendable	68,850	68,850
Restricted	101	101
Unassigned	<u>418,633</u>	<u>418,633</u>
 Total Fund Balances	 <u>487,584</u>	 <u>487,584</u>
 Total Liabilities and Fund Balances	 <u><u>\$ 624,725</u></u>	 <u><u>\$ 624,725</u></u>

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
September 30, 2020

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

Total Fund Balances - Governmental Funds \$ 487,584

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental Capital Assets	1,141,267	
Less: Accumulated Depreciation	<u>(634,139)</u>	
		<u>507,128</u>

Net Position of Governmental Activities \$ 994,712

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
Year Ended September 30, 2020

	GENERAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES		
Taxes	\$ 241,991	\$ 241,991
Franchise Fees	24,352	24,352
Licenses and Permits	1,256	1,256
Intergovernmental	262,074	262,074
Charges for Services	5,425	5,425
Fines and Forfeitures	129	129
Interest	394	394
Miscellaneous	20,801	20,801
Total Revenues	<u>556,422</u>	<u>556,422</u>
EXPENDITURES		
General Government	494,369	494,369
Public Safety	1,056	1,056
Highways and Streets	13,379	13,379
Culture and Recreation	19,232	19,232
Capital Outlay	4,566	4,566
Total Expenditures	<u>532,602</u>	<u>532,602</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>23,820</u>	<u>23,820</u>
OTHER FINANCING USES		
Transfers to Other Funds	<u>(72,848)</u>	<u>(72,848)</u>
Total Other Financing Uses	<u>(72,848)</u>	<u>(72,848)</u>
Net Change in Fund Balance	(49,028)	(49,028)
FUND BALANCE - Beginning	<u>536,612</u>	<u>536,612</u>
FUND BALANCE - Ending	<u>\$ 487,584</u>	<u>\$ 487,584</u>

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended September 30, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (49,028)

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

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

Capital Outlay	4,566	
Less: Current year depreciation	<u>(32,830)</u>	
		<u>(28,264)</u>

Change in Net Position of Governmental Activities \$ (77,292)

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended September 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET- POSITIVE (NEGATIVE)
REVENUES				
Taxes	\$ 209,000	\$ 209,000	\$ 241,991	\$ 32,991
Franchise Fees	28,500	28,500	24,352	(4,148)
License and Permits	2,000	2,000	1,256	(744)
Intergovernmental	278,700	278,700	262,074	(16,626)
Charges for Services	14,800	14,800	5,425	(9,375)
Fines and Forfeitures	-	-	129	129
Interest	-	-	394	394
Miscellaneous	7,500	7,500	20,801	13,301
Total Revenues	540,500	540,500	556,422	15,922
Expenditures				
General Government	497,500	497,500	494,369	3,131
Public Safety	-	-	1,056	(1,056)
Highways and Streets	11,000	11,000	13,379	(2,379)
Culture and Recreation	9,500	9,500	19,232	(9,732)
Capital Outlay	5,000	5,000	4,566	434
Contingency	30,000	30,000	-	30,000
Total Expenditures	553,000	553,000	532,602	20,398
EXCESS OF REVENUES OVER EXPENDITURES	(12,500)	(12,500)	23,820	36,320
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	-	-	(72,848)	(72,848)
Sale of Assets	12,500	12,500	-	(12,500)
Total Other Financing Sources (Uses)	12,500	12,500	(72,848)	(85,348)
Net Change in Fund Balances	-	-	(49,028)	(49,028)
FUND BALANCE - Beginning	536,612	536,612	536,612	536,612
FUND BALANCE - Ending	\$ 536,612	\$ 536,612	\$ 487,584	\$ 487,584

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
September 30, 2020

	BUSINESS-TYPE ACTIVITIES		
	WATER FUND	SEWER FUND	TOTALS
ASSETS			
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 11,188	\$ -	\$ 11,188
Receivables, Net	30,160	-	30,160
Prepaid Insurance	1,047	-	1,047
Due from (to) Other Funds	173,470	(150,385)	23,085
Total Current Assets	215,865	(150,385)	65,480
NONCURRENT ASSETS:			
Restricted Cash and Cash Equivalents	117,473	47,155	164,628
Capital Assets, Net of Accumulated Depreciation	1,562,327	2,012,608	3,574,935
Total Noncurrent Assets	1,679,800	2,059,763	3,739,563
Total Assets	1,895,665	1,909,378	3,805,043
LIABILITIES			
CURRENT LIABILITIES:			
Retainage Payable	-	20,385	20,385
Accrued Interest Payable	6,392	1,783	8,175
Customer Deposits	37,178	-	37,178
Bonds and Notes Payable	15,728	20,000	35,728
Total Current Liabilities	59,298	42,168	101,466
NONCURRENT LIABILITIES:			
Bonds and Notes Payable	622,690	387,500	1,010,190
Total Liabilities	681,988	429,668	1,111,656
NET POSITION			
Invested in Capital Assets, Net of Related Debt	923,909	1,605,108	2,529,017
Restricted	117,473	47,155	164,628
Unrestricted (Deficit)	172,295	(172,553)	(258)
Total Net Position	\$ 1,213,677	\$ 1,479,710	\$ 2,693,387

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Year Ended September 30, 2020

	BUSINESS-TYPE ACTIVITIES		
	WATER FUND	SEWER FUND	TOTALS
REVENUES			
Charges for Services	\$ 317,313	\$ 119,655	\$ 436,968
Total Revenues	317,313	119,655	436,968
OPERATING EXPENSES			
Salaries & Fringe Benefits	123,372	-	123,372
Bad Debt Expense	3,951	132	4,083
Contractual Services	26,509	23,054	49,563
Insurance	34,133	17,851	51,984
Utilities	20,778	28,398	49,176
Repairs and Maintenance	41,283	8,788	50,071
Materials and Supplies	27,964	14,762	42,726
Other Expense	8,346	127	8,473
Depreciation	141,454	50,609	192,063
Total Operating Expenses	427,790	143,721	571,511
Operating Loss	(110,477)	(24,066)	(134,543)
NONOPERATING REVENUE (EXPENSES)			
Grant Revenues	-	313,509	313,509
Miscellaneous Income	2,142	-	2,142
Interest Income	271	40	311
Interest Expense	(15,698)	(21,301)	(36,999)
Total Nonoperating Revenues (Expenses)	(13,285)	292,248	278,963
Income (Loss) before Transfers	(123,762)	268,182	144,420
Transfers from Other Funds	43,123	29,725	72,848
Change in Net Position	(80,639)	297,907	217,268
NET POSITION - Beginning	1,294,316	1,181,803	2,476,119
NET POSITION - Ending	\$ 1,213,677	\$ 1,479,710	\$ 2,693,387

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended September 30, 2020

	BUSINESS-TYPE ACTIVITIES		
	WATER FUND	SEWER FUND	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 312,055	\$ 119,655	\$ 431,710
Payments to Suppliers	(159,657)	(93,112)	(252,769)
Payments to Employees	(123,372)	-	(123,372)
Net Cash Provided By Operating Activities	<u>29,026</u>	<u>26,543</u>	<u>55,569</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous Income	2,142	-	2,142
Transfers from (to) Other Funds	52,552	(105,260)	(52,708)
Net Cash Provided (Used) By Noncapital Financing Activities	<u>54,694</u>	<u>(105,260)</u>	<u>(50,566)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Grant Proceeds	-	313,509	313,509
Purchases of Fixed Assets	-	(337,756)	(337,756)
Interest Payments on Debt	(10,089)	(21,388)	(31,477)
Principal Payments on Debt	(10,559)	(20,000)	(30,559)
Transfers from (to) Other Funds	(9,429)	33,676	24,247
Net Cash Used By Capital Financing Activities	<u>(30,077)</u>	<u>(31,959)</u>	<u>(62,036)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and Dividends	271	40	311
Net Cash Provided By Investing Activities	<u>271</u>	<u>40</u>	<u>311</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>53,914</u>	<u>(110,636)</u>	<u>(56,722)</u>
Cash and Cash Equivalents, Beginning			
Unrestricted	11,184	-	11,184
Restricted	63,563	157,791	221,354
	<u>74,747</u>	<u>157,791</u>	<u>232,538</u>
Cash and Cash Equivalents, Ending			
Unrestricted	11,188	-	11,188
Restricted	117,473	47,155	164,628
	<u>128,661</u>	<u>47,155</u>	<u>175,816</u>

The accompanying notes are an integral part of these statements.

CITY OF PAXTON, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
Year Ended September 30, 2020

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

	<u>BUSINESS-TYPE ACTIVITIES</u>		
	<u>WATER FUND</u>	<u>SEWER FUND</u>	<u>TOTALS</u>
Operating Loss	\$ (110,477)	\$ (24,066)	\$ (134,543)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:			
Depreciation	141,454	50,609	192,063
Accounts Receivable	(5,258)	-	(5,258)
Customer Deposits	3,307	-	3,307
Net Cash Provided By Operating Activities	<u>\$ 29,026</u>	<u>\$ 26,543</u>	<u>\$ 55,569</u>

The accompanying notes are an integral part of these statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

REPORTING ENTITY

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted – This category represents constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation. The balance restricted at September 30, 2020 was \$164,729 reserved for capital improvements and debt service payments.

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

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

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

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

The following are reported as major governmental funds:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major proprietary funds:

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

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

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

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

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

Non-spendable – Amounts that cannot be spent because they are either not spendable in form or they are legally or contractually required to be maintained intact. The City of Paxton has an amount of \$68,850 classified as non-spendable fund balance at September 30, 2020.

Restricted – Amounts with constraints placed on their use that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. The City has \$101 classified as restricted at September 30, 2020.

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

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

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

BASIS OF PRESENTATION

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City uses the following fund categories and fund types:

Governmental Funds

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

Proprietary Funds

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

BASIS OF ACCOUNTING

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Allowance for Doubtful Accounts - The City makes an estimate, based on the prior years, as to the amount of its accounts receivable in its enterprise funds that will not be collectible. The City makes a charge for this amount against operations and establishes a reserve for doubtful accounts. As the accounts are determined to be uncollectible, they are then charged against this reserve. At September 30, 2020, the reserve balance was \$5,320. The City grants credit to customers who use its various services, substantially all of whom are local residents or businesses.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Cash Flows - The City considers investments with a maturity of less than 90 days as cash equivalents for the purpose of the statement of cash flows. The amount of interest actually paid by the City’s Enterprise Funds during the year totaled \$31,477.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETS AND BUDGETARY ACCOUNTING

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

The budget for the General Fund is adopted on a basis consistent with GAAP.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

Restricted cash and cash equivalents were comprised of the following at September 30, 2020:

Cash	
Restricted for Customer Deposits	\$ 12,876
Restricted for Debt Service	100,787
Restricted for Capital Improvements	121
Restricted Investments	50,945
	<u>\$ 164,729</u>

CITY OF PAXTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance 10/1/2019	Additions	Deletions	Reclassifications	Balance 9/30/2020
GOVERNMENTAL ACTIVITIES:					
Capital Assets, not being depreciated					
Land	\$188,362	\$ -	\$ -	\$ -	\$ 188,362
Total capital assets not being depreciated	<u>188,362</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,362</u>
Capital Assets, being depreciated					
Buildings and Improvements	715,025	-	-	-	715,025
Vehicles	51,823	-	-	-	51,823
Furniture and Fixtures	5,052	-	-	-	5,052
Land Improvements	62,755	-	-	-	62,755
Equipment	121,684	4,566	-	(8,000)	118,250
Total capital assets being depreciated	<u>956,339</u>	<u>4,566</u>	<u>-</u>	<u>(8,000)</u>	<u>952,905</u>
Less accumulated depreciation for:					
Buildings	381,236	25,928	-	-	407,164
Vehicles	41,977	5,635	-	-	47,612
Furniture and Fixtures	4,594	458	-	-	5,052
Land Improvements	60,626	185	-	-	60,811
Equipment	120,876	624	-	(8,000)	113,500
	<u>609,309</u>	<u>32,830</u>	<u>-</u>	<u>(8,000)</u>	<u>634,139</u>
Total capital assets, being depreciated, net	<u>347,030</u>	<u>(28,264)</u>	<u>-</u>	<u>-</u>	<u>318,766</u>
Governmental activities capital assets, net	<u>\$535,392</u>	<u>\$(28,264)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 507,128</u>

CITY OF PAXTON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2020

NOTE 4 – CAPITAL ASSETS (Continued)

	Balance 10/1/2019	Additions	Deletions	Reclassifications	Balance 9/30/2020
BUSINESS-TYPE ACTIVITIES					
Capital Assets, not being depreciated					
Land	\$ 56,572	\$ -	\$ -	\$ -	\$ 56,572
Construction in Progress	37,011	459,450	-	-	496,461
Total capital assets not being depreciated	93,583	459,450	-	-	553,033
Capital Assets, being depreciated					
Water System and Improvements	2,687,083	-	-	-	2,687,083
Equipment	671,357	-	-	8,000	679,357
Furniture and Fixtures	1,000	-	-	-	1,000
Sewer System and Improvements	2,422,576	-	-	-	2,422,576
Land Improvements	2,094	-	-	-	2,094
Buildings	7,929	-	-	-	7,929
Software	33,600	-	-	-	33,600
Total capital assets being depreciated	5,825,639	-	-	8,000	5,833,639
Less accumulated depreciation for:					
Water System and Improvements	1,147,958	94,999	-	-	1,242,957
Equipment	536,661	41,059	-	8,000	585,720
Furniture and Fixtures	834	166	-	-	1,000
Sewer System and Improvements	919,823	48,452	-	-	968,275
Land Improvements	256	139	-	-	395
Buildings	5,022	528	-	-	5,550
Software	1,120	6,720	-	-	7,840
	2,611,674	192,063	-	8,000	2,811,737
Total capital assets, being depreciated, net	3,213,965	(192,063)	-	-	3,021,902
Business-Type activities capital assets, net	\$ 3,307,548	\$ 267,387	\$ -	\$ -	\$ 3,574,935

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

NOTE 4 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$ 14,399
Public Safety	1,158
Highways and Streets	800
Culture and Recreation	<u>16,473</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 32,830</u></u>
Business-Type Activities	
Water Fund	\$ 141,454
Sewer Fund	<u>50,609</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 192,063</u></u>

NOTE 5 – LONG-TERM DEBT

Long-Term Debt Activity for the year ended September 30, 2020 was as follows:

	Balance 10/1/2019	Additions	Reductions	Balance 9/30/2020	Due Within One Year
Sewer Revenue Bonds, Series 1994	\$ 427,500	\$ -	\$ 20,000	\$ 407,500	\$ 20,000
Water Revenue Bonds, Series 2006A	88,074	-	1,851	86,223	1,935
Water Revenue Bonds, Series 2006B	115,493	-	-	115,493	4,965
Water Revenue Bonds, Series 2018	<u>445,410</u>	<u>-</u>	<u>8,708</u>	<u>436,702</u>	<u>8,828</u>
	<u><u>\$ 1,076,477</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 30,559</u></u>	<u><u>\$ 1,045,918</u></u>	<u><u>\$ 35,728</u></u>

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

NOTE 5 – LONG-TERM DEBT (Continued)

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

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

Bond Numbers	Maturities	Interest Rate	Principal	Interest	Total
25	9/1/21	5.25%	\$ 20,000	\$ 21,394	\$ 41,394
26	9/1/22	5.25%	22,000	20,344	42,344
27	9/1/23	5.25%	23,000	19,189	42,189
28	9/1/24	5.25%	24,000	17,981	41,981
29	9/1/25	5.25%	25,000	16,721	41,721
30	9/1/26	5.25%	27,000	15,409	42,409
31	9/1/27	5.25%	28,000	13,991	41,991
32	9/1/28	5.25%	29,000	12,521	41,521
33	9/1/29	5.25%	31,000	10,999	41,999
34	9/1/30	5.25%	33,000	9,371	42,371
35	9/1/31	5.25%	34,000	7,639	41,639
36	9/1/32	5.25%	36,000	5,854	41,854
37	9/1/33	5.25%	38,000	3,964	41,964
38	9/1/34	5.25%	37,500	1,969	39,469
			<u>\$ 407,500</u>	<u>\$ 177,346</u>	<u>\$ 584,846</u>

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

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

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

NOTE 5 – LONG TERM DEBT (Continued)

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

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

<u>Bond Numbers</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
15	9/1/21	4.50%	\$ 1,935	\$ 4,012	\$ 5,947
16	9/1/22	4.50%	2,022	3,925	5,947
17	9/1/23	4.50%	2,113	3,834	5,947
18	9/1/24	4.50%	2,208	3,739	5,947
19	9/1/25	4.50%	2,307	3,640	5,947
20	9/1/26	4.50%	2,411	3,536	5,947
21	9/1/27	4.50%	2,520	3,427	5,947
22	9/1/28	4.50%	2,633	3,314	5,947
23	9/1/29	4.50%	2,751	3,196	5,947
24	9/1/30	4.50%	2,875	3,072	5,947
25	9/1/31	4.50%	3,005	2,942	5,947
26	9/1/32	4.50%	3,140	2,807	5,947
27	9/1/33	4.50%	3,281	2,666	5,947
28	9/1/34	4.50%	3,429	2,518	5,947
29	9/1/35	4.50%	3,583	2,364	5,947
30	9/1/36	4.50%	3,744	2,203	5,947
31	9/1/37	4.50%	3,913	2,034	5,947
32	9/1/38	4.50%	4,089	1,858	5,947
33	9/1/39	4.50%	4,273	1,674	5,947
34	9/1/40	4.50%	4,465	1,482	5,947
35	9/1/41	4.50%	4,666	1,281	5,947
36	9/1/42	4.50%	4,876	1,071	5,947
37	9/1/43	4.50%	5,095	852	5,947
38	9/1/44	4.50%	5,325	622	5,947
39	9/1/45	4.50%	5,564	383	5,947
			<u>\$ 86,223</u>	<u>\$ 62,452</u>	<u>\$ 148,675</u>

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

NOTE 5 – LONG TERM DEBT (Continued)

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

Bond Numbers	Maturities	Interest Rate	Principal	Interest	Total
15	9/1/21	4.50%	\$ 4,965	\$ 10,487	\$ 15,452
16	9/1/22	4.50%	2,651	5,075	7,726
17	9/1/23	4.50%	2,771	4,955	7,726
18	9/1/24	4.50%	2,895	4,831	7,726
19	9/1/25	4.50%	3,025	4,701	7,726
20	9/1/26	4.50%	3,162	4,564	7,726
21	9/1/27	4.50%	3,304	4,422	7,726
22	9/1/28	4.50%	3,453	4,273	7,726
23	9/1/29	4.50%	3,608	4,118	7,726
24	9/1/30	4.50%	3,770	3,956	7,726
25	9/1/31	4.50%	3,940	3,786	7,726
26	9/1/32	4.50%	4,117	3,609	7,726
27	9/1/33	4.50%	4,303	3,423	7,726
28	9/1/34	4.50%	4,496	3,230	7,726
29	9/1/35	4.50%	4,698	3,028	7,726
30	9/1/36	4.50%	4,910	2,816	7,726
31	9/1/37	4.50%	5,131	2,595	7,726
32	9/1/38	4.50%	5,362	2,364	7,726
33	9/1/39	4.50%	5,603	2,123	7,726
34	9/1/40	4.50%	5,855	1,871	7,726
35	9/1/41	4.50%	6,119	1,607	7,726
36	9/1/42	4.50%	6,394	1,332	7,726
37	9/1/43	4.50%	6,682	1,044	7,726
38	9/1/44	4.50%	6,982	744	7,726
39	9/1/45	4.50%	7,297	429	7,726
			<u>\$ 115,493</u>	<u>\$ 85,383</u>	<u>\$ 200,876</u>

The City completed construction of the Waterline Replacement Project during the year ended September 30, 2019. In conjunction with this project the City executed a \$454,000 Water System Revenue Bond, Series 2018, dated September 26, 2018, which were purchased by the United States Department of Agriculture, Rural Utilities Service. The bonds will mature no later than September 26, 2058 and bear interest at the rate of 1.375%. The proceeds are to be used as repayment of the Water System Revenue Bond Anticipation Note, Series 2018 with COBANK, ACB.

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

NOTE 5 – LONG TERM DEBT (Continued)

Below is the schedule for the Water System Revenue Bond, Series 2018.

<u>Bond Numbers</u>	<u>Maturities</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
3	9/26/21	1.375%	\$ 8,828	\$ 6,005	\$ 14,833
4	9/26/22	1.375%	8,949	5,883	14,832
5	9/26/23	1.375%	9,072	5,760	14,832
6	9/26/24	1.375%	9,197	5,635	14,832
7	9/26/25	1.375%	9,323	5,509	14,832
8	9/26/26	1.375%	9,451	5,381	14,832
9	9/26/27	1.375%	9,581	5,251	14,832
10	9/26/28	1.375%	9,713	5,119	14,832
11	9/26/29	1.375%	9,847	4,986	14,833
12	9/26/30	1.375%	9,982	4,850	14,832
13	9/26/31	1.375%	10,119	4,713	14,832
14	9/26/32	1.375%	10,258	4,574	14,832
15	9/26/33	1.375%	10,399	4,433	14,832
16	9/26/34	1.375%	10,542	4,290	14,832
17	9/26/35	1.375%	10,687	4,145	14,832
18	9/26/36	1.375%	10,834	3,998	14,832
19	9/26/37	1.375%	10,983	3,849	14,832
20	9/26/38	1.375%	11,134	3,698	14,832
21	9/26/39	1.375%	11,287	3,545	14,832
22	9/26/40	1.375%	11,443	3,390	14,833
23	9/26/41	1.375%	11,600	3,232	14,832
24	9/26/42	1.375%	11,759	3,073	14,832
25	9/26/43	1.375%	11,921	2,911	14,832
26	9/26/44	1.375%	12,085	2,747	14,832
27	9/26/45	1.375%	12,251	2,581	14,832
28	9/26/46	1.375%	12,420	2,412	14,832
29	9/26/47	1.375%	12,590	2,242	14,832
30	9/26/48	1.375%	12,764	2,069	14,833
31	9/26/49	1.375%	12,939	1,893	14,832
32	9/26/50	1.375%	13,117	1,715	14,832
33	9/26/51	1.375%	13,297	1,535	14,832
34	9/26/52	1.375%	13,480	1,352	14,832
35	9/26/53	1.375%	13,666	1,167	14,833
36	9/26/54	1.375%	13,853	979	14,832
37	9/26/55	1.375%	14,044	788	14,832
38	9/26/56	1.375%	14,237	595	14,832
39	9/26/57	1.375%	14,433	399	14,832
40	9/26/58	1.375%	14,617	201	14,818
			<u>\$ 436,702</u>	<u>\$ 126,905</u>	<u>\$ 563,607</u>

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

NOTE 5 – LONG TERM DEBT (Continued)

The following is a schedule of the Water and Sewer revenue bond debt service requirements for the next five years and thereafter:

Years Ended September 30,	Principal	Interest
2021	\$ 35,728	\$ 41,898
2022	35,622	35,227
2023	36,956	33,738
2024	38,300	32,186
2025	39,655	30,571
Thereafter	<u>859,657</u>	<u>278,466</u>
	<u>\$ 1,045,918</u>	<u>\$ 452,086</u>

NOTE 6 – DUE TO/FROM OTHER FUNDS

The following is a schedule of the inter-fund receivables and payables at September 30, 2020:

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

CITY OF PAXTON, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2020

NOTE 7 – TRANSFERS

The following is a schedule of transfers between funds at September 30, 2020:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 72,848
Water Works Fund	43,123	-
Sewer Fund	29,725	-
Totals	<u>\$ 72,848</u>	<u>\$ 72,848</u>

NOTE 8 – FRANCHISE FEES

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

NOTE 9 – RISK MANAGEMENT

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

NOTE 10 – CONTINGENT LIABILITIES

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

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 25, 2021, which is the date the financial statements were available to be issued.

The COVID-19 pandemic developed rapidly in 2020 with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on our operations and results has not been significant and based on our experience to date we expect this to remain the case. We will continue to follow the various government policies and advice and will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of our people or consumers.

SUPPLEMENTARY INFORMATION



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Paxton, Florida as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Paxton, Florida's basic financial statements and have issued our report thereon dated March 25, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

City of Paxton’s Response to Findings

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

Purpose of this Report

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

Rabren, Odom, Pierce & Hayes, PC

Andalusia, Alabama
March 25, 2021

CITY OF PAXTON, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2020

Condition Number: 2020-01

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

Condition: The City's personnel lack the expertise to apply the required accounting principles to convert their existing accounting records to GAAP-based financial statements.

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

Effect: The City engages with their auditors' firm to assist in the application of new GAAP standards and to prepare the City's financial statements as a nonattest engagement.

Recommendation: We recommend the City educate their staff with GAAP and GASB based training along with access to research websites.

Management
Response: See Management Response on page 46.

Condition Number 2020-02

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

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

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

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

Recommendation: We recommend that the City hire additional staff or use existing staff to implement internal controls over assets and the accounting processes.

Management
Response: See Management Response on page 46.

CITY OF PAXTON, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
Year Ended September 30, 2020

Condition Number: 2019-01

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

Condition: The City's personnel lack the expertise to apply the required accounting principles to convert their existing accounting records to GAAP-based financial statements.

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

Effect: The City engages with their auditors' firm to assist in the application of new GAAP standards and to prepare the City's financial statements as a nonattest engagement.

Recommendation: We recommend the City educate their staff with GAAP and GASB based training along with access to research websites.

Management Response: See Management Response on page 46.

Condition Number 2019-02

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

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

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

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

Recommendation: We recommend that the City hire additional staff or use existing staff to implement internal controls over assets and the accounting processes.

Management Response: See Management Response on page 46.

MANAGEMENT LETTER



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

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Paxton, Florida, as of and for the year ended September 30, 2020, and have issued our report thereon dated March 25, 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 and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance in accordance with Chapter 10.550, Rules of the Auditor General and Schedule of Findings. Disclosure in that report, which is dated March 25, 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 corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Recommendations were made, however due to the small size of the entity; management believes the cost of correcting these conditions would exceed the benefits to be derived from doing so. As noted below, these deficiencies remained at fiscal year ended September 30, 2020.

Tabulation of Uncorrected Audit Findings

2019-2020 Finding #	2018-2019 Finding #	2017-2018 Finding #	2016-2017 Finding #	2015-2016 Finding #
2020-01	2019-01	2018-01	2017-01	2016-01
2020-02	2019-02	2018-02	2017-02	2016-02

Official Title and Legal Authority

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

Financial Condition

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Paxton, Florida'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 address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Paxton for the fiscal year ended September 30, 2020, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2020. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

Rabren, Odom, Pierce & Hayes, PC

Andalusia, Alabama
March 25, 2021

INDEPENDENT ACCOUNTANTS' REPORT
ON COMPLIANCE WITH
LOCAL GOVERNMENT INVESTMENT POLICIES



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

Certified Public Accountants

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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

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

We have examined the City of Paxton, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the fiscal year ended September 30, 2020. The City of Paxton, Florida's management is responsible for its' compliance with those requirements. Our responsibility is to express an opinion on the City of Paxton, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City of Paxton, Florida complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City of Paxton, Florida complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, 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 reasonable basis for our opinion.

Our examination does not provide a legal determination on the City of Paxton, Florida's compliance with specified requirements.

In our opinion, the City of Paxton, Florida complied in all material respects, with the specified requirements for the year ended September 30, 2020.

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

Rabren, Odom, Pierce & Hayes, PC

March 25, 2021
Andalusia, Alabama

MANAGEMENT RESPONSE LETTER



Incorporated 1952
March 25, 2021

City of Paxton

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

This letter is in response to the findings identified by our Auditors' in their Management Letter dated March 25, 2021.

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

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

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

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

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

Sincerely,

Ann Sexton, Mayor
City of Paxton