

**CITY OF BUNNELL, FLORIDA  
FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

**CITY COMMISSION**

*Catherine D. Robinson, Mayor*

*John R. Rogers, Vice Mayor*

*Bonita Robinson*

*Bill Baxley*

*Elbert Tucker*

**CITY MANAGER**

*Larry Williams*

**CITY CLERK**

*Sandi Bosler*

**FINANCE DIRECTOR**

*Stella Gurnee*

Prepared by:  
City of Bunnell Finance Department

**CITY OF BUNNELL, FLORIDA  
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SEPTEMBER 30, 2014**

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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, 2014, 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.

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121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gmv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850/386-6184  
Fax: 850/422-2074  
tlh@jmco.com

## ***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, 2014, 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 Information*

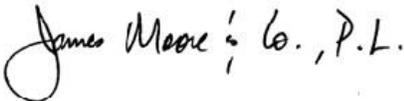
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2015, 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 24, 2015



City of Bunnell, Florida  
Management Discussion and Analysis  
For the Year Ended September 30, 2014

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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, 2014.

**Financial Highlights**

- The assets of the City of Bunnell exceeded its liabilities at the close of the most recent fiscal year by \$15,081,463 (net position). Of this amount, \$1,749,517 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 \$741,537, a decrease of \$419,373. The unassigned General Fund balance available for spending at the City's discretion is \$536,294.

**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, 2014

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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 three 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 and the capital projects fund.

The City of Bunnell adopts an annual appropriated budget for the general fund and the CRA fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with this budget.

**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 a 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 \$15,081,463 at the close of the most recent fiscal year.

The largest portion of the City of Bunnell's net position \$10,829,313 (71.81%) 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, \$ 2,502,633 (16.59%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$1,749,517 (11.6%) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to 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.

City of Bunnell, Florida  
Management Discussion and Analysis  
For the Year Ended September 30, 2014

**CITY OF BUNNELL'S NET POSITION**  
September 30,

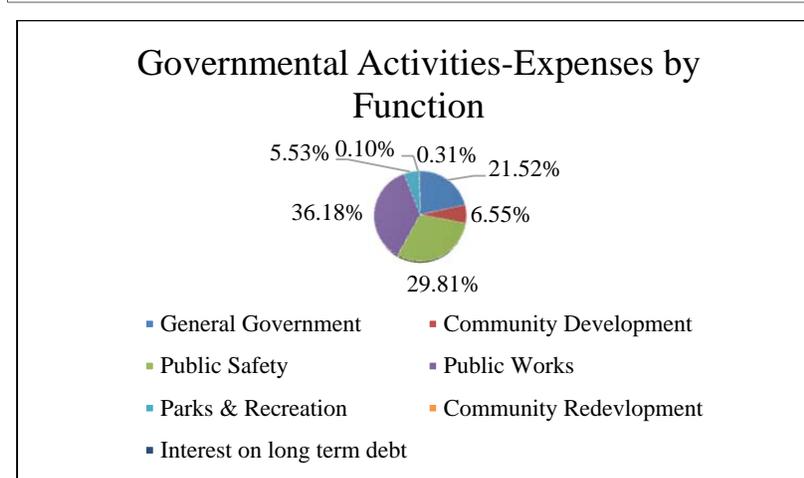
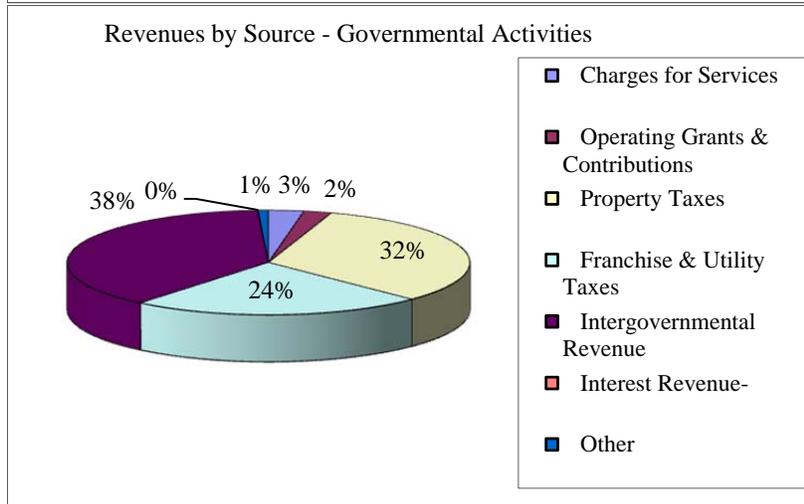
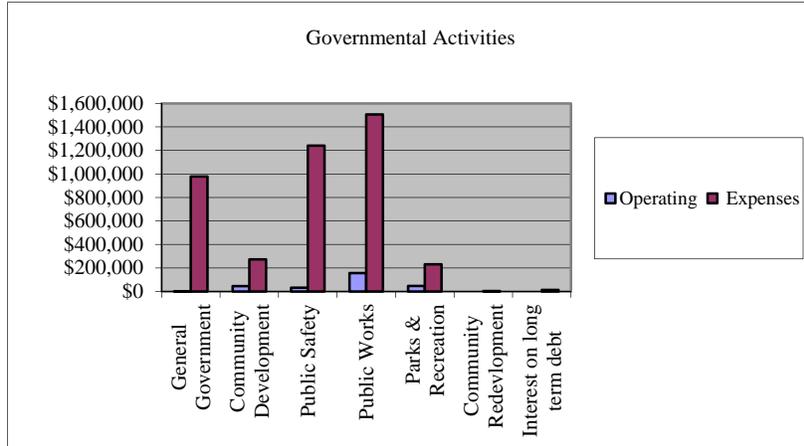
	Governmental Activities		Business Activities		Totals	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 1,084,287	\$ 1,428,727	\$ 4,225,042	\$ 2,640,308	\$ 5,309,329	\$ 4,069,035
Capital Assets	4,368,405	3,954,536	11,869,001	12,057,901	16,237,406	16,012,437
Total Assets	<u>5,452,692</u>	<u>5,383,263</u>	<u>16,094,043</u>	<u>14,698,209</u>	<u>21,546,735</u>	<u>20,081,472</u>
Long-term Liabilities	1,463,675	335,000	4,056,845	3,150,174	5,520,520	3,485,174
Other Liabilities	343,050	289,817	601,702	663,277	944,752	953,094
Total Liabilities	<u>1,806,725</u>	<u>624,817</u>	<u>4,658,547</u>	<u>3,813,451</u>	<u>6,465,272</u>	<u>4,438,268</u>
Net Investment in Capital Assets	2,987,543	3,634,536	7,841,770	8,570,999	10,829,313	12,205,535
Restricted	205,243	263,726	2,297,390	1,190,621	2,502,633	1,454,347
Unrestricted	453,181	860,184	1,296,336	1,123,138	1,749,517	1,983,322
Total Net Position	<u>\$ 3,645,967</u>	<u>\$ 4,758,446</u>	<u>\$ 11,435,496</u>	<u>\$ 10,884,758</u>	<u>\$ 15,081,463</u>	<u>\$ 15,643,204</u>

**CITY OF BUNNELL'S CHANGE IN NET POSITION**  
For the Years Ended September 30,

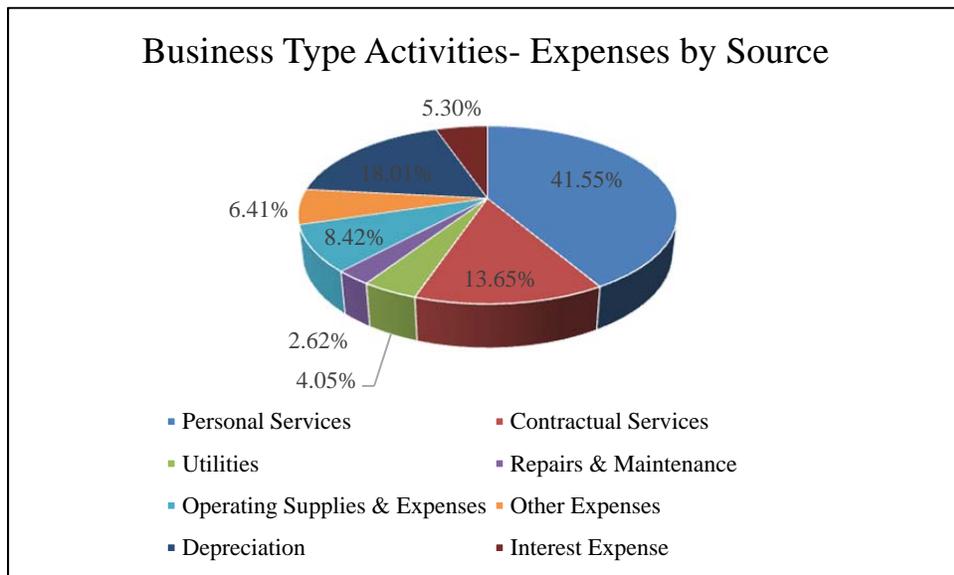
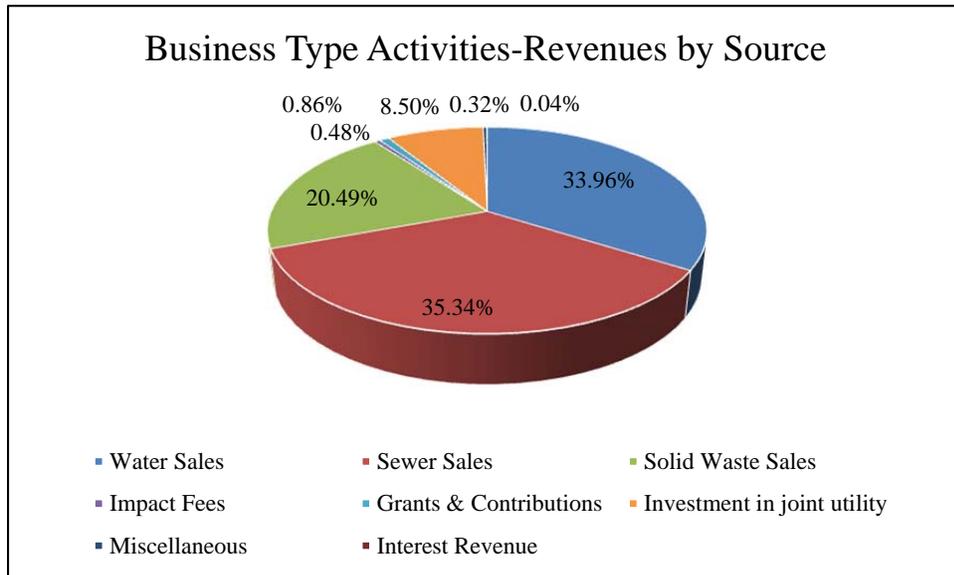
	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 83,260	\$ 258,093	\$ 2,965,492	\$ 2,639,705	\$ 3,048,752	\$ 2,897,798
Operating Grants & Contributions	65,512	27,319	12,664		78,176	27,319
Capital Grants & Contributions	133,707		15,555	801,535	149,262	801,535
General Revenues:						
Property Taxes	948,877	975,796			948,877	975,796
Franchise & Utility Taxes	688,494	692,267			688,494	692,267
Intergovernmental Revenue	1,121,414	227,734			1,121,414	227,734
Interest Revenue	(710)	6,193	1,377	6,892	667	13,085
Other	10,940	24,147	289,717	(29,417)	300,657	(5,270)
Total Revenues	<u>3,051,494</u>	<u>2,211,549</u>	<u>3,284,805</u>	<u>3,418,715</u>	<u>6,336,299</u>	<u>5,630,264</u>
Expenses:						
General Government	896,209	970,306			896,209	970,306
Community Development	272,814	275,133			272,814	275,133
Public Safety	1,241,343	1,255,947			1,241,343	1,255,947
Public Works	1,506,366	743,962			1,506,366	743,962
Parks & Recreation	230,375	122,567			230,375	122,567
Water & Sewer	3,996		2,007,879	2,027,866	2,011,875	2,027,866
Solid Waste	12,870		726,188	631,854	739,058	631,854
Total Expenses	<u>4,163,973</u>	<u>3,367,915</u>	<u>2,734,067</u>	<u>2,659,720</u>	<u>6,898,040</u>	<u>6,027,635</u>
Increase (Decrease) in Net Position Before Transfers	(1,112,479)	(1,156,366)	550,738	758,995	(561,741)	(397,371)
Transfers	-	83,378	-	(83,378)		
Increase (Decrease) in Net Position	<u>(1,112,479)</u>	<u>(1,072,988)</u>	<u>550,738</u>	<u>675,617</u>	<u>(561,741)</u>	<u>(397,371)</u>
Net Position Beginning	4,758,446	5,831,434	10,884,758	10,209,141	15,643,204	16,040,575
Net Position Ending	<u>\$ 3,645,967</u>	<u>\$ 4,758,446</u>	<u>\$ 11,435,496</u>	<u>\$ 10,884,758</u>	<u>\$ 15,081,463</u>	<u>\$ 15,643,204</u>

City of Bunnell, Florida  
 Management Discussion and Analysis  
 For the Year Ended September 30, 2014

**Governmental Activities** – Governmental activities decreased the City of Bunnell’s net position by \$1,112,479. The key element to this decrease was expenditures (excluding capital outlay which is not reported in governmental activities) in the general fund exceeding revenues by over \$700,000, plus the addition of \$349,914 in depreciation expense.



- Business-type Activities – Business-type activities increased the City of Bunnell’s net position by \$550,738. The key element to this increase were net operating gains along with investment gains in the Bunnell Flagler County Utility.



City of Bunnell, Florida  
Management Discussion and Analysis  
For the Year Ended September 30, 2014

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**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.

**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, 2014, fund balances were \$741,537 a decrease of \$419,373 in comparison with the prior year, primarily due to budgeted expenditures in excess of revenues in the general fund. Of this amount \$536,294 constitutes unassigned General Fund balance, which is available for spending at the City's discretion. \$201,625 is to be spent on capital projects and \$3,618 is for Community Redevelopment.

The General Fund unassigned fund balance decreased by \$360,890 during the current fiscal year. \$150,000 was transferred from the capital projects fund. In addition, the Water Sewer fund paid charges for services of \$42,400 to the General fund and the Solid Waste fund paid \$38,880 in charges for services to the General fund.

The capital project fund has a fund balance of \$201,625, which represents a decrease of \$150,000 which resulted from transfers to the general fund for 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.

Unrestricted net position of the Water and Sewer fund at the end of the year amounted to \$1,454,026. The total increase in net position was \$598,934. The increase was due to increases in the customer rates for water and sewer services and investment returns from the Bunnell Flagler County Joint Utility. Unrestricted net position in the Solid Waste Fund was a deficit of \$(157,690).

**General Fund Budgetary Highlights**

The budget was amended to reflect expenditures funded from State contracts 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 17.

**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, 2014 amounts to \$16,237,406 (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 \$413,869 increase in net capital assets for governmental activities and a \$188,902 decrease in net capital assets for business-type activities.

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

- The acquisition and renovations of the new Municipal Complex for \$789,361.
- Improvements at the Carver Sports Complex for \$32,941
- Public works various paving projects totaling \$7,500.
- Fire Suppression system at the Coquina City Hall for \$4,460.
- Acquisition of the Pocket Park for \$4,505.
- The Water Plant Improvement project is a multiple year project that increased assets by \$210,428 in the fiscal year.
- The addition of a utility services pick-up truck \$21,394.

City of Bunnell, Florida  
Management Discussion and Analysis  
For the Year Ended September 30, 2014

- Lift station projects for \$36,715.
- The addition of fire hydrants for \$10,193.
- The Water/Sewer departments purchased various capital equipment totaling \$13,824.
- The Solid Waste department purchased a camera for \$8,470 and containers totaling \$2,437.

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

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Land	\$ 205,002	\$ 26,991	\$ 231,993
Construction in Progress	789,361	763,459	1,552,820
Buildings and improvements	2,802,985	10,160,654	12,963,639
Equipment	571,057	917,897	1,488,954
Total	<u>\$ 4,368,405</u>	<u>\$ 11,869,001</u>	<u>\$ 16,237,406</u>

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

**Long-Term Debt** – At the end of the 2014 fiscal year, the City of Bunnell had total debt outstanding of \$5,520,820.

**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	\$ 1,380,862	\$ 4,027,231	\$ 5,408,093
Net OPEB	10,030	3,970	14,000
Compensated Absences	73,083	25,644	98,727
Total	<u>\$ 1,463,975</u>	<u>\$ 4,056,845</u>	<u>\$ 5,520,820</u>

The City of Bunnell's total debt increased by \$1,667,299 during the current fiscal year primarily due to the acquisition of the Municipal Complex and Water Plant improvements.

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 decreased by 2% for the 2014 fiscal year.
- The property values and assessments have been declining over the last several years, however the values are expected to increase by approximately 9% in fiscal year 2015. The local economy has shown signs of stabilization and increasing activity.

City of Bunnell, Florida  
Management Discussion and Analysis  
For the Year Ended September 30, 2014

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- The Millage rate of 6.9506 was maintained for the fourth consecutive year.
- Due to the significant declines to General fund balance over the last several years, the City's financial condition is considered unfavorable. This trend was recognized and reported to the Commission after the City engaged a new City Manager. Significant budget cuts were enacted by the City Commission during the last several months of fiscal year 2014 which served to decrease the budgeted fund balance decline.
- The fiscal year 2015 budget was developed such that no additional decline in fund balance is planned.

**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, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 401,071	\$ 1,118,594	\$ 1,519,665
Investments	332,059	65,733	397,792
Receivables, net	72,796	466,542	539,338
Internal balances	192,409	(192,409)	-
Due from other governments	72,508	162,228	234,736
Due from Flagler County BFCU	13,444	81,472	94,916
Bunnell Flagler County Utility Joint Venture	-	210,668	210,668
Restricted assets:			
Cash and cash equivalents	-	1,106,583	1,106,583
Investments	-	1,205,631	1,205,631
Capital assets:			
Land	205,002	26,991	231,993
Buildings and improvements	5,090,304	14,446,334	19,536,638
Equipment	3,838,969	2,153,744	5,992,713
Construction in progress	789,361	763,459	1,552,820
Accumulated depreciation	(5,555,231)	(5,521,527)	(11,076,758)
Total assets	<u>\$ 5,452,692</u>	<u>\$ 16,094,043</u>	<u>\$ 21,546,735</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 118,160	\$ 322,349	\$ 440,509
Accrued payroll and employee benefits	69,151	23,123	92,274
Customer deposits	5,060	241,406	246,466
Accrued rent	136,585	-	136,585
Unearned revenue	13,794	-	13,794
Accrued interest payable	-	14,824	14,824
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	1,380,862	1,091,193	2,472,055
Compensated absences	18,271	6,411	24,682
Due in more than one year:			
Bonds and notes payable	-	2,936,038	2,936,038
Net OPEB Obligation	10,030	3,970	14,000
Compensated absences	54,812	19,233	74,045
Total liabilities	<u>\$ 1,806,725</u>	<u>\$ 4,658,547</u>	<u>\$ 6,465,272</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,987,543	\$ 7,841,770	\$ 10,829,313
Restricted for:			
Capital improvements	201,625	1,549,268	1,750,893
Debt service	-	748,122	748,122
Community redevelopment	3,618	-	3,618
Unrestricted	453,181	1,296,336	1,749,517
Total net position	<u>\$ 3,645,967</u>	<u>\$ 11,435,496</u>	<u>\$ 15,081,463</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, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 896,209	\$ 447	\$ 634	\$ -	\$ (895,128)	\$ -	\$ (895,128)
Community development	272,814	46,054	-	-	(226,760)	-	(226,760)
Public safety	1,241,343	26,017	576	5,000	(1,209,750)	-	(1,209,750)
Public works	1,506,366	-	64,302	92,052	(1,350,012)	-	(1,350,012)
Parks and recreation	230,375	10,742	-	36,655	(182,978)	-	(182,978)
Community redevelopment	3,996	-	-	-	(3,996)	-	(3,996)
Interest on long-term debt	12,870	-	-	-	(12,870)	-	(12,870)
Total governmental activities	<u>4,163,973</u>	<u>83,260</u>	<u>65,512</u>	<u>133,707</u>	<u>(3,881,494)</u>	<u>-</u>	<u>(3,881,494)</u>
Business-type activities:							
Water and sewer	2,007,879	2,292,296	12,664	15,555	-	312,636	312,636
Solid Waste	726,188	673,196	-	-	-	(52,992)	(52,992)
Total business-type activities	<u>2,734,067</u>	<u>2,965,492</u>	<u>12,664</u>	<u>15,555</u>	<u>-</u>	<u>259,644</u>	<u>259,644</u>
Total primary government	<u>\$ 6,898,040</u>	<u>\$ 3,048,752</u>	<u>\$ 78,176</u>	<u>\$ 149,262</u>	<u>(3,881,494)</u>	<u>259,644</u>	<u>(3,621,850)</u>
General revenues:							
Property taxes					948,877	-	948,877
Sales and use taxes					88,211	-	88,211
Franchise and utility taxes					242,530	-	242,530
Public service taxes					445,964	-	445,964
Fire insurance premium taxes					3,964	-	3,964
Other taxes					81,854	-	81,854
State revenue sharing					58,118	-	58,118
Other intergovernmental revenues					889,267	-	889,267
Investment earnings (loss)					(710)	1,377	667
Change in investment in Bunnell Flagler County Utility Joint Venture					-	279,226	279,226
Miscellaneous revenues					10,940	10,491	21,431
Transfers					-	-	-
Total general revenues and transfers					<u>2,769,015</u>	<u>291,094</u>	<u>3,060,109</u>
Change in net position					(1,112,479)	550,738	(561,741)
Net position - beginning					4,758,446	10,884,758	15,643,204
Net position - ending					<u>\$ 3,645,967</u>	<u>\$ 11,435,496</u>	<u>\$ 15,081,463</u>

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

**CITY OF BUNNELL, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 400,895	\$ 176	\$ -	\$ 401,071
Investments	67,090	-	264,969	332,059
Receivables, net	72,796	-	-	72,796
Due from other governments	58,055	-	14,453	72,508
Due from Flagler County BFCU	13,444	-	-	13,444
Due from other funds	270,206	3,442	-	273,648
Total assets	<u>\$ 882,486</u>	<u>\$ 3,618</u>	<u>\$ 279,422</u>	<u>\$ 1,165,526</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 124,202	\$ -	\$ -	\$ 124,202
Accrued payroll and employee benefits	63,109	-	-	63,109
Accrued rent	136,585	-	-	136,585
Customer deposits	5,060	-	-	5,060
Unearned revenue	13,794	-	-	13,794
Due to other funds	3,442	-	77,797	81,239
Total liabilities	<u>\$ 346,192</u>	<u>\$ -</u>	<u>\$ 77,797</u>	<u>\$ 423,989</u>
<b>FUND BALANCES</b>				
Restricted for:				
Community redevelopment	\$ -	\$ 3,618	\$ -	\$ 3,618
Capital improvements	-	-	201,625	201,625
Unassigned	536,294	-	-	536,294
Total fund balances	<u>\$ 536,294</u>	<u>\$ 3,618</u>	<u>\$ 201,625</u>	<u>\$ 741,537</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, 2014**

<b>Fund balances - total governmental funds</b>		\$ 741,537
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	9,923,636	
Less: accumulated depreciation	<u>(5,555,231)</u>	4,368,405
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	(1,380,862)	
Net OPEB obligation	(10,030)	
Compensated absences	<u>(73,083)</u>	(1,463,975)
<b>Net position of governmental activities</b>		<u><u>\$ 3,645,967</u></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**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Taxes	\$ 1,705,637	\$ -	\$ 92,052	\$ 1,797,689
Licenses and permits	85,868	-	-	85,868
Intergovernmental	1,041,562	-	-	1,041,562
Charges for services	104,644	-	-	104,644
Fines and forfeitures	24,355	-	-	24,355
Interest revenues (loss)	(273)	-	(437)	(710)
Miscellaneous	57,406	-	-	57,406
Total revenues	<u>3,019,199</u>	<u>-</u>	<u>91,615</u>	<u>3,110,814</u>
<b>Expenditures</b>				
Current:				
General Government	916,247	-	-	916,247
Public Safety	1,126,565	-	-	1,126,565
Community Development	259,598	-	-	259,598
Public Works	1,270,182	-	-	1,270,182
Parks and Recreation	161,783	-	-	161,783
Community Redevelopment	-	3,996	-	3,996
Capital outlay	839,808	-	-	839,808
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	12,870	-	-	12,870
Total expenditures	<u>4,587,053</u>	<u>3,996</u>	<u>-</u>	<u>4,591,049</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,567,854)</u>	<u>(3,996)</u>	<u>91,615</u>	<u>(1,480,235)</u>
<b>Other financing sources (uses)</b>				
Transfers in	150,000	3,898	-	153,898
Transfers out	(3,898)	-	(150,000)	(153,898)
Issuance of debt	1,060,862	-	-	1,060,862
Total other financing sources (uses)	<u>1,206,964</u>	<u>3,898</u>	<u>(150,000)</u>	<u>1,060,862</u>
<b>Net change in fund balances</b>	<u>(360,890)</u>	<u>(98)</u>	<u>(58,385)</u>	<u>(419,373)</u>
<b>Fund balances, beginning of year</b>	897,184	3,716	260,010	1,160,910
<b>Fund balances, end of year</b>	<u>\$ 536,294</u>	<u>\$ 3,618</u>	<u>\$ 201,625</u>	<u>\$ 741,537</u>

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

**CITY OF BUNNELL, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<b>Net change in fund balances - total governmental funds</b>	<b>\$ (419,373)</b>
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	839,808
Depreciation expense	(349,914)
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.	
	(76,025)
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	(1,060,862)
Occupational license revenue is recorded as revenue as received in the governmental funds, but is unearned in the statement of activities.	
	22,000
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	(10,030)
Change in compensated absences liability	(58,083)
<b>Change in net position of governmental activities</b>	<b>\$ (1,112,479)</b>

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 1,612,031	\$ 1,612,031	\$ 1,705,637	\$ 93,606
Licenses and permits	108,500	108,500	85,868	(22,632)
Intergovernmental	215,682	215,682	1,041,562	825,880
Charges for services	134,920	134,920	104,644	(30,276)
Fines and forfeitures	43,000	43,000	24,355	(18,645)
Interest revenues	-	-	(273)	(273)
Miscellaneous	20,500	20,500	57,406	36,906
Total revenues	<u>2,134,633</u>	<u>2,134,633</u>	<u>3,019,199</u>	<u>884,566</u>
<b>Expenditures</b>				
Current:				
General Government:				
Legislative	147,550	147,550	142,111	5,439
Executive	145,030	145,030	144,978	52
Administration	379,786	386,286	379,086	7,200
Legal	100,000	123,000	99,324	23,676
Grants & special projects	141,341	136,872	132,404	4,468
Centennial	22,768	18,768	18,344	424
Public Safety:				
Fire	125,427	122,927	113,352	9,575
Police	1,047,750	1,042,750	1,013,213	29,537
Community development	257,092	290,092	259,598	30,494
Public works	427,980	1,322,980	1,270,182	52,798
Parks and recreation	159,436	164,136	161,783	2,353
Capital outlay	1,403,800	1,278,230	839,808	438,422
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	12,870	12,870	-
Total expenditures	<u>4,357,960</u>	<u>5,191,491</u>	<u>4,587,053</u>	<u>604,438</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(2,223,327)</u>	<u>(3,056,858)</u>	<u>(1,567,854)</u>	<u>1,489,004</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,365,500	1,365,500	150,000	(1,215,500)
Transfers out	-	-	(3,898)	(3,898)
Issuance of debt	-	825,000	1,060,862	235,862
Total other financing sources (uses)	<u>1,365,500</u>	<u>2,190,500</u>	<u>1,206,964</u>	<u>(983,536)</u>
<b>Net change in fund balances</b>	<u>(857,827)</u>	<u>(866,358)</u>	<u>(360,890)</u>	<u>505,468</u>
<b>Fund balances, beginning of year</b>	897,184	897,184	897,184	-
<b>Fund balances, end of year</b>	<u>\$ 39,357</u>	<u>\$ 30,826</u>	<u>\$ 536,294</u>	<u>\$ 505,468</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, 2014**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures</b>				
Current:				
Community redevelopment	-	4,000	3,996	4
Total expenditures	<u>-</u>	<u>4,000</u>	<u>3,996</u>	<u>4</u>
<b>Excess (deficiency) of revenues over     expenditures</b>	<u>-</u>	<u>(4,000)</u>	<u>(3,996)</u>	<u>4</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	4,000	3,898	(102)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>4,000</u>	<u>3,898</u>	<u>(102)</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>(98)</u>	<u>(98)</u>
<b>Fund balances, beginning of year</b>	3,716	3,716	3,716	-
<b>Fund balances, end of year</b>	<u>\$ 3,716</u>	<u>\$ 3,716</u>	<u>\$ 3,618</u>	<u>\$ (98)</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, 2014**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,080,146	\$ 38,448	\$ 1,118,594
Investments	65,733	-	65,733
Accounts receivable, net	367,135	99,407	466,542
Due from other governments	162,228	-	162,228
Due from Flagler County BFCU	81,472	-	81,472
Investment in Bunnell Flagler County Utility Joint Venture	210,668	-	210,668
Due from other funds	156,454	-	156,454
Total current assets	<u>2,123,836</u>	<u>137,855</u>	<u>2,261,691</u>
Noncurrent assets:			
Restricted cash	1,088,517	18,066	1,106,583
Restricted investments	1,205,631	-	1,205,631
Capital assets:			
Land	26,991	-	26,991
Buildings and improvements	14,446,334	-	14,446,334
Equipment	1,507,371	646,373	2,153,744
Construction in progress	763,459	-	763,459
Accumulated depreciation	(5,216,060)	(305,467)	(5,521,527)
Total noncurrent assets	<u>13,822,243</u>	<u>358,972</u>	<u>14,181,215</u>
Total assets	<u>\$ 15,946,079</u>	<u>\$ 496,827</u>	<u>\$ 16,442,906</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 288,803	\$ 33,546	\$ 322,349
Accrued payroll	18,757	4,366	23,123
Deposits	223,327	18,079	241,406
Due to other funds	117,429	231,434	348,863
Compensated absences	4,538	1,873	6,411
Payable from restricted assets:			
Current maturities on long-term debt	970,683	120,510	1,091,193
Accrued interest payable	14,824	-	14,824
Total current liabilities	<u>1,638,361</u>	<u>409,808</u>	<u>2,048,169</u>
Noncurrent liabilities:			
Notes payable	2,892,898	43,140	2,936,038
Net OPEB obligation	3,343	627	3,970
Compensated absences	13,613	5,620	19,233
Total noncurrent liabilities	<u>2,909,854</u>	<u>49,387</u>	<u>2,959,241</u>
Total liabilities	<u>\$ 4,548,215</u>	<u>\$ 459,195</u>	<u>\$ 5,007,410</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 7,664,514	\$ 177,256	\$ 7,841,770
Restricted for:			
Capital improvements	1,549,268	-	1,549,268
Debt service	730,056	18,066	748,122
Unrestricted	1,454,026	(157,690)	1,296,336
Total net position	<u>\$ 11,397,864</u>	<u>\$ 37,632</u>	<u>\$ 11,435,496</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, 2014**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
<b>Operating revenues</b>			
Charges for services	\$ 2,292,296	\$ 673,196	\$ 2,965,492
Total operating revenues	<u>2,292,296</u>	<u>673,196</u>	<u>2,965,492</u>
<b>Operating expenses</b>			
Personal services	879,815	256,175	1,135,990
Contractual services	149,094	224,183	373,277
Repairs and maintenance	31,830	39,757	71,587
Supplies	160,787	69,379	230,166
Utilities	106,109	4,619	110,728
Other expenses	143,042	32,084	175,126
Depreciation	400,374	91,991	492,365
Total operating expenses	<u>1,871,051</u>	<u>718,188</u>	<u>2,589,239</u>
<b>Operating income (loss)</b>	<u>421,245</u>	<u>(44,992)</u>	<u>376,253</u>
<b>Nonoperating revenues (expenses)</b>			
Interest earnings	1,377	-	1,377
Change in investment in Bunnell Flagler County Utility	279,226	-	279,226
Operating grants	12,664	-	12,664
Other income (expense)	5,695	4,796	10,491
Interest and amortization expense	(136,828)	(8,000)	(144,828)
Total nonoperating revenues (expenses)	<u>162,134</u>	<u>(3,204)</u>	<u>158,930</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>583,379</u>	<u>(48,196)</u>	<u>535,183</u>
Capital contributions	15,555	-	15,555
<b>Change in net position</b>	<u>598,934</u>	<u>(48,196)</u>	<u>550,738</u>
<b>Net position, beginning of year</b>	10,798,930	85,828	10,884,758
<b>Net position, end of year</b>	<u>\$ 11,397,864</u>	<u>\$ 37,632</u>	<u>\$ 11,435,496</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, 2014**

	<b>Water and Sewer</b>	<b>Solid Waste</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 2,164,942	\$ 696,287	\$ 2,861,229
Cash paid to employees	(868,889)	(252,055)	(1,120,944)
Cash paid to suppliers	(339,249)	(370,022)	(709,271)
Other receipts	18,359	4,796	23,155
Net cash provided by (used in) operating activities:	<u>975,163</u>	<u>79,006</u>	<u>1,054,169</u>
<b>Cash flows from noncapital financing activities</b>			
Interfund loans	1,574	92,127	93,701
Net cash provided by (used in) noncapital financing activities	<u>1,574</u>	<u>92,127</u>	<u>93,701</u>
<b>Cash flows from capital and related financing activities</b>			
Impact fees and capital contributions	15,555	-	15,555
Acquisition and construction of capital assets	(292,556)	(1,763)	(294,319)
Principal payments of long-term debt	(177,416)	(117,485)	(294,901)
Proceeds from issuance of long-term debt	835,230	-	835,230
Interest paid	(140,384)	(6,434)	(146,818)
Net cash provided by (used in) capital and related financing activities	<u>240,429</u>	<u>(125,682)</u>	<u>114,747</u>
<b>Cash flows from investing activities</b>			
Interest received	947	-	947
Net cash provided by (used in) investing activities	<u>947</u>	<u>-</u>	<u>947</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>1,218,113</u>	<u>45,451</u>	<u>1,263,564</u>
<b>Cash and cash equivalents, beginning of year</b>	950,550	11,063	961,613
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,168,663</u>	<u>\$ 56,514</u>	<u>\$ 2,225,177</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 421,245	\$ (44,992)	\$ 376,253
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities			
Depreciation	400,374	91,991	492,365
Other income (expense)	18,359	4,796	23,155
Changes in assets and liabilities:			
Accounts receivable	6,352	20,661	27,013
Due from other governments	(162,228)	-	(162,228)
Accounts payable and accrued liabilities	251,613	-	251,613
Deposits	28,522	2,430	30,952
Compensated absences	7,583	3,493	11,076
Net OPEB obligation	3,343	627	3,970
Net cash provided by (used in) operating activities:	<u>\$ 975,163</u>	<u>\$ 79,006</u>	<u>\$ 1,054,169</u>
<b>Cash and cash equivalents classified as:</b>			
Unrestricted	\$ 1,080,146	\$ 38,448	\$ 1,118,594
Restricted	1,088,517	18,066	1,106,583
Total cash and cash equivalents	<u>\$ 2,168,663</u>	<u>\$ 56,514</u>	<u>\$ 2,225,177</u>
<b>Non-cash investing, capital, and financing activities:</b>			
Increase in Investment in Bunnell Flagler County Utility	\$ 279,226	\$ -	\$ 279,226

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

**CITY OF BUNNELL, FLORIDA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2014**

	<b>Firefighters' Pension Trust Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents with trustee	\$ 1,103
Receivables	
Employer contributions receivable	6,125
Total receivables	6,125
Investments, at fair value	
Mutual funds	506,167
Other assets	14,673
Total investments	520,840
Total assets	528,068
<b>NET POSITION</b>	
Held in trust for pension benefits	\$ 528,068

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 FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	<b>Firefighters' Pension Trust Fund</b>
<b>Additions</b>	
Contributions:	
Employer	\$ 10,006
Plan members	1,176
State - insurance premium taxes	3,964
Total contributions	15,146
Investment earnings:	
Interest and dividends	7,000
Net appreciation (depreciation) in fair value of investments	31,978
Total investment earnings	38,978
Less: investment expense	(9,976)
Net investment income (loss)	29,002
 Total additions	 44,148
<b>Deductions</b>	
Benefit payments	13,229
Administrative expenses	997
Total deductions	14,226
 <b>Change in net position</b>	 29,922
 <b>Net position held in trust for pension benefits, beginning of year</b>	 498,146
 <b>Net position held in trust for pension benefits, end of year</b>	 \$ 528,068

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

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(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 in GASB Statement No. 61, "The Financial Reporting Entity," 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, 2014**

(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.

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.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

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

GASB Statement 34 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. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

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 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) **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.

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

- 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.

(g) **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.

(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.

(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 \$1,000 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.

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

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	30 years
Infrastructure (improvements other than buildings)	5 – 25 years
Equipment	3 – 10 years

(k) **Compensated absences**—City policy permits employees to accumulate a limited amount of earned, but unused personal, vacation, and sick leave. These benefits are payable 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) **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.

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

*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.

(n) **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.

(o) **Implementation of new accounting standards**—At September 30, 2014 and for the year then ended, the City has implemented Governmental Accounting Standards Board (GASB) *Statement No. 65, Items Previously Reported As Assets and Liabilities*, which had not material effect on the City's financial statements. The City has also implemented GASB *Statement No. 67, Financial Reporting for Pension Plans*. See Note (9) for the effect of GASB 67 on pension disclosures.

(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.

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**(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, 2014, was 6.9506 per \$1,000.

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

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

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

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

Valuation Date:	January 1, 2013
Levy Date:	November 1, 2013
Due Date:	March 31, 2014
Lien Date:	June 1, 2014

**(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, 2014, 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.

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

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.

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 39 days to maturity and was rated AAAM by Standard & Poor’s as of September 30, 2014.

As of September 30, 2014, the City’s governmental and business-type investment portfolio is composed of the following investments:

Investment Type	Credit Quality Rating (S&P)	Fair Value	Maturities (in Years)		
			Less Than 1	1-5	Over 5
Cash and cash equivalents	NR	\$ 2,626,248	\$ 2,626,248	\$ -	\$ -
SBA funds	AAAm	1,603,423	1,603,423	-	-
Total Portfolio		\$ 4,229,671	\$ 4,229,671	\$ -	\$ -

*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 portfolio is held entire with public depositories 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, 2014, the City’s investment of \$1,603,423 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, 2014**

(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 following chart shows the Firefighters' Pension fund cash and investment accounts by investment portfolios and their respective maturities (in years):

	<u>Fair Value</u>	<u>Maturities (in years) Less Than 1</u>	<u>Credit Rating Range (S&amp;P)</u>
Cash	\$ 1,103	\$ 1,103	NR
Mutual Funds – Fixed Income	175,212	175,212	NR
Mutual Funds – Equity	330,955	330,955	NR
Pooled Funds	14,673	14,673	NR
Total Portfolio	<u>\$ 521,943</u>	<u>\$ 521,943</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, 2014, 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, 2014.

*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, 2014, 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, 2014, the investment portfolios had no foreign investments.

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

<b>Fair Value/Carrying Value</b>		
Governmental and Business-type Investment Portfolio	\$ 4,229,671	
Pension Investment Portfolio	521,943	
Total	<u>\$ 4,751,614</u>	
<b>Government-Wide Statement of Net Position:</b>		
Equity in pooled cash	\$ 1,519,665	
Investments	332,059	
Restricted equity in pooled cash	1,106,583	
Restricted investments	1,271,364	
<b>Statement of Plan Net Position:</b>		
Cash and cash equivalents with trustee	1,103	
Investments	520,840	
Total	<u>\$ 4,751,614</u>	

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(5) **Accounts Receivable:**

The City's receivables consist of the following at September 30, 2014:

	<b>Gross Receivable</b>	<b>Allowance for Doubtful Accounts</b>	<b>Net Receivable</b>
Governmental Activities:			
General Fund			
Accounts receivable	\$ 72,796	\$ -	\$ 72,796
Totals – Governmental Type Activities	<u>72,796</u>	<u>-</u>	<u>72,796</u>
Business-Type Activities			
Water and Sewer Fund			
Accounts receivable	612,135	(245,000)	367,135
Solid Waste Fund			
Accounts receivable	154,407	(55,000)	99,407
Totals – Business-Type Activities	<u>766,542</u>	<u>(300,000)</u>	<u>466,542</u>
Totals	<u>\$ 839,338</u>	<u>\$ (300,000)</u>	<u>\$ 539,338</u>

(6) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2014, is as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 200,498	\$ 4,504	\$ -	\$ 205,002
Construction in progress	76,025	789,361	(76,025)	789,361
Total capital assets, not being depreciated	<u>276,523</u>	<u>793,865</u>	<u>(76,025)</u>	<u>994,363</u>
Capital assets, being depreciated –				
Buildings	5,045,404	44,900	-	5,090,304
Equipment	3,837,926	1,043	-	3,838,969
Total capital assets, being depreciated	8,883,330	45,943	-	8,929,273
Less: accumulated depreciation	(5,205,317)	(349,914)	-	(5,555,231)
Total capital assets, being depreciated, net	<u>3,678,013</u>	<u>(303,971)</u>	<u>-</u>	<u>3,374,042</u>
Governmental activities capital assets, net	<u>\$ 3,954,536</u>	<u>\$ 489,894</u>	<u>\$ (76,025)</u>	<u>\$ 4,368,405</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 26,991	\$ -	\$ -	\$ 26,991
Construction in progress	562,613	247,145	(46,299)	763,459
Total capital assets, not being depreciated	<u>589,604</u>	<u>247,145</u>	<u>(46,299)</u>	<u>790,450</u>
Capital assets, being depreciated –				
Buildings and improvements	14,400,035	46,299	-	14,446,334
Equipment	2,097,426	56,318	-	2,153,744
Total capital assets, being depreciated	16,497,461	102,617	-	16,600,078
Less: accumulated depreciation	(5,029,162)	(492,365)	-	(5,521,527)
Total capital assets, being depreciated, net	<u>11,468,299</u>	<u>(389,748)</u>	<u>-</u>	<u>11,078,551</u>
Business-type activities capital assets, net	<u>\$ 12,057,903</u>	<u>\$ (142,603)</u>	<u>\$ (46,299)</u>	<u>\$ 11,869,001</u>

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 21,622
Community development	7,102
Public safety	94,907
Parks and recreation	157,691
Public works	68,592
Total depreciation expense - governmental activities	<u>\$ 349,914</u>
Business-type activities:	
Water and sewer	\$ 400,374
Solid waste	91,991
Total depreciation expense - business-type activities	<u>\$ 492,365</u>

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

A summary of the long-term liability transactions for the City for the fiscal year ended September 30, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Notes and bonds payable	\$ 320,000	\$ 1,060,862	\$ -	\$ 1,380,862	\$ 1,380,862
Net OPEB obligation	-	10,030	-	10,030	-
Compensated absences	32,051	92,450	(51,418)	73,083	18,271
Governmental activities – Total long-term liabilities	<u>\$ 352,051</u>	<u>\$ 1,163,342</u>	<u>\$ (51,418)</u>	<u>\$ 1,463,975</u>	<u>\$ 1,399,133</u>
<b>Business-type activities:</b>					
Long-term debt:					
Notes and bonds payable	\$ 2,754,567	\$ 711,664	\$ (192,606)	\$ 3,273,625	\$ 1,039,595
Notes payable	732,335	71,554	(50,283)	753,606	51,598
Total long-term debt, net	3,486,902	783,218	(242,889)	4,027,231	1,091,193
Net OPEB obligation	-	3,970	-	3,970	-
Compensated absences	14,568	34,653	(23,577)	25,644	6,411
Business-type activities – Total long-term liabilities	<u>\$ 3,501,470</u>	<u>\$ 821,841</u>	<u>\$ (266,466)</u>	<u>\$ 4,056,845</u>	<u>\$ 1,097,604</u>

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 1,380,862	\$ 37,130	\$ 1,091,193	\$ 129,211	\$ 2,638,396
2016	-	-	179,169	112,319	291,488
2017	-	-	144,861	105,570	250,431
2018	-	-	149,155	99,998	249,153
2019	-	-	153,590	94,249	247,839
2020-2024	-	-	946,413	378,304	1,324,717
2025-2029	-	-	816,299	215,129	1,031,428
2030-2034	-	-	489,707	64,600	554,307
2035-2039	-	-	56,844	3,836	60,680
Total	<u>\$ 1,380,862</u>	<u>\$ 37,130</u>	<u>\$ 4,027,231</u>	<u>\$ 1,203,216</u>	<u>\$ 6,648,439</u>

Notes and bonds payable in the City's governmental activities at September 30, 2014, are comprised of the following obligations:

Promissory note in the original amount of \$320,000, payable to M&M Development of Flagler County on December 30, 2013 including interest at 0%, office unites pledged as security.	\$ 320,000
Line of credit with bank, \$3,000,000 for various capital projects. Secured by new City Hall complex. Payments due including interest at 3.35% and final maturity on October 31, 2015.	1,060,862
Total long-term debt, governmental activities	<u>\$ 1,380,862</u>

Notes payable in the City's business-type activities at September 30, 2014, are comprised of the following obligations:

Water and Sewer Bonds, in the original amount of \$1,988,300, dated October 6, 1992; due serially to September 1, 2032 with interest at 5 % payable annually. Repayment of year-end loan balance is secured by a pledge of Water and Sewer Utility Revenues.	\$ 1,378,000
Water and Sewer Bonds, in the original amount of \$1,080,000, dated March 10, 1997; due serially to September 1, 2036 with interest at 4.5% payable annually. Repayment of year-end loan balance is secured by a pledge of Water and Sewer Utility Revenues.	625,264
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.	682,052
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
Line of credit with bank, \$3,000,000 for various capital projects. The line is unsecured and bears interest at 3.35% with a final maturity date of October 31, 2015.	130,000
Interim line of credit from bank for Federal Revolving Fund loan, dated June 26, 2014, with interest-only payments due at 2.04% quarterly beginning July 1, 2014, and final maturity of full principal balance due June 26, 2017. Amounts secured by future revenues and capital improvements funded by the loan.	711,664

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

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.	71,554
Note payable to bank, dated March 15, 2011, original principal amount of \$557,000, payable in quarterly installments of \$31,371, including interest at 3.35% beginning July 1, 2011. Repayment of the loan balance is secured by a pledge of net revenues from solid waste operations.	163,650
Total long-term debt, business-type activities	<u>\$ 4,027,231</u>

(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, 2014, are comprised of the following:

	<b>Due From Other Funds</b>	<b>Due to Other Funds</b>
Governmental Activities:		
General Fund:		
Bunnell CRA Fund	\$ -	\$ 3,442
Capital Projects Fund	77,797	-
Water and Sewer Fund	117,429	-
Solid Waste Fund	74,980	-
Bunnell CRA Fund:		
General Fund	3,442	-
Capital Projects Fund:		
General Fund	-	77,797
	<u>273,648</u>	<u>81,239</u>
Business-Type Activities:		
Water and Sewer Fund:		
General Fund	-	117,429
Solid Waste Fund	156,454	-
Solid Waste Fund:		
General Fund	-	74,980
Water and Sewer Fund	-	156,454
	<u>156,454</u>	<u>348,863</u>
Total – All Funds	<u>\$ 430,102</u>	<u>\$ 430,102</u>

For the year ended September 30, 2014, interfund transfers consisted of the following:

	<b>Transfer From</b>	<b>Transfer To</b>
Governmental Activities		
General Fund:		
Capital Projects Fund	\$ 150,000	\$ -
Bunnell CRA Fund	-	3,898
Bunnell CRA Fund:		
General Fund	3,898	-
Capital Projects Fund:		
General Fund	-	150,000
Totals – All Funds	<u>\$ 153,898</u>	<u>\$ 153,898</u>

The transfer from the General Fund to the Bunnell CRA Fund represents payments to cover the cost of operations for the CRA. The transfer from the Capital Projects Fund to the General Fund represents funding of capital expenditures.

**CITY OF BUNNELL, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

**A. Plan Descriptions:**

*Florida Retirement System*

As of June 1, 2014, 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. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions.

The Pension Plan issues a publicly available financial report that includes financial statements, 10-year historical trend information, and other required supplementary information. That report may be obtained by calling (850) 907-6500 or by writing to:

State of Florida Department of Administration  
Division of Retirement  
P.O. Box 9000  
Tallahassee, FL 32315-9000

The Pension Plan provides vesting of benefits after six years of creditable service. Regular members are eligible for normal retirement after six years of service and attaining age 62, or 30 years of service regardless of age. Early retirement may be taken any time after completing six years of service, however, there is a 5% benefit reduction for each year prior to normal retirement. Regular members who joined the Pension Plan on or after July 1, 2011, are subject to vesting of benefits after eight years of creditable service and eligible for normal retirement after eight years of service and attaining age 65, or 33 years of service regardless of age.

The City participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2014, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan &amp; Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>	<u>Total Contribution Rate</u>
Regular Class	3.00%	6.95%	9.95%
Special Risk	3.00%	19.06%	22.06%
Senior Management	3.00%	18.31%	21.31%
Elected Officials	3.00%	33.03%	36.03%
Elected Officials Not Eligible for FRS	0.00%	24.56%	24.56%

Actual contributions made for City employees participating in FRS, including those allocated to the Bunnell Flagler County Utility, for the each of last three fiscal years ended September 30 were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Payroll – Covered Employees	\$ 2,349,609	\$ 2,277,060	\$ 1,937,635
City Contributions	233,529	265,519	148,249
Employee Contributions	69,549	68,190	58,427

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

*City of Bunnell, Florida Firefighters' Retirement System*

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 Firefighters' Retirement Board (the Board) and covers all eligible firefighters. The Board is comprised of 2 members of the City Commission, 2 participants of the Plan, and a fifth member as elected by the other four members and appointed by the City Commission.

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, 2014:

Retirees and beneficiaries currently receiving benefits	2
Active participants	20
	22
Total current membership	22

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.

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.

**B. Funding Policy and Annual Pension Cost:**

Defined benefit retirement plan—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, 2013 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.

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.

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

The annual pension cost for the current year and related information for the plan was as follows:

Actuarial Valuation Date	October 1, 2012
Actuarial Cost Method	Aggregate, level dollar
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	4-year smoothed
Actuarial Assumptions:	
Inflation	N/A
Investment Rate of Return with Inflation	8.00%
Projected Salary Increases with Inflation	0.00%
Cost of Living Adjustments	0.00%

The City's annual pension cost and net pension obligation for the plan for the current year were:

	<b>Firefighters' Retirement System Trust Fund</b>
Annual Required Contribution	\$ 12,935
Interest on Net Pension Obligation (NPO)	-
Adjustment to Annual Required Contribution	1,035
Annual Pension Cost	13,970
City & State Contributions Made	(13,970)
Increase (Decrease) in NPO	-
Net Pension Obligation (Asset) (beginning of year)	-
Net Pension Obligation (Asset) (end of year)	\$ -

**C. Three-Year Trend Information:**

<b>Plan Fiscal Year Ended September 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
2014	\$ 13,970	100%	\$ 0
2013	12,935	100%	0
2012	13,272	100%	0

It should be noted that the percent of Annual Pension 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 pension obligations.

Additional trend information related to the retirement plan 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.

No actuarial accrued liability has been calculated for the Plan as the Plan utilizes the aggregate actuarial cost method.

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

**D. Net Pension Liability**

The components of the net pension liability of the Plan at September 30, 2014, were as follows:

Total pension liability	\$	573,676
Plan fiduciary net position		(528,068)
Net pension liability	\$	45,608
Plan fiduciary net position as percentage of total pension liability		92.05%

The total pension liability was determined by an actuarial valuation as of October 1, 2014 with a measurement date of September 30, 2014, using the following actuarial assumptions to all measurement periods.

Inflation		3.00%
Salary increases		0.00%
Investment rate of return		8.00%

Mortality rates for the Plan were based on the RP-2000 Combined Healthy – Sex Distinct Table. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The long-term expected rate of return on pension 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. Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

Domestic equity		7.50%
International equity		8.50%
Broad Market Fixed Income		2.50%

*Discount rate:*

The discount rate used to measure the total pension liability for the pension plan was 8.00%. The projection of cash flows used to determine the discount rate assumed the 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 pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

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

The following presents the net pension liability 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</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	131,711	45,608	(22,572)

For the year ended September 30, 2014, the annual-money weighted rate of return on Plan investments, net of pension plan investment expense was as follows:

Annual money-weighted rate of return	6.66%
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The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(10) **Joint Venture:**

The City entered into an interlocal agreement with Flagler County, Florida (the County) on February 6, 2013, to purchase and operate a potable water and sanitary wastewater utility system, (the Utility System) with the understanding that ownership and operation of the Utility System would be handled on a joint basis between the two parties. This joint venture, known as the Bunnell Flagler County Utility (the BFCU), purchased the assets of the existing water treatment plant on September 16, 2013 and received wastewater assets through a donation at the closing.

The City and County have equally shared legal responsibility for all aspects of the Utility, to include but not limited to: meeting all financial, regulatory, environmental and liability requirements; providing water sewer and reuse service within the designated service area; and operating all other aspects of the Utility System, regardless of whichever party is authorized to act.

The results of operations and cash flows are accounted for in total within the financial statement of the joint venture. The City's interest in equity is reported in the City's Water and Sewer Fund. As of September 30, 2014, the City's investment gain in the joint venture was \$210,668. Complete audited financial statements for the joint venture may be obtained from the County at:

Flagler County Clerk of Court and Comptroller  
1769 East Moody Boulevard – Building #1,  
Bunnell FL 32110

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(10) **Joint Venture:** (Continued)

Summary financial statements of the BFCU as of and for the year ended September 30, 2014, were as follows:

**Statement of Net Position**  
**September 30, 2014**

<b>Assets</b>	\$ 7,914,138
<b>Liabilities</b>	<u>7,492,802</u>
<b>Net Position:</b>	
Net investment in capital assets	490,183
Unrestricted	(68,847)
<b>Total Net Position</b>	<u>\$ 421,336</u>

**Statement of Activities**

For the Year Ended September 30, 2014

<b>Revenues</b>	\$ 1,994,748
<b>Expenses</b>	<u>(1,284,260)</u>
<b>Operating income (loss)</b>	710,488
Nonoperating revenue (expenses), net	<u>(152,026)</u>
<b>Change in net position</b>	558,452
<b>Net position, September 30, 2013</b>	<u>(137,116)</u>
<b>Net position, September 30, 2014</b>	<u>\$ 421,336</u>

As of and for the year ended September 30, 2014, the City's portion of activity and net position in the BFCU was as follows:

Investment in Joint Venture, September 30, 2013	\$ (68,558)
Plus: City's share of net loss for year	<u>279,226</u>
<b>City Investment in Joint Venture, September 30, 2014</b>	<u>\$ 210,668</u>

(11) **Risk Management:**

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

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

**CITY OF BUNNELL, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

(12) **Subsequent Events:**

Subsequent to year-end, the City has taken advantage of various opportunities to refinance debt at more favorable interest rates. A summary of these transactions follows.

On May 21, 2015, the City Commission approved the issuance of the Water & Sewer Refunding Revenue Note, Series 2015, to refund the Series 1993 and Series 1997 Water & Sewer Revenue Bonds.

In January 2015, the note payable to M&M Development (M&M) in the amount of \$320,000 was forgiven in return for the related condominium units owned by the City in accordance with the terms of the original agreement with M&M.

On May 20, 2015, the interim financing line of credit was paid off by the issuance of the Series 2015 USDA Water & Sewer Revenue Bonds.

On February 23, 2015, portions totaling \$825,000 of the governmental activities capital improvement note payable were paid off with proceeds from the issuance of the Series 2015 Capital Improvement Revenue Note.

(13) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. 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. 68, *Accounting and Financial Reporting for Pensions*, in June 2012, which replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB 50, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014, and will result in the net pension liability in Note (9) being recorded on the City’s statement of net position.
- (b) GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, in January 2013. GASB 69 is intended to improve accounting and financial reporting for U.S state and local governments combinations and disposals of government operations. Government combinations include mergers, acquisitions, and transfers of operations. A disposal of government operations can occur through a transfer to another government or sale. The requirements of GASB 69 are effective for periods beginning after December 15, 2013, and should be applied on a prospective basis.
- (c) GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in November 2013. GASB 71 seeks to improve accounting and financial reporting by addressing an issue in GASB 68 concerning transaction provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of GASB 68 by employers and nonemployer contributing entities. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014.

**CITY OF BUNNELL, FLORIDA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS  
 SEPTEMBER 30, 2014**

**Firefighters' Retirement System Trust Fund**

Not required per paragraph 124 of GASB Statement No. 25, for plans utilizing the aggregate actuarial cost method.

**Other Post Employment Benefit Plan**

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

**CITY OF BUNNELL, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES OF CONTRIBUTIONS FROM EMPLOYER AND  
OTHER CONTRIBUTING ENTITIES  
SEPTEMBER 30, 2014**

<b>Firefighters' Retirement System Trust Fund</b>				
<b>Year Ended September 30</b>	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>State Contribution</b>	<b>Percentage Contribution</b>
2005	\$ 10,076	\$ -	\$ 10,076	100
2006	22,039	-	22,039	100
2007	19,437	-	19,437	100
2008	24,023	-	24,023	100
2009	17,539	-	17,539	100
2010	14,506	-	14,506	100
2011	12,857	-	12,857	100
2012	12,289	2,485	9,804	100
2013	15,131	3,839	11,292	100
2014	12,935	1,808	11,127	100

<b>Other Post-Employment Benefit Plan</b>			
<b>Year Ended September 30</b>	<b>Annual Required Contribution</b>	<b>City Contribution</b>	<b>Percentage Contribution</b>
2014	\$ 14,000	\$ -	0

**CITY OF BUNNELL, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**SEPTEMBER 30, 2014**

	<b>Firefighters' Retirement System Trust Fund</b>
Total Pension Liability	
Service cost	\$ 2,077
Interest	42,984
Employee contributions	<u>(13,229)</u>
Net change in total pension liability	31,832
Total pension liability – beginning	<u>541,844</u>
Total pension liability – ending (a)	<u><u>\$ 573,676</u></u>
Total Fiduciary Net Position	
Contributions – employer	\$ 10,006
Contributions – state	3,964
Contributions – employee	1,176
Net investment income	32,838
Benefit payments, including refunds of employee contributions	(13,229)
Administrative expense	<u>(997)</u>
Net change in plan fiduciary net position	33,758
Plan fiduciary net position – beginning	<u>494,310</u>
Plan fiduciary net position – ending (b)	<u><u>\$ 528,068</u></u>
Net pension liability – ending (a) - (b)	<u><u>\$ 45,608</u></u>
Plan fiduciary net position as a percentage of the total pension liability	92.05%
Covered employee payroll	\$ 23,510
Net pension liability as a percentage of covered employee payroll	193.99%

**CITY OF BUNNELL, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FIREFIGHTERS' RETIREMENT TRUST FUND  
SEPTEMBER 30, 2014**

<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>
2014	\$ 13,970	\$ 13,970	\$ -	\$ 23,510	59.42%

Notes to Schedule:

Valuation Date: 10/01/2012

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

Methods and assumptions used to determine contribution rates:

Funding Method:	Current: Aggregate Method (Level Dollar)
Amortization Method	Level Dollar
Remaining Amortization Period:	15 Years (as of 10/01/2012).
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.
Inflation:	3.0% per year.
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 10 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  
SCHEDULES OF INVESTMENT RETURNS  
SEPTEMBER 30, 2014**

**Firefighters'  
Retirement  
System  
Trust Fund**

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Annual Money-Weighted Rate of Return Net of Investment Expense	6.66%
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**CITY OF BUNNELL, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2014**

<u>Federal Agency / Pass-Through Entity / Federal Program</u>	<u>CFDA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<b>FEDERAL AWARDS</b>			
<u>U.S. Department of Labor</u>			
Indirect Programs:			
Passed-through CareerSource Flagler Volusia: WIA Adult Program	17.258	774-045	\$ 13,298
Total U.S. Department of Labor			<u>13,298</u>
<u>U.S. Department of Environmental Protection</u>			
Indirect Programs:			
Passed-through Florida Department of Environmental Protection Drinking Water State Revolving Funds	66.468	DW180540	71,555
Total U.S. Department of Labor			<u>71,555</u>
<u>U.S. Department of Justice</u>			
Indirect Programs:			
Passed-through Florida Dept. of Law Enforcement Edward Byrne memorial Justice Assistance Grant	16.738	2014-JAGD-FLAG-1-E6-003	1,000
Passed-through Flagler County Sheriff's Office: Bulletproof Vest Partnership Program	16.607	n/a	332
Total U.S. Department of Justice			<u>1,332</u>
<u>U.S. Department of Agriculture</u>			
Direct:			
Water and Waste Disposal Systems for Rural Communities	10.760	7691000513-101	711,664
Water and Waste Disposal Systems for Rural Communities	10.760	n/a	-
Total Water and Waste Disposal Systems for Rural Communities			<u>711,664</u>
Indirect Programs:			
Passed-through Florida Cooperative Forestry Assistance: Volunteer Fire Assistance Grant	10.664	n/a	5,000
Total U.S. Department of Agriculture			<u>716,664</u>
<b>Total Federal Awards</b>			<u>\$ 802,849</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this statement.

**CITY OF BUNNELL, FLORIDA, FLORIDA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

1. **Basis of Presentation:**

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of the City of Bunnell, Florida (the City), and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. **Subrecipients:**

The City provided no federal awards to subrecipients during the year ended September 30, 2014.

**CITY OF BUNNELL, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. Summary of Auditors' Results:**

**Financial Statements:**

- Type of audit report issued on the basic financial statements: *Unmodified.*

**Internal Control over Financial Reporting:**

- Significant deficiencies related to internal control over financial reporting were disclosed by the audit of the basic financial statements, none of which was considered a material weakness.
- No instances of noncompliance material to the financial statements were disclosed during the audit.

**Federal Programs:**

**Internal Control over Major Programs:**

- There were no material weaknesses related to internal control over compliance for major projects identified by the audit.
- Type of report issued on compliance for each major program: *Unmodified.*
- Major program identification:
  - CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities
- Dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- The City did not qualify as a low-risk auditee.

**B. Financial Statement Findings:**

**2014-001 Recording of Solid Waste Fees and Utility Taxes**

*Criteria:* Charges for services revenues should be recognized in a consistent and equitable manner in the respective funds where revenues are earned, and interfund activity should be reconciled on a regular basis.

*Condition:* The City's process for recording operating revenues in the Water and Sewer and Solid Waste funds, and related public service tax revenue in the General fund is inconsistent. Solid waste revenues and general fund utility taxes are initially recorded at the gross amount billed, and all other activity is recorded in the Water and Sewer fund. Cash collections and adjustments must subsequently be allocated between the various funds via journal entry, rather than each being recorded independently in the same manner. Additionally, a significant journal entry was required to correct approximately \$114,000 of net utility revenues (water and sewer, solid waste, and utility taxes) recorded in the improper funds.

*Cause:* The City's process for processing and recording utility revenues between the three funds is cumbersome and inconsistent, and the above discrepancies were not identified on a timely basis.

*Effect:* If not reconciled appropriately, revenues and related activity could potentially be misallocated between the Water and Sewer, Solid Waste, and General fund.

*Recommendation:* Under the current processes, we recommend the revenue and bad debt activity between the three funds with revenue streams on utility bills be reconciled no less than monthly. In the long-term, to improve overall efficiency and effectiveness of the utility billing revenue cycle, we recommend the City establish a system whereby all utility revenue activity is tracked directly in the Water and Sewer, Solid Waste, and General fund.

**2014-002 Journal Entry Controls**

*Criteria:* An effective internal control structure over significant accounting transactions, such as journal entries, requires the review and/or authorization of transactions by an individual other than the preparer.

*Condition:* Under the City’s current journal entry process, the Finance Director is responsible for initiating and posting general journal entries in the accounting system, and no formal procedures are in place related to the review and approval of journal entries.

*Cause:* The City’s finance department has limited staffing levels and no policy has previously been established.

*Effect:* Improper journal entries, whether due to error or fraud, could be entered into the system and go undetected for a substantial period of time.

*Recommendation:* We recommend the City develop and implement a formal policy over journal entries to address the risk of a single user posting a journal entry without a review being performed by someone other than the preparer. We also recommend a retrospective review be performed of all journal entries on a monthly or other recurring basis by comparing a report of all entries entered into the system to documented entries to ensure all entries are properly documented and approved.

**2014-003 Review of Bad Debt and Uncollectible Accounts**

*Criteria:* Generally accepted accounting principles require accounts receivable, net of the allowance for doubtful accounts, to be recorded at the net amount management reasonably expects to collect of the total outstanding amount.

*Condition:* Significant journal entries in the amounts of approximately \$55,000 and \$14,000 were required to record additional amounts in the allowance for doubtful accounts in the Water and Sewer and Solid Waste funds, respectively.

*Cause:* As part of our testing over accounts receivable and the allowance for doubtful accounts, we noted a substantial increase in the net receivable balances. After inquiring of management, it was noted a detailed analysis of the allowance account had not been performed, and a substantial portions of the receivables were for old accounts with uncertain collectability. These accounts were not fully covered by the allowance for doubtful accounts already recorded, and journal entries, as outlined above, were required to adjust the allowance to a higher level.

*Effect:* The absence of a sufficient analysis and adjustment to the allowance could result in a material misstatement of net accounts receivable.

*Recommendation:* We recommend management perform a detailed analysis of all receivables in all funds at least annually to ensure all allowances for uncollectible amounts are adjusted as necessary to cover any accounts not expected to be collected.

**C. Federal Programs Findings and Questioned Costs:**

None.

**D. Summary Schedule of Prior Audit Findings:**

**2013-001 Coding of Grants:** Corrective action taken.

**2013-002 Bank Reconciliation Errors:** Corrective action taken.

**E. Corrective Action Plan:**

See Management’s Response to Findings starting on page 62.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited the City of Bunnell, Florida's (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

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121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gmv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850/386-6184  
Fax: 850/422-2074  
tlh@jmco.com

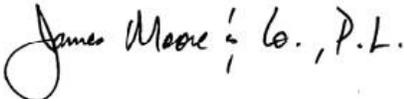
## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMC Circular A-133. Accordingly, this report is not suitable for any other purpose.



Daytona Beach, Florida  
June 24, 2015

**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, 2014, 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 24, 2015.

***Internal Control over Financial Reporting***

In planning and performing our audit, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings 2014-001, 2014-002, and 2014-003, that we consider to be significant deficiencies.

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121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gmv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850/386-6184  
Fax: 850/422-2074  
tlh@jmco.com

### ***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*.

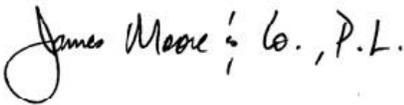
We noted certain matters that we reported to the City Commission and management of the City in a separate letter dated June 24, 2015.

### **City of Bunnell, Florida's Response to Findings**

The City's responses to the findings identified in our audit are described starting on page 62. 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 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 24, 2015

**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, 2014, and have issued our report thereon dated June 24, 2015.

**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; OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and Chapter 10.550, Rules of the Florida Auditor General.

**Other Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133; Schedule of Findings and Questioned Costs; and Independent Accountants' Examination Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 24, 2015, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No findings or recommendations remain uncorrected from the second preceding fiscal year. The following summarizes the status of prior year findings and recommendations:

**Comments 2013-001 through 2013-002**– See Schedule of Findings and Questioned Costs.

**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.

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121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
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dab@jmco.com

5931 NW 1st Place  
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Telephone: 352/378-1331  
Fax: 352/372-3741  
gnv@jmco.com

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tlh@jmco.com

## Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report 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 identification of the specific conditions 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. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. In connection with these procedures, we noted the following:

**2014-004 Unfavorable Financial Condition Rating and Fund Balance Policy** – As part of applying financial condition assessment procedures, we noted the City's overall rating – which can be identified as favorable, inconclusive, or unfavorable – to be unfavorable. This rating was primarily a result of a substantial negative trend in fund balance in the City's general fund, where we noted a substantial decrease in recent years, from approximately \$1.7 million at September 30, 2012, to approximately \$536,000 at September 30, 2014. Negative trends were also observed in the general fund with regard to working capital, and in the total net position of governmental activities. We also noted no policy to be in place related to minimum fund balances. To help provide a baseline level in the budgetary process and in an effort to resolve the unfavorable financial condition rating, we recommend the City establish a formal fund balance policy which identifies a minimum fund balance to be carried in the general fund. This is frequently expressed as a percentage of annual recurring revenues or expenditures.

## Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

## Other Matters

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

**2014-005 Pooled Cash Accounting** – During our analysis of the City's bank accounts, we noted the City maintains a significant number of separate physical bank accounts for different funds and/or purposes in lieu of a single-account, pooled cash concept. To improve the overall efficiency and effectiveness of cash controls and processes, we recommend the City consider utilizing pooled cash accounting for items not required to be held in separate accounts.

**2014-006 Payroll Segregation of Duties** – Within the City's payroll system, the Finance Director, Finance Assistant, and Human Resources (HR) Officer each have access rights to enter new employee information and post changes to employee information. Additionally, new information is entered into the system by the HR Officer without a second review. To segregate the HR and payroll functions and minimize the risk of unauthorized changes or errors in payroll data and pay rates, we recommend system records for all new employees be reviewed by a second individual. We also recommend the HR Officer be assigned the sole responsibility of entering pay rates and modifications into the system.

**2014-007 Journal Entry Documentation** – We noted the majority of the journal entries recorded during the year did not have documentation to support the nature and reasonableness of the respective entry. While a corrective procedure was put into place shortly after year-end whereby all entries have supporting documentation attached in the accounting system, we recommend the City review and update its policies and procedures to require supporting documentation be established and maintained for all journal entries.

**2014-008 Tracking of Consumable Inventory** – The City has no formal system in place related to the recording and tracking of consumable inventory. For the City’s fuel and any other consumable inventory, we recommend a tracking process be designed and implemented to ensure inventory is properly tracked to minimize the risk of misappropriation and ensure financial records appropriately report the balance of inventory on hand.

**2014-009 Capital Asset Inventory** – The City has not performed a detailed capital asset inventory in a number of years. To ensure all capital assets are properly recorded and tracked, and all assets disposed of have been properly removed from the City’s financial records, we recommend the City perform a capital asset inventory and establish a formal policy for such procedures to be performed on a periodic basis in the future.

**2014-010 Fuel Tax Returns** – During our audit, we noted the City has historically not filed fuel tax returns with the state. Fuel tax returns can be filed to receive monies back for gas taxes paid on fuel which the City did not use on roads, but rather for heavy equipment, etc. As this results in no additional cost and could result in certain monies being refunded to the City on a regular basis, we recommend the City institute a process to ensure fuel tax returns are prepared and submitted to the state on a regular basis.

**2014-011 Utility Billing Adjustments** – Current procedures require all credit memos and utility bill adjustments be approved by a supervisor. During our audit, we noted these procedures and controls have not been consistently followed. To minimize the risk of unauthorized and/or erroneous adjustments posting to customer accounts, we recommend all adjustments to utility accounts be approved by a supervisor or another individual independent of the preparer prior to issuance.

**2014-012 Customer Invoicing** – We noted certain solid waste customers have occasionally been manually invoiced for one-time services, and these one-time transactions have not been recorded until paid, resulting in tracking and timing issues, as well as an increased risk of misappropriation. We recommend this process be updated to only use automated, system-generated invoices, and, should it remain necessary to occasionally create a manual invoice, for formal procedures to be established related to the creation, approval, and tracking of such invoices.

**2014-013 Recording of Net Other Post-Employment Benefits (OPEB) Liability** – Prior to the current year, we noted the City did not perform an actuarial valuation and/or record a liability for other post-employment benefits (OPEB) on the City’s financial statements, as is required by the Governmental Accounting Standards Board (GASB). While this was identified by the current finance director and an actuary was engaged in the current year to calculate the liability, we recommend the City and finance personnel continue to stay abreast of future developments in accounting standards to ensure the City is compliant with required changes in accounting and financial reporting.

**2014-014 User Access Rights** – We recommend a review of user access rights within the accounting system be performed, and unnecessary and/or excessive access rights be limited and correlate with each individual’s responsibilities. During our audit, we noted that the Finance Director, Finance Assistant, and IT Director had unlimited rights and access to the system, including the ability to create new users and change system access levels of existing users. To establish stronger overall controls and limit the potential for unauthorized changes, we recommend full access be given to only one key user and access for other users be limited areas needed to perform their job responsibilities.

**2014-015 Tracking of Electronic Funds Transfers** – During our audit, we noted the City makes some payments via electronic funds transfer (EFT) in place of physical checks, primarily as a means of increased efficiency. Currently, all such transfers are recorded in the general ledger as journal entries, and no specific tracking mechanism is in place for EFT transactions. Due to the high-risk nature of such transactions and to establish an improved tracking mechanism and audit trail, we recommend all EFT transfers be recorded in the accounting system as an accounts payable check for which a separate numbering sequence can be established.

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

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and 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 24, 2015

*James Moore & Co., P.L.*

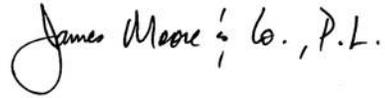
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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, 2014. 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 and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Bunnell, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.



Daytona Beach, Florida  
June 24, 2015

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121 Executive Circle  
Daytona Beach, FL 32114-1180  
Telephone: 386/257-4100  
Fax: 386/255-3261  
dab@jmco.com

5931 NW 1st Place  
Gainesville, FL 32607-2063  
Telephone: 352/378-1331  
Fax: 352/372-3741  
gnv@jmco.com

2477 Tim Gamble Place, Suite 200  
Tallahassee, FL 32308-4386  
Telephone: 850/386-6184  
Fax: 850/422-2074  
tlh@jmco.com

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CATHERINE D. ROBINSON  
MAYOR

JOHN ROGERS  
VICE-MAYOR

LAWRENCE WILLIAMS  
CITY MANAGER



COMMISSIONERS:

ELBERT TUCKER

BILL BAXLEY

BONITA ROBINSON

## MANAGEMENT'S RESPONSE TO FINDINGS

June 24, 2015

### **2014-001 Recording of Solid Waste Fees and Utility Taxes**

The City will implement changes to the revenue recorded by the Utility Billing system such that revenues are recorded in the proper fund. In addition monthly reconciliations will be performed.

### **2014-002 Journal Entry Controls**

The City will develop a formal journal entry processing policy that includes a review by someone other than the preparer. Also the City will perform a retrospective review of previous journal entries.

### **2014-003 Review of Bad Debt and Uncollectible Accounts**

The City will perform a comprehensive review of all accounts receivable and prepare a write off of uncollectible accounts. In addition the City will establish a policy to routinely review aged accounts to determine the reasonable amount that is expected to be collected.

### **2014-004 Unfavorable Financial Condition Rating and Fund Balance Policy**

The City will establish a formal fund balance policy. Steps have already been taken in the fiscal year 2015 budget to improve the City's financial condition. Significant budget cuts were enacted. Management is closely monitoring financial activity to affect positive change to the City's fund balance reserves.

### **2014-005 Pooled Cash Accounting**

The City has already started working toward establishing a pooled cash methodology for cash assets.

### **2014-006 Payroll Segregation of Duties**

The City will undertake a comprehensive review of security access to the financial system to ensure segregation of duties such that one person cannot enter a new employee and generate payroll activities. In addition the City will establish additional segregation of duties between the HR and Payroll functions.

The City of Bunnell is an Equal Opportunity Service Provider.

Post Office Box 756 • Bunnell, Florida 32110-0756 • 386-437-7500 • SUN COM 370-7500 • Fax 386-437-7503

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**2014-007 Journal Entry Documentation**

As noted the City has already taken steps to ensure documentation for journal entries are attached on-line to the respective entry. The requirement to include adequate documentation will be included in the journal entry processing policy being developed for comment 2014-002.

**2014-008 Tracking of Consumable Inventory**

The City will implement a system to track consumable inventories.

**2014-009 Fixed Asset Inventory**

The City will perform a fixed asset inventory and develop a formal policy to routinely perform the fixed asset inventory.

**2014-010 Fuel Tax Return**

The City will begin filing fuel tax returns.

**2014-011 Utility Billing Adjustments**

The City will develop a formal policy for utility billing adjustments that includes a review independent of the preparer. In addition a routine report of adjustments made will be reviewed by the City Manager.

**2014-012 Customer Invoicing**

All future solid waste invoices will be issued through the Utility Billing System.

**2014-013 Recording of Net Other Post-Employment benefits (OPEB) Liability**

The City will provide Executive and Financial Management with training opportunities to ensure future Governmental Accounting Standards Board (GASB) and other requirements are identified for implementation by the City.

**2014-014 User Access Rights**

The City will complete a comprehensive review of all financial system user security rights and limit full system access to the IT Director. Additional restrictions and limitations will be place on users based on their job functions and a review of the best practices for internal control.

**2014-015 Tracking of Electronic Funds Transfers**

The City will implement processing Electronic Funds Transfers payments through the Accounts Payable system.



Larry Williams  
City Manager