

**CITY OF BUNNELL, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

CITY COMMISSION

*Catherine D. Robinson, Mayor
John R. Rogers, Vice Mayor
John Sowell
Bill Baxley
Elbert Tucker*

INTERIM CITY MANAGER

Thomas Foster

FINANCE DIRECTOR

Stella Gurnee

Prepared by:
City of Bunnell Finance Department

**CITY OF BUNNELL, FLORIDA
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SEPTEMBER 30, 2017**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bunnell, Florida, (the City), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof and the respective budgetary comparison for the General and Community Redevelopment Agency funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

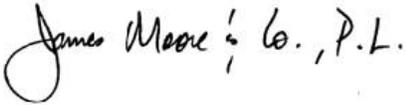
Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Daytona Beach, Florida
June 27, 2018

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2017

As management of the City of Bunnell, we offer readers of the City of Bunnell's financial statements this narrative overview and analysis of the financial activities of the City of Bunnell for the fiscal year ended September 30, 2017.

Financial Highlights

- The assets of the City of Bunnell exceeded its liabilities at the close of the most recent fiscal year by \$18,111,810 (net position). Of this amount, \$3,265,364 may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Bunnell's governmental funds reported combined ending fund balances of \$1,373,386 an increase of \$384,342. The unassigned General Fund balance available for spending at the City's discretion is \$1,122,971.

Overview of the Financial Statements

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

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

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

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

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

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

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a City's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing

City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2017

so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Bunnell maintains four major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital projects fund, the CRA fund and the Debt Service fund.

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

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

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

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Bunnell's schedule of contributions to the firefighters' retirement system.

Government-Wide Financial Analysis – As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City of Bunnell, assets exceed liabilities by \$18,111,810 at the close of the most recent fiscal year.

The largest portion of the City of Bunnell's net position \$13,235,222 (73%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, equipment); less any related debt used to acquire those assets that is still outstanding. The City of Bunnell uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Bunnell's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$ 1,611,224 (9%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$3,265,364 (18%) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City can report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities, except in governmental activities' unrestricted net position. The deficit of \$411,651 is primarily due to amounts due to other governments of \$188,568, the recording of an internal loan of \$70,400 from the Water and Sewer Fund to the General fund for the purchase of two police cars and the change in net pension liability of \$99,578.

City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2017

Business-type activities long-term liabilities decreased \$258,239 primarily due to the payment of long term notes and bonds. Business type activities capital assets increased \$323,817 due to the acquisitions of a generator for the Water Plant, a reclaim water line extension project, and other equipment.

CITY OF BUNNELL'S NET POSITION
September 30,

	Governmental Activities		Business Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 1,811,632	\$ 1,391,694	\$ 6,031,932	\$ 5,369,079	\$ 7,843,564	\$ 6,760,773
Capital Assets	4,354,710	4,437,732	15,606,082	15,929,899	19,960,792	20,367,631
Total Assets	<u>6,166,342</u>	<u>5,829,426</u>	<u>21,638,014</u>	<u>21,298,978</u>	<u>27,804,356</u>	<u>27,128,404</u>
Deferred Outflows	708,212	652,943	189,395	184,657	897,607	837,600
Total Deferred Outflows	<u>708,212</u>	<u>652,943</u>	<u>189,395</u>	<u>184,657</u>	<u>897,607</u>	<u>837,600</u>
Long-term Liabilities	2,418,410	2,649,210	6,579,950	6,831,959	9,073,824	9,481,169
Other Liabilities	513,710	402,650	366,035	489,405	804,281	892,055
Total Liabilities	<u>2,932,120</u>	<u>3,051,860</u>	<u>6,945,985</u>	<u>7,321,364</u>	<u>9,878,105</u>	<u>10,373,224</u>
Deferred Inflows	598,534	368,550	113,514	97,526	712,048	466,076
Total Deferred Outflows	<u>598,534</u>	<u>368,550</u>	<u>113,514</u>	<u>97,526</u>	<u>712,048</u>	<u>466,076</u>
Net Investment in						
Capital Assets	3,660,842	3,694,148	9,574,380	9,664,177	13,235,222	13,358,325
Restricted	94,709	83,768	1,516,515	1,242,313	1,611,224	1,326,081
Unrestricted	(411,651)	(715,957)	3,677,015	3,158,255	3,265,364	2,442,298
Total Net Position	\$ <u>3,343,900</u>	\$ <u>3,061,959</u>	\$ <u>14,767,910</u>	\$ <u>14,064,745</u>	\$ <u>18,111,810</u>	\$ <u>17,126,704</u>

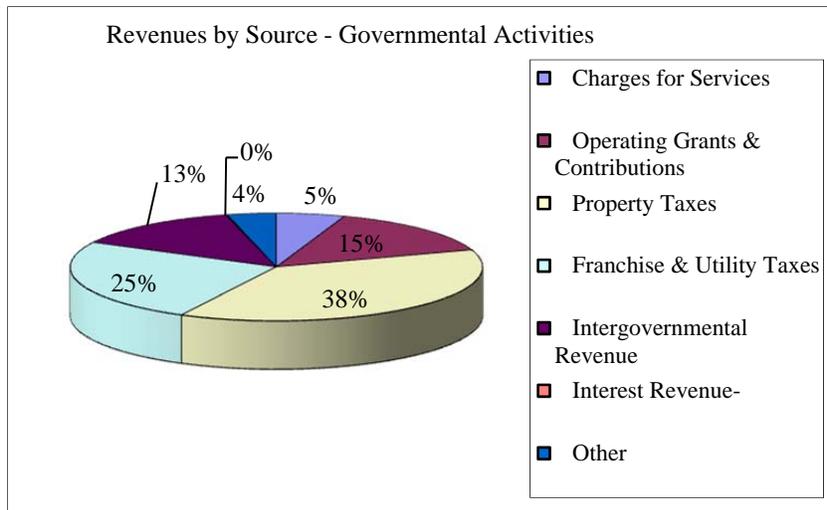
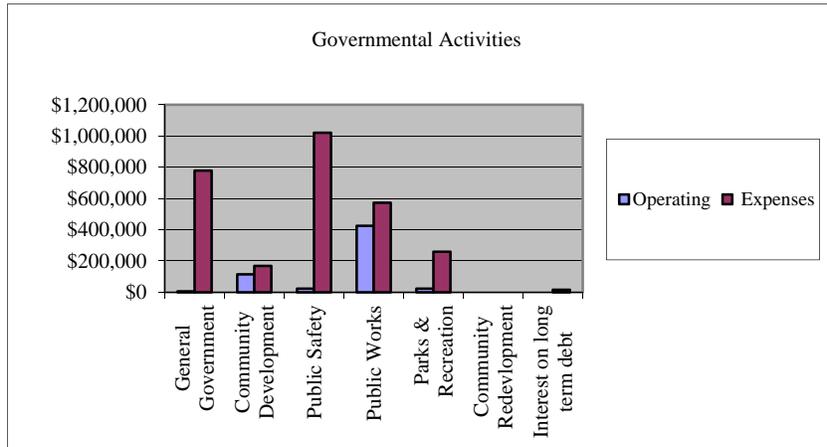
City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2017

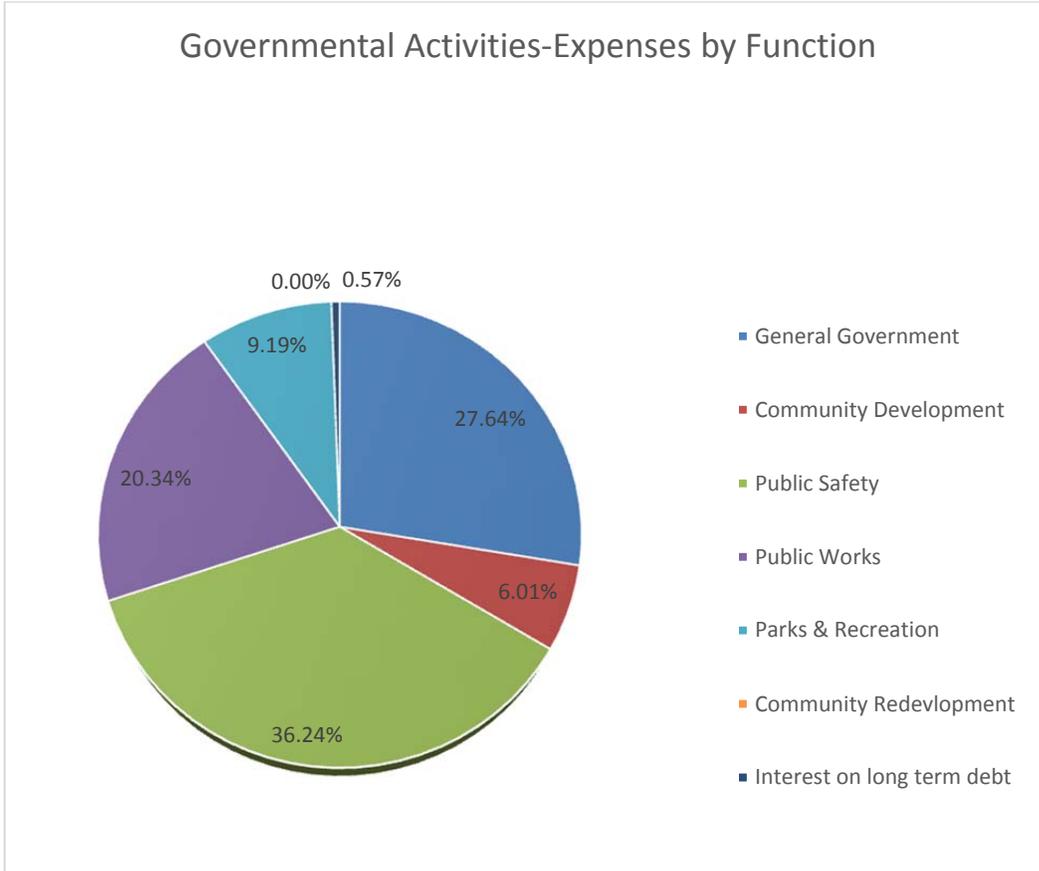
CITY OF BUNNELL'S CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services	\$ 160,114	\$ 148,260	\$ 3,527,803	\$ 3,333,148	\$ 3,687,917	\$ 3,481,408
Operating Grants & Contributions	82,689	80,472	228,848	-	311,537	108,063
Capital Grants & Contributions	350,097	482,476	367,041	915,123	717,138	1,397,599
General Revenues:						
Property Taxes	1,125,513	1,082,003			1,125,513	1,082,003
Franchise & Utility Taxes	745,749	731,756			745,749	731,756
Intergovernmental Revenue	423,265	373,398			423,265	343,398
Interest Revenue	2,989	1,653	15,155	14,298	18,144	15,951
Other	62,786	23,621	39,185	(363,258)	101,971	(339,637)
Total Revenues	<u>2,953,202</u>	<u>2,923,639</u>	<u>4,178,032</u>	<u>3,899,311</u>	<u>7,131,234</u>	<u>6,822,950</u>
Expenses:						
General Government	778,577	608,268			778,577	608,268
Community Development	169,194	181,970			169,194	181,970
Public Safety	1,020,867	1,006,732			1,020,867	1,006,732
Public Works	572,988	617,625			572,988	617,625
Parks & Recreation	258,892	261,225			258,892	261,225
Interest on Long Term debt	16,191	49,077			16,191	49,077
Water & Sewer	-	-	2,465,690	2,065,576	2,465,690	2,065,576
Solid Waste	-	-	863,729	674,736	863,729	674,736
Total Expenses	<u>2,816,709</u>	<u>2,724,897</u>	<u>3,329,419</u>	<u>2,741,312</u>	<u>6,146,128</u>	<u>5,466,209</u>
Increase (Decrease) in Net Position Before Transfers	136,493	198,742	848,613	1,157,999	985,106	1,356,741
Transfers	145,448	114,294	(145,448)	(114,294)	-	-
Increase (Decrease) in Net Position	281,941	313,036	703,165	1,043,705	985,106	1,924,343
Net Position Beginning	3,061,959	2,748,923	14,064,745	13,021,040	17,126,704	15,769,963
Net Position Ending	<u>\$ 3,343,900</u>	<u>\$ 3,061,959</u>	<u>\$ 14,767,910</u>	<u>\$ 14,064,745</u>	<u>\$ 18,111,810</u>	<u>\$ 17,126,704</u>

City of Bunnell, Florida
 Management Discussion and Analysis
 For the Year Ended September 30, 2017

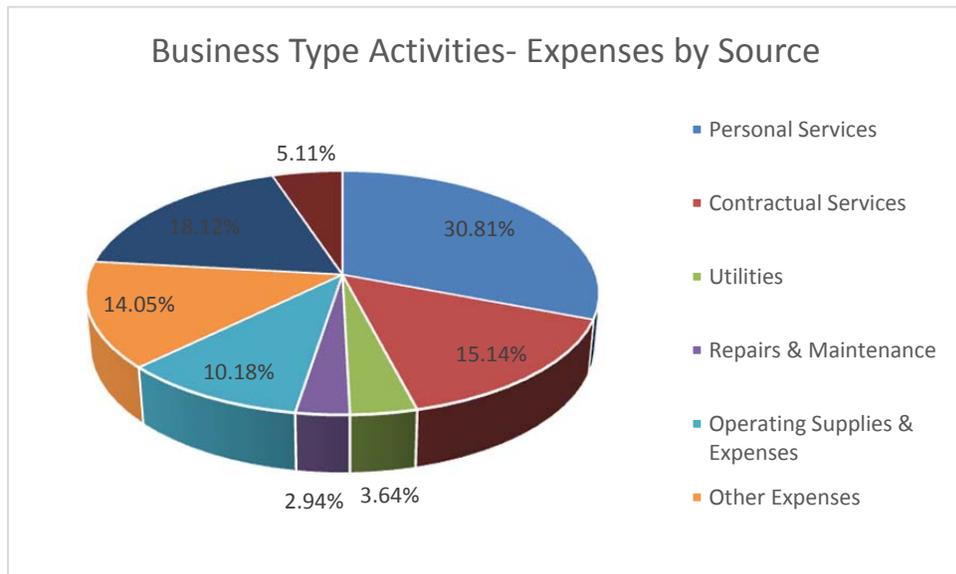
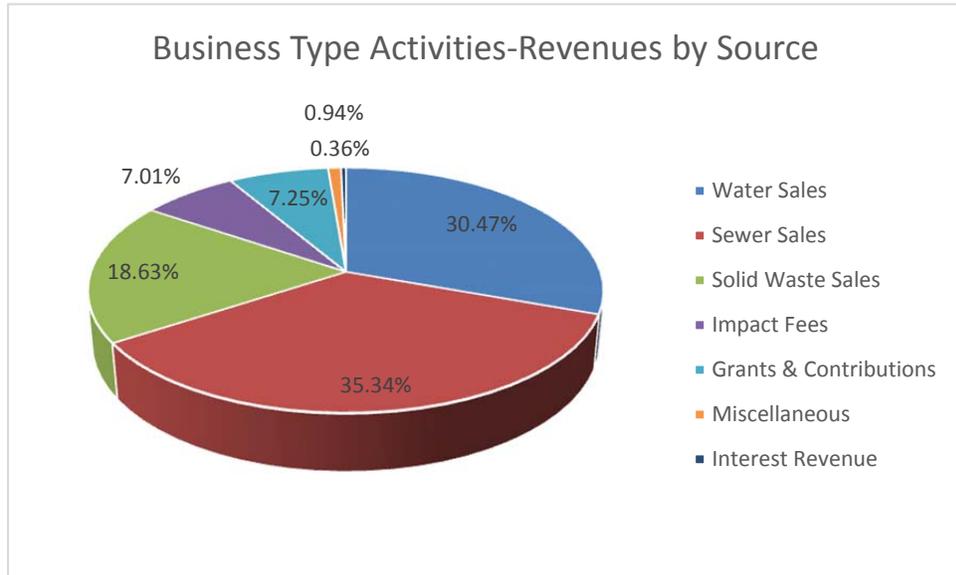
Governmental Activities – Governmental activities increased the City of Bunnell’s net position by \$281,941.





City of Bunnell, Florida
 Management Discussion and Analysis
 For the Year Ended September 30, 2017

- Business-type Activities – Business-type activities increased the City of Bunnell’s net position by \$703,165. The key elements to this increase was the receipt of grant funds for Hurricane Matthew expenditures and water and sewer impact fees related to new construction.



City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2017

Financial Analysis of the City's Funds – As noted earlier, the City of Bunnell uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. During the fiscal year 2016, the City adopted a Cash and Investment Equity Reserve policy. The policy sets the desired unrestricted net equity of 54 days or 14.8% of the annual budget for the major operating funds. On 9/30/2017 the City's General fund and Water and Sewer Fund unrestricted net equity reserves were greater than the level established in the policy, but The Solid Waste fund was not in compliance.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Bunnell's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of September 30, 2017, fund balances were \$1,122,971 an increase of \$377,306 in comparison with the prior year. This amount constitutes unassigned General Fund balance, which is available for spending at the City's discretion.

The General Fund unassigned fund balance increased by \$377,306 during the current fiscal year. This increase was primarily due to \$174,705 collection of more revenue than anticipated combined with operating expenditures of \$168,419 less than anticipated. Also, the General fund transferred \$799,604 to the Debt Service fund to pay the Debt service and a refinancing on the Municipal Complex. In addition, the Water Sewer fund paid charges for services of \$329,448 to the General fund. Also, the Solid Waste fund paid \$95,041 to the administrative charges for services in the General fund.

The capital project fund has a fund balance of \$90,160. Capital project fund revenues were transferred to the general fund for debt service on capital projects.

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

The unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$3,560,758. The total increase in net position in this fund was \$567,319. The increase was primarily due to capital contributions and capital grants of \$367,041.

Unrestricted net position in the Solid Waste Fund was \$116,257. The Solid Waste fund showed an overall increase to net position of \$135,846 primarily due to operating grants from Hurricane Matthew expenditures.

General Fund Budgetary Highlights

The budget was amended to reflect capital expenditures funded from State grants that were not reflected in the original budget. In addition, at the end of the fiscal year the budget was realigned to reflect anticipated expenditures.

The comparison of the budget versus actual for the General Fund can be found on page 19. Tax revenue was \$66,759 higher than anticipated primarily to higher than anticipated collections of utility taxes. In addition, \$40,738 of miscellaneous revenue was greater than expected. Capital expenditures were \$90,242 less than expected due to the timing of the capital projects. Public Works expenditures were \$57,524 less than anticipated contract services and utility expenses.

City of Bunnell, Florida
 Management Discussion and Analysis
 For the Year Ended September 30, 2017

Capital Assets and Debt Administration

Capital Assets – The City of Bunnell’s investment in capital assets for its governmental and business type activities as of September 30, 2017, amounts to \$19,960,792 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements other than buildings, equipment, infrastructure and construction in progress. The total change in the City of Bunnell’s investment in capital assets for the current fiscal year was a \$83,022 decrease in net capital assets for governmental activities and a \$323,817 decrease in net capital assets for business-type activities. Capital acquisitions were offset by depreciation expense that resulted in the net decline in both governmental and business-type activities.

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

- Design of the Commerce Parkway for \$64,646.
- Street resurfacing \$79,452.
- Water Treatment Plant Generator \$84,588.
- Reclaim Water Extension Grand Reserve \$66,369.
- Lift Station Upgrade County Jail \$15,642.
- Vac-Con sewer equipment \$75,000.
- Police Department vehicles \$70,397.
- Engine for Solid Waste vehicle \$35,496.

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

		Governmental Activities		Business- type Activities		Total
Land	\$	205,002	\$	26,991	\$	231,993
Construction in Progress		830,666		82,012		912,678
Buildings and improvements		3,086,928		14,888,205		17,975,133
Equipment		232,114		608,874		840,988
Total	\$	4,354,710	\$	15,606,082	\$	19,960,792

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

City of Bunnell, Florida
 Management Discussion and Analysis
 For the Year Ended September 30, 2017

Long-Term Debt – At the end of the 2017 fiscal year, the City of Bunnell had total debt outstanding of \$6,725,570.

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

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Notes & Bonds Payable	\$ 693,868	\$ 6,031,702	\$ 6,725,570
Net OPEB	31,696	22,304	54,000
Compensated Absences	112,689	38,690	151,379
Total	<u>\$ 838,253</u>	<u>\$ 6,092,696</u>	<u>\$ 6,930,949</u>

The City of Bunnell's total debt decreased by \$279,164 during the current fiscal year due to the principal payment of debt.

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

Economic Factors and Next Year's Budgets and Rates

- The City's taxable value of commercial and residential property increased by 3% for the 2017 fiscal year.
- The property values and assessments have been declining over the last several years. However, the local economy has is showing signs of increasing activity as evidenced by the property value increase. The City expects this upward trend to continue over the next several years.
- The Millage rate of 7.45 was approved in Fiscal year 2017 an increase of 3.17% over the roll back rate.
- In fiscal year 2014, the City's financial condition was considered unfavorable. Significant budget cuts were enacted. During fiscal year 2016 a fund balance reserve policy was established. By the end of the current fiscal year the General fund, Water and Sewer fund and Solid Waste fund unrestricted balances were in compliance with the new policy.
-

Requests for Information

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

**CITY OF BUNNELL, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,851,376	\$ 3,086,931	\$ 4,938,307
Investments	36,657	78,243	114,900
Receivables, net	100,841	451,254	552,095
Internal balances	(466,070)	466,070	-
Due from other governments	173,854	302,802	476,656
Inventories	5,123	87,348	92,471
Prepays	109,851	-	109,851
Restricted assets:			
Cash and cash equivalents	-	1,559,284	1,559,284
Capital assets:			
Land	205,002	26,991	231,993
Buildings and improvements	5,777,800	20,156,116	25,933,916
Equipment	3,690,182	2,251,306	5,941,488
Construction in progress	830,666	82,012	912,678
Accumulated depreciation	(6,148,940)	(6,910,343)	(13,059,283)
Total assets	<u>\$ 6,166,342</u>	<u>\$ 21,638,014</u>	<u>\$ 27,804,356</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 708,212</u>	<u>\$ 189,395</u>	<u>\$ 897,607</u>
LIABILITIES			
Accounts payable	\$ 21,034	\$ 17,428	\$ 38,462
Accrued payroll and employee benefits	90,804	40,450	131,254
Customer deposits	500	265,388	265,888
Accrued rent	113,122	-	113,122
Unearned revenue	24,218	-	24,218
Due to other governments	188,568	-	188,568
Accrued interest payable	-	42,769	42,769
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	47,292	239,389	286,681
Compensated absences	28,172	9,673	37,845
Due in more than one year:			
Bonds and notes payable	646,576	5,792,313	6,438,889
Net OPEB obligation	31,696	22,304	54,000
Compensated absences	84,517	29,017	113,534
Net pension liability	1,655,621	487,254	2,142,875
Total liabilities	<u>\$ 2,932,120</u>	<u>\$ 6,945,985</u>	<u>\$ 9,878,105</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 598,534</u>	<u>\$ 113,514</u>	<u>\$ 712,048</u>
NET POSITION			
Net investment in capital assets	\$ 3,660,842	\$ 9,574,380	\$ 13,235,222
Restricted for:			
Capital improvements	90,709	1,142,685	1,233,394
Debt service	377	373,830	374,207
Community redevelopment	3,623	-	3,623
Unrestricted	(411,651)	3,677,015	3,265,364
Total net position	<u>\$ 3,343,900</u>	<u>\$ 14,767,910</u>	<u>\$ 18,111,810</u>

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

**CITY OF BUNNELL, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 778,577	\$ 5,724	\$ -	\$ -	\$ (772,853)	\$ -	\$ (772,853)
Community development	169,194	115,025	-	-	(54,169)	-	(54,169)
Public safety	1,020,867	16,393	1,000	5,675	(997,799)	-	(997,799)
Public works	572,988	-	81,689	343,787	(147,512)	-	(147,512)
Parks and recreation	258,892	22,972	-	635	(235,285)	-	(235,285)
Interest on long-term debt	16,191	-	-	-	(16,191)	-	(16,191)
Total governmental activities	<u>2,816,709</u>	<u>160,114</u>	<u>82,689</u>	<u>350,097</u>	<u>(2,223,809)</u>	<u>-</u>	<u>(2,223,809)</u>
Business-type activities:							
Water and sewer	2,465,690	2,751,716	23,129	367,041	-	676,196	676,196
Solid Waste	863,729	776,087	205,719	-	-	118,077	118,077
Total business-type activities	<u>3,329,419</u>	<u>3,527,803</u>	<u>228,848</u>	<u>367,041</u>	<u>-</u>	<u>794,273</u>	<u>794,273</u>
Total primary government	<u>\$ 6,146,128</u>	<u>\$ 3,687,917</u>	<u>\$ 311,537</u>	<u>\$ 717,138</u>	<u>(2,223,809)</u>	<u>794,273</u>	<u>(1,429,536)</u>
General revenues:							
Property taxes					1,125,513	-	1,125,513
Sales and use taxes					100,629	-	100,629
Franchise fees					255,283	-	255,283
Public service utility taxes					490,466	-	490,466
Fire insurance premium taxes					10,275	-	10,275
Other taxes					85,631	-	85,631
State revenue sharing					77,141	-	77,141
Other intergovernmental revenues					149,589	-	149,589
Investment earnings					2,989	15,155	18,144
Miscellaneous revenues (expenses)					62,786	39,185	101,971
Transfers					145,448	(145,448)	-
Total general revenues and transfers					<u>2,505,750</u>	<u>(91,108)</u>	<u>2,414,642</u>
Change in net position					281,941	703,165	985,106
Net position - beginning					3,061,959	14,064,745	17,126,704
Net position - ending					<u>\$ 3,343,900</u>	<u>\$ 14,767,910</u>	<u>\$ 18,111,810</u>

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

**CITY OF BUNNELL, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	General	Community Redevelopment Agency	Capital Projects	Debt Service	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,774,202	\$ 3,623	\$ 73,174	\$ 377	\$ 1,851,376
Investments	36,657	-	-	-	36,657
Receivables, net	100,841	-	-	-	100,841
Due from other governments	156,319	-	17,535	-	173,854
Inventories	5,123	-	-	-	5,123
Prepaid items	109,851	-	-	-	109,851
Total assets	<u>\$ 2,182,993</u>	<u>\$ 3,623</u>	<u>\$ 90,709</u>	<u>\$ 377</u>	<u>\$ 2,277,702</u>
LIABILITIES					
Accounts payable	\$ 21,034	\$ -	\$ -	\$ -	\$ 21,034
Accrued payroll and employee benefits	90,804	-	-	-	90,804
Accrued rent	113,122	-	-	-	113,122
Due to other governments	188,568	-	-	-	188,568
Customer deposits	500	-	-	-	500
Unearned revenue	24,218	-	-	-	24,218
Advances from other funds	466,070	-	-	-	466,070
Total liabilities	<u>904,316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>904,316</u>
FUND BALANCES					
Nonspendable:					
Inventories	5,123	-	-	-	5,123
Prepaid items	109,851	-	-	-	109,851
Restricted for:					
Community redevelopment	-	3,623	-	-	3,623
Capital improvements	-	-	90,709	-	90,709
Debt service	-	-	-	377	377
Assigned to:					
Fiscal year 2018 budget	40,732	-	-	-	40,732
Unassigned	1,122,971	-	-	-	1,122,971
Total fund balances	<u>1,278,677</u>	<u>3,623</u>	<u>90,709</u>	<u>377</u>	<u>1,373,386</u>
Total liabilities and fund balances	<u>\$ 2,182,993</u>	<u>\$ 3,623</u>	<u>\$ 90,709</u>	<u>\$ 377</u>	<u>\$ 2,277,702</u>

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

CITY OF BUNNELL, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Fund balances - total governmental funds \$ 1,373,386

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

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

Total governmental capital assets	10,503,650	
Less: accumulated depreciation	(6,148,940)	4,354,710

On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.

Net pension liability	(1,655,621)	
Deferred outflows related to pensions	708,212	
Deferred inflows related to pensions	(598,534)	(1,545,943)

Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:

Bonds and notes payable	(693,868)	
Net OPEB obligation	(31,696)	
Compensated absences	(112,689)	(838,253)

Net position of governmental activities \$ 3,343,900

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

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General	Community Redevelopment Agency	Capital Projects	Debt Service	Total Governmental Funds
Revenues					
Taxes	\$ 1,963,226	\$ -	\$ 103,675	\$ -	\$ 2,066,901
Licenses and permits	178,628	-	-	-	178,628
Intergovernmental	568,471	-	-	-	568,471
Charges for services	408,172	-	-	-	408,172
Fines and forfeitures	14,217	-	-	-	14,217
Investment gain (loss)	2,848	5	90	46	2,989
Miscellaneous	91,398	-	-	-	91,398
Total revenues	3,226,960	5	103,765	46	3,330,776
Expenditures					
Current:					
General government	1,065,029	-	-	-	1,065,029
Community development	159,146	-	-	-	159,146
Public safety	905,610	-	-	-	905,610
Public works	461,230	-	-	-	461,230
Parks and recreation	206,403	-	-	-	206,403
Capital outlay	219,675	-	-	-	219,675
Debt service					
Principal	-	-	-	781,724	781,724
Interest and fiscal charges	6,534	-	-	18,539	25,073
Total expenditures	3,023,627	-	-	800,263	3,823,890
Excess (deficiency) of revenues over expenditures	203,333	5	103,765	(800,217)	(493,114)
Other financing sources (uses)					
Transfers in	237,664	-	-	799,604	1,037,268
Transfers out	(799,604)	-	(92,216)	-	(891,820)
Issuance of debt	732,008	-	-	-	732,008
Total other financing sources (uses)	170,068	-	(92,216)	799,604	877,456
Net change in fund balances	373,401	5	11,549	(613)	384,342
Fund balances, beginning of year	905,276	3,618	79,160	990	989,044
Fund balances, end of year	\$ 1,278,677	\$ 3,623	\$ 90,709	\$ 377	\$ 1,373,386

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

CITY OF BUNNELL, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net change in fund balances - total governmental funds	\$	384,342
Differences in amounts reported for governmental activities in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		219,675
Depreciation expense		(300,546)
In the statement of activities, only the gain/loss on sale/disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold/disposed.		
		(2,151)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.		
Change in net pension liability and deferred inflows/outflows related to pensions		(75,137)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position. These amounts are as follows:		
Proceeds from issuance of long-term debt		(732,008)
Principal repayment of of long-term debt		781,724
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. These adjustments are as follows:		
Change in net OPEB obligation		(5,122)
Change in compensated absences liability		11,164
Change in net position of governmental activities	\$	281,941

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

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 1,896,467	\$ 1,896,467	\$ 1,963,226	\$ 66,759
Licenses and permits	125,500	140,500	178,628	38,128
Intergovernmental	265,077	544,937	568,471	23,534
Charges for services	390,360	401,516	408,172	6,656
Fines and forfeitures	18,100	18,100	14,217	(3,883)
Interest revenues	75	75	2,848	2,773
Miscellaneous	15,349	50,660	91,398	40,738
Total revenues	<u>2,710,928</u>	<u>3,052,255</u>	<u>3,226,960</u>	<u>174,705</u>
Expenditures				
Current:				
General government:				
Legislative	162,622	160,122	157,291	2,831
Executive	106,473	106,473	108,432	(1,959)
Administration	349,808	585,383	546,885	38,498
Legal	84,204	84,204	84,433	(229)
Finance	169,203	179,203	167,988	11,215
Public safety:				
Fire	114,844	116,044	112,407	3,637
Police	806,154	805,884	793,203	12,681
Community development	170,892	170,892	159,146	11,746
Public works	460,717	518,484	461,230	57,254
Parks and recreation	254,148	239,148	206,403	32,745
Capital outlay	174,962	309,917	219,675	90,242
Debt service:				
Principal	23,702	23,702	-	23,702
Interest and fiscal charges	3,267	3,267	6,534	(3,267)
Total expenditures	<u>2,880,996</u>	<u>3,302,723</u>	<u>3,023,627</u>	<u>279,096</u>
Excess (deficiency) of revenues over expenditures	<u>(170,068)</u>	<u>(250,468)</u>	<u>203,333</u>	<u>453,801</u>
Other financing sources (uses)				
Transfers in	237,664	308,064	237,664	(70,400)
Transfers out	(67,596)	(799,723)	(799,604)	119
Issuance of debt	-	732,127	732,008	(119)
Total other financing sources (uses)	<u>170,068</u>	<u>240,468</u>	<u>170,068</u>	<u>(70,400)</u>
Net change in fund balances	<u>-</u>	<u>(10,000)</u>	<u>373,401</u>	<u>383,401</u>
Fund balances, beginning of year	905,276	905,276	905,276	-
Fund balances, end of year	<u>\$ 905,276</u>	<u>\$ 895,276</u>	<u>\$ 1,278,677</u>	<u>\$ 383,401</u>

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

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - COMMUNITY REDEVELOPMENT AGENCY
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget -
				Positive
				(Negative)
REVENUES				
Interest revenues	\$ -	\$ -	\$ 5	\$ 5
Total revenues	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Expenditures				
Current:				
Community redevelopment	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
Fund balances, beginning of year	3,618	3,618	3,618	-
Fund balances, end of year	<u>\$ 3,618</u>	<u>\$ 3,618</u>	<u>\$ 3,623</u>	<u>\$ 5</u>

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

**CITY OF BUNNELL, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 3,041,214	\$ 45,717	\$ 3,086,931
Investments	78,243	-	78,243
Restricted cash and cash equivalents	282,158	-	282,158
Accounts receivable, net	349,705	101,549	451,254
Due from other governments	97,083	205,719	302,802
Inventories	87,348	-	87,348
Due from other funds	100,000	-	100,000
Total current assets	<u>4,035,751</u>	<u>352,985</u>	<u>4,388,736</u>
Noncurrent assets:			
Restricted cash	1,277,126	-	1,277,126
Advances to other funds	466,070	-	466,070
Capital assets:			
Land	26,991	-	26,991
Buildings and improvements	20,156,116	-	20,156,116
Equipment	1,631,840	619,466	2,251,306
Construction in progress	82,012	-	82,012
Accumulated depreciation	<u>(6,386,452)</u>	<u>(523,891)</u>	<u>(6,910,343)</u>
Total noncurrent assets	<u>17,253,703</u>	<u>95,575</u>	<u>17,349,278</u>
Total assets	<u>\$ 21,289,454</u>	<u>\$ 448,560</u>	<u>\$ 21,738,014</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 150,085</u>	<u>\$ 39,310</u>	<u>\$ 189,395</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 15,447	\$ 1,981	\$ 17,428
Accrued payroll	32,939	7,511	40,450
Deposits	244,643	20,745	265,388
Due to other funds	-	100,000	100,000
Compensated absences	5,569	4,104	9,673
Payable from restricted assets:			
Current maturities on long-term debt	239,389	-	239,389
Accrued interest payable	42,769	-	42,769
Total current liabilities	<u>580,756</u>	<u>134,341</u>	<u>715,097</u>
Noncurrent liabilities:			
Notes payable	5,792,313	-	5,792,313
Net OPEB obligation	17,609	4,695	22,304
Net pension liability	386,123	101,131	487,254
Compensated absences	16,706	12,311	29,017
Total noncurrent liabilities	<u>6,212,751</u>	<u>118,137</u>	<u>6,330,888</u>
Total liabilities	<u>\$ 6,793,507</u>	<u>\$ 252,478</u>	<u>\$ 7,045,985</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 89,954</u>	<u>\$ 23,560</u>	<u>\$ 113,514</u>
NET POSITION			
Net investment in capital assets	\$ 9,478,805	\$ 95,575	\$ 9,574,380
Restricted for:			
Capital improvements	1,142,685	-	1,142,685
Debt service	373,830	-	373,830
Unrestricted	3,560,758	116,257	3,677,015
Total net position	<u>\$ 14,556,078</u>	<u>\$ 211,832</u>	<u>\$ 14,767,910</u>

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

CITY OF BUNNELL, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 2,751,716	\$ 776,087	\$ 3,527,803
Total operating revenues	<u>2,751,716</u>	<u>776,087</u>	<u>3,527,803</u>
Operating expenses			
Personal services	825,527	202,052	1,027,579
Contractual services	425,034	443,316	868,350
Repairs and maintenance	51,971	44,827	96,798
Supplies	276,553	49,596	326,149
Utilities	127,950	1,926	129,876
Other expenses	116,759	31,088	147,847
Depreciation	512,462	90,924	603,386
Total operating expenses	<u>2,336,256</u>	<u>863,729</u>	<u>3,199,985</u>
Operating income (loss)	<u>415,460</u>	<u>(87,642)</u>	<u>327,818</u>
Nonoperating revenues (expenses)			
Interest earnings	14,781	374	15,155
Operating grants	23,129	205,719	228,848
Other income (expense)	21,790	17,395	39,185
Interest and amortization expense	(129,434)	-	(129,434)
Total nonoperating revenues (expenses)	<u>(69,734)</u>	<u>223,488</u>	<u>153,754</u>
Income (loss) before capital contributions and transfers	<u>345,726</u>	<u>135,846</u>	<u>481,572</u>
Capital grants	73,954	-	73,954
Capital contributions	293,087	-	293,087
Transfers out	(145,448)	-	(145,448)
Change in net position	<u>567,319</u>	<u>135,846</u>	<u>703,165</u>
Net position, beginning of year	13,988,759	75,986	14,064,745
Net position, end of year	<u>\$ 14,556,078</u>	<u>\$ 211,832</u>	<u>\$ 14,767,910</u>

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

CITY OF BUNNELL, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 2,813,482	\$ 775,285	\$ 3,588,767
Cash paid to employees	(815,430)	(218,888)	(1,034,318)
Cash paid to suppliers	(1,160,331)	(570,177)	(1,730,508)
Other receipts (payments)	44,919	223,114	268,033
Net cash provided by operating activities	<u>882,640</u>	<u>209,334</u>	<u>1,091,974</u>
Cash flows from noncapital financing activities			
Interfund transfers	(145,448)	-	(145,448)
Interfund loans	(16,433)	(2,064)	(18,497)
Net cash provided by (used in) noncapital financing activities	<u>(161,881)</u>	<u>(2,064)</u>	<u>(163,945)</u>
Cash flows from capital and related financing activities			
Impact fees and capital contributions	293,087	-	293,087
Acquisition and construction of capital assets	(244,073)	(35,496)	(279,569)
Capital grants	73,954	(205,719)	(131,765)
Principal payments of long-term debt	(234,020)	-	(234,020)
Proceeds from issuance of long-term debt	-	-	-
Interest paid	(131,133)	-	(131,133)
Net cash provided by (used in) capital and related financing activities	<u>(242,185)</u>	<u>(241,215)</u>	<u>(483,400)</u>
Cash flows from investing activities			
Interest received	13,940	374	14,314
Net cash provided by investing activities	<u>13,940</u>	<u>374</u>	<u>14,314</u>
Net increase (decrease) in cash and cash equivalents	<u>492,514</u>	<u>(33,571)</u>	<u>458,943</u>
Cash and cash equivalents, beginning of year	4,107,984	79,288	4,187,272
Cash and cash equivalents, end of year	<u>\$ 4,600,498</u>	<u>\$ 45,717</u>	<u>\$ 4,646,215</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 415,460	\$ (87,642)	\$ 327,818
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation	512,462	90,924	603,386
Other income (expense)	44,919	223,114	268,033
Changes in assets and liabilities:			
Accounts receivable	(22,214)	(2,927)	(25,141)
Due from other governments	61,192	-	61,192
Inventories and prepaids	(14,904)	-	(14,904)
Accounts payable and accrued liabilities	(147,160)	576	(146,584)
Deposits	22,788	2,125	24,913
Compensated absences	2,441	295	2,736
Net pension liability	2,195	(19,548)	(17,353)
Net OPEB obligation	5,461	2,417	7,878
Net cash provided by operating activities	<u>\$ 882,640</u>	<u>\$ 209,334</u>	<u>\$ 1,091,974</u>
Cash and cash equivalents classified as:			
Unrestricted	\$ 3,041,214	\$ 45,717	\$ 3,086,931
Restricted	1,559,284	-	1,559,284
Total cash and cash equivalents	<u>\$ 4,600,498</u>	<u>\$ 45,717</u>	<u>\$ 4,646,215</u>
Non-cash investing, capital, and financing activities:			
Refinancing of long-term debt	\$ 1,937,333	\$ -	\$ 1,937,333

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

**CITY OF BUNNELL, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2017**

	Firefighters' Pension Trust Fund
ASSETS	
Cash and cash equivalents with trustee	\$ 14,058
Receivables	
State premium taxes	10,276
Total receivables	10,276
Investments, at fair value	
Mutual funds	574,249
Total investments	574,249
Total assets	598,583
LIABILITIES	
Deferred contributions	11,643
NET POSITION	
Held in trust for pension benefits	\$ 586,940

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

CITY OF BUNNELL, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Firefighters' Pension Trust Fund
Additions	
Contributions:	
State - insurance premium taxes	\$ 12,469
Total contributions	12,469
Investment earnings:	
Interest and dividends	12,336
Net appreciation (depreciation) in fair value of investments	52,241
Total investment earnings	64,577
Less: investment expense	(6,204)
Net investment income (loss)	58,373
Total additions	70,842
Deductions	
Benefit payments	44,385
Administrative expenses	6,052
Total deductions	50,437
Change in net position	20,405
Net position held in trust for pension benefits, beginning of year	566,535
Net position held in trust for pension benefits, end of year	\$ 586,940

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

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

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

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

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

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

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

(d) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Taxes, intergovernmental revenue, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fiduciary fund:

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

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

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

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

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

(l) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when paid.

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

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

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

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

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

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

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

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

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

(3) **Property Tax Calendar:**

Under Florida law, the assessment of all properties and collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. State laws regulating tax assessment are designed to ensure a consistent property valuation method statewide and permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2017, was 7.4500 per \$1,000.

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(3) **Property Tax Calendar:** (Continued)

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

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

Valuation Date:	January 1, 2016
Levy Date:	November 1, 2016
Due Date:	March 31, 2017
Lien Date:	June 1, 2017

(4) **Deposits and Investments:**

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

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

As of September 30, 2017, all City deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application* (generally based on quoted market prices). Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The City is a member of Florida PRIME, the Local Government Surplus Funds Trust Fund Investment Pool (the Pool), that is administered by the State Board of Administration of Florida (SBA). This pool is a “2a-7 like” pool, which has the characteristics of a money market fund. Therefore, the fair value of investments held at the State Board of Administration Pool is the same as the fair value of the pooled shares. The Regulatory Oversight of the Local Government Surplus Funds Trust fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules for the State Board of Administration. These rules provide guidance and establish the general procedure for the administration of the Local Government Surplus Funds Trust Fund. The Local Government Surplus Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the Board has adopted operating procedure consistent with the requirements for a 2a-7 fund. The investment pool had a weighted average of 51 days to maturity and was rated AAAM by Standard & Poor’s as of September 30, 2017. The Pool’s investments are recorded at amortized cost.

As of September 30, 2017, the City’s governmental and business-type investment portfolio is composed of the following investments:

<u>Investment Type</u>	<u>Credit Quality Rating (S&P)</u>	<u>Fair Value</u>	<u>Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1-5</u>	<u>Over 5</u>
Cash and cash equivalents	NR	\$ 6,497,591	\$ 6,497,591	\$ -	\$ -
SBA funds	AAAM	114,900	114,900	-	-
Total Portfolio		<u>\$ 6,612,491</u>	<u>\$ 6,612,491</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

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

Custodial Credit Risk: All demand deposits are held with qualified public depositories, as defined above. In the case of investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2017, the City’s investment of \$114,900 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

The Firefighters' Retirement Trust Fund has adopted an investment policy which authorizes the pension manager to invest in equities, fixed income investments, money market funds, and pooled funds.

The Firefighters' Retirement Trust Fund measures and records its investments, assets whose use is limited, and restricted assets using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

The following chart shows the Firefighters' Pension fund cash and investment accounts by investment portfolios with effective duration presented in terms of years, and fair value hierarchy level:

	Fair Value	Maturities (in years) Less Than 1	Credit Rating Range (S&P)	Fair Value Hierarchy Level
Cash	\$ 14,058	\$ 14,058	NR	N/A
Mutual Funds – Fixed Income	189,354	189,354	NR	1
Mutual Funds – Equity	384,895	384,895	NR	1
Total Portfolio	<u>\$ 588,307</u>	<u>\$ 588,307</u>		

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2017, all investments were held in cash or other assets that could be liquidated at any time.

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Pension Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2017.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Firefighters' Pension trust fund policy does not allow more than five (5) percent of its assets in the common stock, capital stock, or convertible securities of any one issuing company, nor more than three (3) percent of its assets in fixed income bonds to be with a single corporation. At September 30, 2017, the investment portfolios met these limitations.

Custodial Credit Risk: Custodial credit risk is the risk that the City may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At September 30, 2017, the investment portfolios had no foreign investments.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

A reconciliation of cash and investments as shown in the accompanying financial statements follows:

Fair Value/Carrying Value	
Governmental and Business-type Investment Portfolio	\$ 6,612,491
Pension Investment Portfolio	588,307
Total	\$ 7,200,798
 Government-Wide Statement of Net Position:	
Equity in pooled cash	\$ 4,938,307
Investments	114,900
Restricted equity in pooled cash	1,559,284
Statement of Fiduciary Net Position:	
Cash and cash equivalents with trustee	14,058
Investments	574,249
Total	\$ 7,200,798

(5) **Accounts Receivable:**

The City's receivables consist of the following at September 30, 2017:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 100,841	\$ -	\$ 100,841
Totals – Governmental Type Activities	100,841	-	100,841
Business-Type Activities			
Water and Sewer Fund			
Accounts receivable	513,035	(163,330)	349,705
Solid Waste Fund			
Accounts receivable	150,675	(49,126)	101,549
Totals – Business-Type Activities	663,710	(212,456)	451,254
Totals	\$ 764,551	\$ (212,456)	\$ 552,095

In addition to accounts receivable, the City also recorded \$476,656 in due from other governments at September 30, 2017. Approximately \$297,000 of these amounts relates to Federal and State reimbursements related to Hurricane Matthew and Hurricane Irma, both of which impacted the City in fiscal year 2017. These amounts reflect management's best estimate of recoveries based on costs incurred and approved project worksheets, and are subject to change pending adjustments made by the respective Federal and/or State agencies.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 205,002	\$ -	\$ -	\$ 205,002
Construction in progress	766,020	64,646	-	830,666
Total capital assets, not being depreciated	<u>971,022</u>	<u>64,646</u>	<u>-</u>	<u>1,035,668</u>
Capital assets, being depreciated –				
Buildings	5,698,348	79,452	-	5,777,800
Equipment	3,661,636	75,577	(47,031)	3,690,182
Total capital assets, being depreciated	9,359,984	155,029	(47,031)	9,467,982
Less: accumulated depreciation	<u>(5,893,274)</u>	<u>(300,546)</u>	<u>44,880</u>	<u>(6,148,940)</u>
Total capital assets, being depreciated, net	<u>3,466,710</u>	<u>(145,517)</u>	<u>(2,151)</u>	<u>3,319,042</u>
Governmental activities capital assets, net	<u>\$ 4,437,732</u>	<u>\$ (80,871)</u>	<u>\$ (2,151)</u>	<u>\$ 4,354,710</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 26,991	\$ -	\$ -	\$ 26,991
Construction in progress	-	82,012	-	82,012
Total capital assets, not being depreciated	<u>26,991</u>	<u>82,012</u>	<u>-</u>	<u>109,003</u>
Capital assets, being depreciated –				
Buildings and improvements	20,153,643	2,473	-	20,156,116
Equipment	2,132,617	195,084	(76,395)	2,251,306
Total capital assets, being depreciated	22,286,260	197,557	(76,395)	22,407,422
Less: accumulated depreciation	<u>(6,383,352)</u>	<u>(603,386)</u>	<u>76,395</u>	<u>(6,910,343)</u>
Total capital assets, being depreciated, net	<u>15,902,908</u>	<u>(405,829)</u>	<u>-</u>	<u>15,497,079</u>
Business-type activities capital assets, net	<u>\$ 15,929,899</u>	<u>\$ (323,817)</u>	<u>\$ -</u>	<u>\$ 15,606,082</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 56,715
Community development	6,928
Public safety	81,383
Parks and recreation	47,878
Public works	107,642
Total depreciation expense - governmental activities	<u>\$ 300,546</u>
Business-type activities:	
Water and sewer	\$ 512,462
Solid waste	90,924
Total depreciation expense - business-type activities	<u>\$ 603,386</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

A summary of the long-term liability transactions for the City for the fiscal year ended September 30, 2017, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Notes and bonds payable	\$ 743,584	\$ 732,008	\$ (781,724)	\$ 693,868	\$ 47,292
Net OPEB obligation	26,574	5,122	-	31,696	-
Compensated absences	123,853	114,646	(125,810)	112,689	28,172
Governmental activities – Total long-term liabilities	<u>\$ 894,011</u>	<u>\$ 851,776</u>	<u>\$ (907,534)</u>	<u>\$ 838,253</u>	<u>\$ 75,464</u>
Business-type activities:					
Long-term debt:					
Notes and bonds payable	\$ 5,508,302	\$ 1,937,333	\$ (2,111,964)	\$ 5,333,671	\$ 177,833
SRF Notes payable	757,420	741	(60,130)	698,031	61,556
Total long-term debt, net	<u>6,265,722</u>	<u>1,938,074</u>	<u>(2,172,094)</u>	<u>6,031,702</u>	<u>239,389</u>
Net OPEB obligation	14,426	7,878	-	22,304	-
Compensated absences	35,954	48,564	(45,828)	38,690	9,673
Business-type activities – Total long-term liabilities	<u>\$ 6,316,102</u>	<u>\$ 1,994,516</u>	<u>\$ (2,217,922)</u>	<u>\$ 6,092,696</u>	<u>\$ 249,062</u>

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

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2018	\$ 48,216	\$ 16,374	\$ 238,663	\$ 128,602	\$ 431,855
2019	49,379	15,195	244,438	122,721	431,733
2020	50,569	14,027	250,340	116,694	431,630
2021	51,789	12,752	283,878	110,517	458,936
2022	53,038	11,486	290,044	101,120	455,688
2023-2027	285,003	37,364	1,444,821	412,490	2,179,678
2028-2032	155,874	5,244	959,166	278,036	1,398,320
2033-2037	-	-	442,254	215,429	657,683
2038-2042	-	-	485,264	171,912	657,176
2043-2047	-	-	498,835	123,618	622,453
2048-2052	-	-	535,000	74,813	609,813
2053-2055	-	-	358,999	20,213	379,212
Total	<u>\$ 693,868</u>	<u>\$ 112,442</u>	<u>\$ 6,031,702</u>	<u>\$ 1,876,165</u>	<u>\$ 8,714,177</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Notes and bonds payable in the City's governmental activities at September 30, 2017, are comprised of the following obligations:

Non-Ad Valorem Revenue note payable, in the original amount of \$732,008, dated February 28, 2017, bearing interest at a fixed rate of 2.39% and maturing on February 26, 2030. Repayment of loan balance is secured by a pledge of Non-Ad Valorem revenues.	\$ 693,868
Total long-term debt, governmental activities	<u>\$ 693,868</u>

Notes and bonds payable in the City's business-type activities at September 30, 2017, are comprised of the following obligations:

State Revolving Fund note payable, dated July 1, 2005, due in semiannual payments of \$35,363, including interest at 2.6% through December 15, 2025. Repayment of loan balance is secured by a pledge of Water & Sewer Utility revenues.	\$ 523,172
Note payable to Florida Department of Transportation, in the original amount of \$529,694, unsecured and noninterest bearing. Flagler County made a \$264,647 payment in 2010, remaining payments will begin October 15, 2020 with ten annual payments of \$26,505.	265,047
State Revolving Fund note payable, dated November 19, 2012, due in semiannual payments of \$4,777 once the full amount has been drawn, including interest at 2.12% through June 15, 2035. Repayment of loan balance is secured by a pledge of Water & Sewer Utility revenues.	174,859
Water and Sewer System Refunding Revenue Note, Series 2017: Water and Sewer Revenue note payable, in the original amount of \$1,937,333, dated February 28, 2017; due serially to May 21, 2030 with interest at 2.39% payable annually. Repayment of year-end loan balance is secured by a pledge of Water and Sewer Utility Revenues.	1,821,624
Water and Sewer Bonds, in the original amount of \$3,362,000, dated May 20, 2015; due serially to May 20, 2055 with interest at 1.875% payable annually. Repayment of year-end loan balance is secured by a pledge of Water and Sewer Utility Revenues.	3,247,000
Total long-term debt, business-type activities	<u>\$ 6,031,702</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2017, are comprised of the following:

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

For the year ended September 30, 2017, an interfund advance, which is not scheduled to be collected in the subsequent year, consisted of the following:

	<u>Advance To</u>	<u>Advance From</u>
Governmental Activities		
General Fund:		
Water and Sewer Fund	\$ -	\$ 466,070
Business-Type Activities		
Water and Sewer Fund:		
General Fund	466,070	-
Totals – All Funds	<u>\$ 466,070</u>	<u>\$ 466,070</u>

For the year ended September 30, 2017, interfund transfers consisted of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities		
General Fund:		
Debt Service Fund	\$ -	\$ 799,604
Capital Projects Fund	92,216	-
Water and Sewer Fund	145,448	-
Debt Service Fund:		
General Fund	799,604	-
Capital Projects Fund:		
General Fund	-	92,216
	<u>1,037,268</u>	<u>891,820</u>
Business-Type Activities		
Water and Sewer Fund:		
General Fund	-	145,448
Totals – All Funds	<u>\$ 1,037,268</u>	<u>\$ 1,037,268</u>

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

A. Florida Retirement System:

Plan Description and Administration

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

In addition, all regular employees of the City are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a 5% benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

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

Financial Statements

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

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

Contributions

The City participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Employee Contribution Rate	Employer Contribution Rate	Total Contribution Rate
Regular Class	3.00%	5.80%	8.80%
Special Risk	3.00%	20.85%	23.85%
Senior Management	3.00%	20.05%	23.05%
Regular Class Not Eligible for FRS	0.00%	11.33%	11.33%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Actual contributions made for City employees participating in FRS and HIS for the each of last three fiscal years ended September 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Payroll – Covered Employees	\$ 1,676,346	\$ 1,669,149	\$ 2,046,001
City Contributions – FRS	149,348	167,167	190,099
City Contributions – HIS	27,827	21,031	25,780
Employee Contributions	49,615	49,756	61,140

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

At September 30, 2017, the City reported a liability of \$2,259,177 for its proportionate share of the net pension liability, \$1,696,958 related to FRS and \$562,219 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2017, the City's FRS proportion was 0.005736974% and the City's HIS proportion was 0.005258092%. For the year ended September 30, 2017, the City's recognized pension expense of \$221,533 from FRS and \$14,792 from HIS, for a grand total of \$236,325.

Deferred outflows/inflows related to pensions:

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 155,740	\$ (9,400)	\$ -	\$ (1,171)
Changes of assumptions	570,298	-	79,029	(48,616)
Net different between projected and actual investment earnings	-	(42,055)	312	-
Change in City's proportionate share	-	(241,124)	27,141	(183,947)
Contributions subsequent to the measurement date	39,063	-	6,551	-
	<u>\$ 765,101</u>	<u>\$ (292,579)</u>	<u>\$ 113,033</u>	<u>\$ (233,734)</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

2018	\$	8,186
2019		154,109
2020		87,533
2021		(33,941)
2022		71,831
Thereafter		18,489

Actuarial assumptions:

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

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2016, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equity	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

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

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

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.10%	\$ 3,071,392	\$ 1,696,958	\$ 555,863
HIS	3.58%	641,567	562,219	496,127

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

Plan Description and Administration

The City maintains one single-employer defined benefit pension plan for eligible firefighters, the City of Bunnell Florida Firefighters' Retirement System Trust Fund (the Plan), which is administered by the Plan's Board of Trustees (the Board) and covers all eligible firefighters. The Board is comprised of 2 members of the City Commission, 2 members of the Department elected by the Membership, and a fifth member as elected by the other four members and appointed by the City Commission. No stand-alone financial report is issued for the Plan.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Benefits Provided and Employees Covered

The Plan provides retirement, disability and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries at the discretion of the City Commission. Benefits vest after ten years of full-time employment. The Retirement Board has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year. Current membership in the Plan was composed of the following at October 1, 2016:

Retirees and beneficiaries currently receiving benefits	3
Active participants	<u>17</u>
Total current membership	<u><u>20</u></u>

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

Financial Statements

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The government's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Separate financial statements have not been prepared for the Plan.

Contributions

The participant contribution rates for the Plan are established by and may be amended by the City Commission. The City's annual required contribution for the current year was determined as part of the October 1, 2016 actuarial valuations. The City is required under the Florida Protection of Public Employee Retirement Benefits Act to contribute a payment which represents annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods as prescribed by law. The City's contributions (and if applicable, any liquidations of a net pension obligation) to the Plan are funded by the General Fund.

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Contributions to the Plan for the year ended September 30, 2017, were as follows:

Employee contributions	\$ -
City contributions	-
State contributions	<u>12,469</u>
Total contributions	<u>\$ 12,469</u>

Investment Policy

See Note (4) for additional discussion of the investment policies for the Plan.

Net Pension Liability

Costs incurred by each of the plans for administration of the plans, which includes legal and actuarial fees, trustee fees and investment advisory fees, are borne by the respective retirement plans and are included in the actuarial analysis of the required funding amounts.

The components of the net pension liability of the Plan at September 30, 2017, were as follows:

Total pension liability	\$ 470,638
Plan fiduciary net position	<u>(586,940)</u>
Net pension liability	<u>\$ (116,302)</u>
Plan fiduciary net position as percentage of total pension liability	124.71%

The total pension liability was determined by an actuarial valuation as of October 1, 2016, with a measurement date of September 30, 2017, using the following actuarial assumptions to all measurement periods.

Inflation	2.50%
Salary increases	0.00%
Discount rate	8.00%
Investment rate of return	8.00%

Mortality rates for the Plan were based on the RP-2000 Table (without projection) - Sex Distinct, with disabled lives set forward 5 years.

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Best estimates of arithmetic real rates of return for each major class included in the Plan's target asset allocation as of September 30, 2017, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Domestic Broad Cap Equity	60.0%	7.5%
International Equity	5.0%	8.5%
Broad Market Fixed Income	35.0%	2.5%
Total	<u>100.0%</u>	

Discount rate:

The discount rate used to measure the total pension liability for the Plan was 8.00%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in net pension liability:

Changes in the Plan's net pension liability were as follows:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a - b)</u>
Beginning balance	\$ 610,838	\$ 566,535	\$ 44,303
Changes for year:			
Service cost	14,289	-	14,289
Interest	48,235	-	48,235
Differences between expected and actual experience	(158,339)	-	(158,339)
Changes of assumptions	-	-	-
Contributions – employer	-	-	-
Contributions – state	-	12,469	(12,469)
Contributions – employee	-	-	-
Net investment income	-	58,373	(58,373)
Benefit payments, including refunds	(44,385)	(44,385)	-
Administrative expenses	-	(6,052)	6,052
Net changes	<u>(140,200)</u>	<u>20,405</u>	<u>(160,605)</u>
Ending balance	<u>\$ 470,638</u>	<u>\$ 586,940</u>	<u>\$ (116,302)</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

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

The following presents the net pension liability (asset) of the City calculated using the discount rate of 8.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate:

<u>City's Net Pension Liability (Asset)</u>	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Firefighters' Retirement System Trust Fund	(59,475)	(116,302)	(163,442)

Money-weighted rate of return:

For the year ended September 30, 2017, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense was 10.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$13,536 in the Plan. At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,720	\$ (145,145)
Changes of assumptions	8,260	(40,590)
Net difference between projected and actual investment earnings	1,493	-
	<u>\$ 19,473</u>	<u>\$ (185,735)</u>

Amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2018	\$ (11,239)
2019	(11,239)
2020	(20,512)
2021	(18,713)
2022	(15,799)
Thereafter	(88,760)

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

C. Defined Contribution Plan:

The City Commission has adopted the International City Management Association Retirement Corporation (ICMA-RC) Money Purchase Plan and Trust effective July 1, 2015. The plan is available to the general employees who are not in one of the other City retirement plans. City contributions to the ICMARC Money Purchase Plan and Trust for general employees shall be in same percentages as the FRS. For the year ended September 30, 2017, actual employer contributions to this plan totaled \$45,891.

D. Other Post-Employment Benefits (OPEB):

The City of Bunnell, Florida Post-Employment Benefits Plan is a single-employer healthcare plan administered by the City. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the Plan to retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Eligible individuals include all regular employees of the City who retire from active service under one of the pension plans sponsored by the City. Under certain conditions, eligible individuals also include spouses and dependent children. The Plan does not issue a publicly available financial report.

The City's OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB activity for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan based on the most recent actuarial valuation dated October 1, 2016:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual Required Contribution	\$ 16,000	\$ 15,000	\$ 15,000
Interest on Net OPEB Obligation	2,000	1,000	1,000
Adjustment to Annual Required Contribution	(4,000)	(3,000)	(1,000)
Annual OPEB Cost	<u>14,000</u>	<u>13,000</u>	<u>15,000</u>
City Contributions Made	(1,000)	(1,000)	-
Interest on City Contributions	-	-	-
Increase (Decrease) in Net OPEB Obligation	<u>13,000</u>	<u>12,000</u>	<u>15,000</u>
Net OPEB Obligation (beginning of year)	41,000	29,000	14,000
Net OPEB Obligation (end of year)	<u>\$ 54,000</u>	<u>\$ 41,000</u>	<u>\$ 29,000</u>

Three-year trend information is summarized as follows:

<u>Plan Fiscal Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2017	\$ 14,000	7%	\$ 54,000
2016	13,000	8%	41,000
2015	15,000	0%	29,000

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

The funded status of the plan as of April 2017, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	59,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	59,000
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (Active plan members)		\$1,621,000
UAAL as a percentage of covered payroll		3.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost. Amounts determined regarding the funded status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The calculations are based on the type of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of cost between the City and the plan member at that point. The actuarial method and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial Valuation Date	April 1, 2017
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar, open
Remaining Amortization Period	15 years
Actuarial Assumptions:	
Investment Rate of Return with Inflation	4.00%
Health Care Cost Trend Rate	8.0% for 2017, graded to 5.5% for 2022

It should be noted that the percent of Annual OPEB Cost contributed is based upon actuarial calculations regarding the City's and State's contribution. The City's contribution is dependent upon the estimated state contributions that are not known and received at the end of the fiscal year. The City has typically used the general fund to liquidate net OPEB obligations.

Additional trend information related to OPEB is presented in the required supplementary information, as listed in the table of contents. The information is presented to enable the reader to assess the progress made by the City retirement plans in accumulating sufficient assets to pay retirement benefits as they become due.

(10) **Risk Management:**

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(11) **Subsequent Events:**

In April of 2018, Flagler County took over Fire Services for the City of Bunnell. The City has since donated all fire equipment and vehicles to the County. The City's fire pension plan was also closed and all pension assets were ratably paid out to eligible participants.

The City entered into a new agreement with the Florida State Lodge Fraternal Order of Police which became effective April 1, 2018.

(12) **Recent Accounting Pronouncements:**

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

- (a) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.
- (b) GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, in March 2016, which requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 enhances comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The provisions in GASB 81 are effective for fiscal years beginning after December 15, 2016.
- (c) GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, in November 2016. GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs), which are legally enforceable liabilities associated with the retirement of a tangible capital asset. The provisions in GASB 81 are effective for periods beginning after June 15, 2018.
- (d) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.
- (e) GASB issued Statement No. 85, *Omnibus 2017*, in March 2017. GASB 85 improves guidance addressing several different accounting and financial reporting issues identified during the implementation and application of certain GASB pronouncements. The provisions in GASB 85 are effective for periods beginning after June 15, 2017.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

(12) **Recent Accounting Pronouncements:** (Continued)

- (f) GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, in May 2017. GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources. The provisions in GASB 86 are effective for periods beginning after June 15, 2017.

- (g) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.

**CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OPEB
SEPTEMBER 30, 2017**

Other Post Employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)--Entry Age (b)	Unfunded or (Assets in Excess of) AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded or (Assets in Excess of) AAL as a Percentage of Covered Payroll ((b-a)/c)
4/1/2017	\$ -	\$ 59,000	\$ 59,000	0.00%	\$1,621,000	3.6%
10/1/2014	-	33,000	33,000	0.00%	Not available	N/A

**CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS – OPEB
SEPTEMBER 30, 2017**

Other Post-Employment Benefit Plan

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contribution
2017	\$ 16,000	\$ (1,000)	6.0%
2016	15,000	(1,000)	7.0%
2015	15,000	-	0.0%
2014	14,000	-	0.0%

CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT SYSTEM TRUST FUND
SEPTEMBER 30, 2017

For the year ended September 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service cost	\$ 14,289	\$ 2,163	\$ 2,163	\$ 2,077
Interest	48,235	45,003	45,538	42,984
Differences between expected/actual experience	(158,339)	-	12,960	-
Changes of assumptions	-	9,910	(54,117)	-
Benefit payments, including refunds of employee contributions	(44,385)	(13,229)	(13,229)	(13,229)
Net change in total pension liability	(140,200)	43,847	(6,685)	31,832
Total pension liability – beginning	610,838	566,991	573,676	541,844
Total pension liability – ending (a)	<u>\$ 470,638</u>	<u>\$ 610,838</u>	<u>\$ 566,991</u>	<u>\$ 573,676</u>
Total Fiduciary Net Position				
Contributions – employee	\$ -	\$ -	\$ 922	\$ 1,176
Contributions – state	12,469	12,160	20,587	3,964
Contributions – employer	-	4,706	-	10,006
Net investment income	58,373	50,864	(3,844)	32,838
Benefit payments, including refunds of employee contributions	(44,385)	(13,229)	(13,229)	(13,229)
Administrative expense	(6,052)	(19,061)	(1,409)	(997)
Net change in plan fiduciary net position	20,405	35,440	3,027	33,758
Plan fiduciary net position – beginning	566,535	531,095	528,068	494,310
Plan fiduciary net position – ending (b)	<u>\$ 586,940</u>	<u>\$ 566,535</u>	<u>\$ 531,095</u>	<u>\$ 528,068</u>
Net pension liability – ending (a) - (b)	<u>\$ (116,302)</u>	<u>\$ 44,303</u>	<u>\$ 35,896</u>	<u>\$ 45,608</u>
Plan fiduciary net position as a percentage of the total pension liability	124.71%	92.75%	93.67%	92.05%
Covered employee payroll	N/A	N/A	\$ 23,669	\$ 23,510
Net pension liability as a percentage of covered employee payroll	N/A	N/A	151.66%	193.99%

**10 years of data will be presented as it becomes available.*

**CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2017**

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution (ADC)</u>	<u>Contributions in Relation to ADC</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as Percentage of Employee Payroll</u>
2017	\$ 11,643	\$ 12,469	\$ (826)	N/A	N/A
2016	8,159	16,866	(8,707)	N/A	N/A
2015	7,555	20,587	(13,032)	23,669	86.98%
2014	13,970	13,970	-	23,510	59.42%

**10 years of data will be presented as it becomes available.*

Notes to Schedule:

Valuation Date: 10/01/2016

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Aggregate Method (Level Dollar)
 Asset Valuation Method: Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average market value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below market value.
 Salary Increases: 0% per year.
 Interest Rate: 8.0% per year, compounded annually, net of investment-related expenses.
 Payroll Growth: None.
 Ongoing Membership: In future years, there will be 8 Firefighters each year who meet the call requirements and receive credited service.
 Retirement Age: Age 52 and 10 years of service. Also, any member who has reached normal retirement is assumed to continue employment for one additional year.
 Early Retirement: Commencing at eligibility for Early Retirement, members are assumed to retire with an immediate benefit at the rate of 5% per year.
 Termination Rates: See table below.
 Disability Rates: See table below. It is assumed that 75% of disablements and active member deaths are service-related.
 Mortality: RP-2000 Table (without projection) – Sex Distinct. Disable lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
 Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	6.00%	0.03%
30	5.00%	0.04%
40	2.60%	0.07%
50	0.80%	0.18%

**CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
SEPTEMBER 30, 2017**

**Annual Money-Weighted Rate of Return, Net of
Investment Expense**

Year	Firefighters' Retirement System Trust Fund
2017	10.74%
2016	10.01%
2015	-0.73%
2014	6.66%

**10 years of data will be presented as it becomes available.*

CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – FRS/HIS
SEPTEMBER 30, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Florida Retirement System (FRS)				
Proportion of the net pension liability (NPL)	0.005736974%	0.006115975%	0.007177553%	0.008108986%
Proportionate share of the NPL	\$ 1,696,958	\$ 1,544,288	\$ 927	\$ 494
Covered-employee payroll	1,676,346	1,669,149	2,046,	2,349,
Proportionate share of the NPL as percentage of covered-employee payroll	101.23%	92.52%	45.31%	21.06%
Plan fiduciary net position as a percentage of the NPL	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)				
Proportion of the net pension liability (NPL)	0.005258092%	0.005855760%	0.006967227%	0.008068319%
Proportionate share of the NPL	\$ 562,219	\$ 682,465	\$ 710,548	\$ 754,408
Covered-employee payroll	1,676,346	1,669,149	2,046,001	2,349,609
Proportionate share of the NPL as percentage of covered-employee payroll	33.54%	40.89%	34.73%	32.11 %
Plan fiduciary net position as a percentage of the NPL	1.64%	0.97%	0.50%	0.99%

**Above data presented as of June 30 measurement date in the respective years.*

***10 years of data will be presented as it becomes available.*

**CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS – FRS/HIS
SEPTEMBER 30, 2017**

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

**Above data presented as of June 30 measurement date in the respective years.*

***10 years of data will be presented as it becomes available.*

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bunnell, Florida, (the City) as of and for the year ended September 30, 2017, 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 27, 2018.

Internal Control over Financial Reporting

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

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

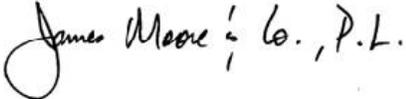
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given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

Compliance and Other Matters

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

Purpose of this Report

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

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

Daytona Beach, Florida
June 27, 2018

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

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

Report on the Financial Statements

We have audited the basic financial statements of City of Bunnell, Florida (the City), as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated June 27, 2018.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Examination Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 27, 2018, 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. One finding and recommendation from the prior year's audit (2015-001) has been repeated for two or more years and has not yet been fully corrected. The following summarizes the status of prior year findings and recommendations:

2014-010 Fuel Tax Returns – Corrective action taken.

2015-001 Human Resource Testing Exceptions (Third-Year Repeat Comment) – Corrective action not taken.

2016-001 Cash Disbursement Testing Exception (Repeat Comment) – Corrective action not taken.

2016-002 Credit Memos and Utility Bill Adjustments – Corrective action taken.

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Official Title and Legal Authority

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

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same.

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

2015-001 Human Resource Testing Exceptions – In our testing for the year ended September 30, 2015, we noted in our detail audit human resource testing out of the 40 employees tested, one employee had an incorrect resignation date recorded in the City's system, 4 employees did not have an approved personnel action forms (PAF) in their file related to the pay period tested, 3 employees were missing the proper approval on their PAFs, 1 manual time sheet had extra overtime hours recorded and was improperly approved by the department head, and 8 employees were paid outside of their assigned pay grades. Maintaining current and accurate personnel files is an important control for employee data, as well as for other compliance with employment laws and regulations. Employee files should contain all approved salary increases so the employee's current salary can be verified at any time. Also, appropriate approval signatures should be recorded on every PAF before changes are entered into the payroll system. Each employee's file should contain an appropriately authorized salary or hourly pay amount and employee authorization for any withholding or other deductions. We recommend the City periodically review the personnel files for completeness. Also, improper supervisory approval can allow errors in the time charged and since allocated among funds may pass undetected. We also recommend management obtain a better understanding of how hours are recorded and they perform a thorough review of employees' time before approving it.

2016-001 Cash Disbursement Testing Exception – In our testing for the year ended September 30, 2016, we noted in our detailed cash disbursement testing, out of the 40 disbursements tested, 1 purchase order had been created and approved after the invoice was received and the service already performed. Per the Procurement policy, a purchase request must be issued prior to making a purchase. We recommend adhering to the procurement policy to prevent purchases being made by individuals without proper approval.

2017-001 Public Service Utility Tax – Per Sec. 58-1(a) of the Bunnell Code of Ordinances, the public service Utility Tax for Water is based on 10% of water usage revenues, and only federal, state, and political subdivisions and agencies thereof are exempted from payment of the taxes by this section. During our testing of the utility billing cycle, we noted that one out of 40 customers selected for testing had not been properly assessed the utility tax. We recommend the City performs a full review of all customer accounts in the utility billing software to ensure all customers are properly established as either taxable or tax-exempt.

2017-002 Water and Sewer Inventory – During our Water and Sewer physical inventory count procedures, we noted a large quantity of high value but slow moving inventory items on hand. We recommend the City determine whether or not the quantity of such items is appropriate given the slow moving nature of the inventory.

Annual Financial Report

Section 10.554(1)(i)5.b. 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 the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

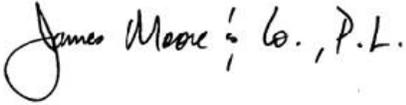
Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants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

City of Bunnell, Florida's Response to Findings

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

Purpose of this Letter

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



Daytona Beach, Florida
June 27, 2018

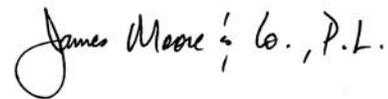
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the City of Bunnell, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City of Bunnell, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2017.



Daytona Beach, Florida
June 27, 2018

CATHERINE D. ROBINSON
MAYOR

JOHN ROGERS
VICE-MAYOR

TOM FOSTER
ACTING CITY MANAGER



COMMISSIONERS:

ELBERT TUCKER

BILL BAXLEY

JOHN SOWELL

June 28, 2018

Management's Response to the Auditor's Comments

2015-001 Human Resource Testing Exceptions

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

2016-001 Cash Disbursement Testing Exception

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

2017-001 Public Service Utility Tax

Previously the City reviewed all accounts to ensure appropriate utility tax charges. However, the City has identified that utility account tax exemption can be set at two different levels (account level or service level) within the Utility Billing system. The City will review all utility accounts for tax set up at both levels and correct accounts found to be in error. The City will establish an additional review procedure by producing a quarterly report to verify all utility tax exemptions.

2017-002 Water and Sewer Inventory

The City has reviewed the Water Sewer inventory. The City has identified that 10 E-Z values are misclassified as inventory rather than equipment. \$31,400 adjustment will be made in Fiscal year 2018 to reclassify these items as capital equipment.


Thomas Foster
Interim City Manager

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The City of Bunnell is an Equal Opportunity Service Provider.

Post Office Box 756 • Bunnell, Florida 32110-0756 • 386-437-7500 • Fax 386-437-7503
www.bunnellcity.us