

**CITY OF BUNNELL, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

CITY COMMISSION

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John R. Rogers, Vice Mayor
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Prepared by:
City of Bunnell Finance Department

**CITY OF BUNNELL, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2015**

Financial Section

Independent Auditors' Report.....	1 - 2
Management's Discussion and Analysis.....	3 - 12
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements	
Balance Sheet—Governmental Funds	15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual – Community Redevelopment Agency	20
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Fiduciary Net Position – Fiduciary Funds	24
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	25
Notes to Financial Statements	26 - 55
Required Supplementary Information	
Schedules of Funding Progress – OPEB	56
Schedules of Employer Contributions – OPEB	57
Schedules of Changes in Net Pension Liability and Related Ratios	58
Schedules of Contributions	59
Schedules of Investment Returns	60
Schedule of Proportionate Share of Net Pension Liability – FRS/HIS	61
Schedule of Contributions – FRS/HIS	62

Single Audit and Other Reports

Schedule of Expenditures of Federal Awards and State Financial Assistance	63
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	64
Schedule of Findings and Questioned Costs.....	65 - 66
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance In Accordance with OMB Circular A-133	67 - 68
Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	69 - 70
Independent Auditors' Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General	71 - 74
Independent Accountants' Examination Report.....	75
Management's Response to Findings.....	76- 78

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, 2015, 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.

- 1 -

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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, 2015, 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 and state financial assistance 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 and state financial assistance 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 July 30, 2016, 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
July 30, 2016



City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2015

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, 2015.

Financial Highlights

- The assets of the City of Bunnell exceeded its liabilities at the close of the most recent fiscal year by \$15,769,963 (net position). Of this amount, \$1,167,234 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 \$710,093, a decrease of \$31,444. The unassigned General Fund balance available for spending at the City's discretion is \$629,519.
- Effective October 1, 2014, the City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. The implementation of this statement enhances the accountability and transparency of financial information to included revised and new note disclosures and required supplementary information. The application of this Statement resulted in a restatement of the beginning net position and recording of a net position liability, as well as related Deferred Inflows and Outflows. The net result of these transactions was a decrease in the unrestricted net position of \$1,235,843. See Note 9 and 14 for additional information.

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, deferred outflows, liabilities, and deferred inflows, 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.

City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2015

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water, sewer and solid waste activities, all of which are considered to be 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. This includes budget and actual comparisons for general and major special revenue funds with adopted budgets. Also included are the City’s schedules of the proportional share of the net pension liability, schedules of employer retirement contributions, and progress in funding of its Other Post Benefits (OPEB) obligation. Required supplementary information can be found on pages 54-60 of this report

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 \$15,769,963 at the close of the most recent fiscal year.

The largest portion of the City of Bunnell’s net position \$13,184,063 (83.6%) 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.

City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2015

A portion of the City's net position, \$ 1,418,666 (8.99%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,167,234 (7.4%) 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, except in governmental activities' unrestricted net position. This deficit is due to the recording of \$1,237,701 net pension liability from the implementation of the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. See Note 9 and 14 for additional information.

Business-type activities long-term liabilities increased \$2,907,455. \$435,820 of this increase is due implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. The majority of remaining \$2,471,635 increase is related to borrowing for water plant improvements. Business-type activities' capital assets increased primarily due to \$4,673,916 of Water Plant Improvements.

The deferred outflows and inflows reported below are related to the net pension liability.

CITY OF BUNNELL'S NET POSITION
September 30,

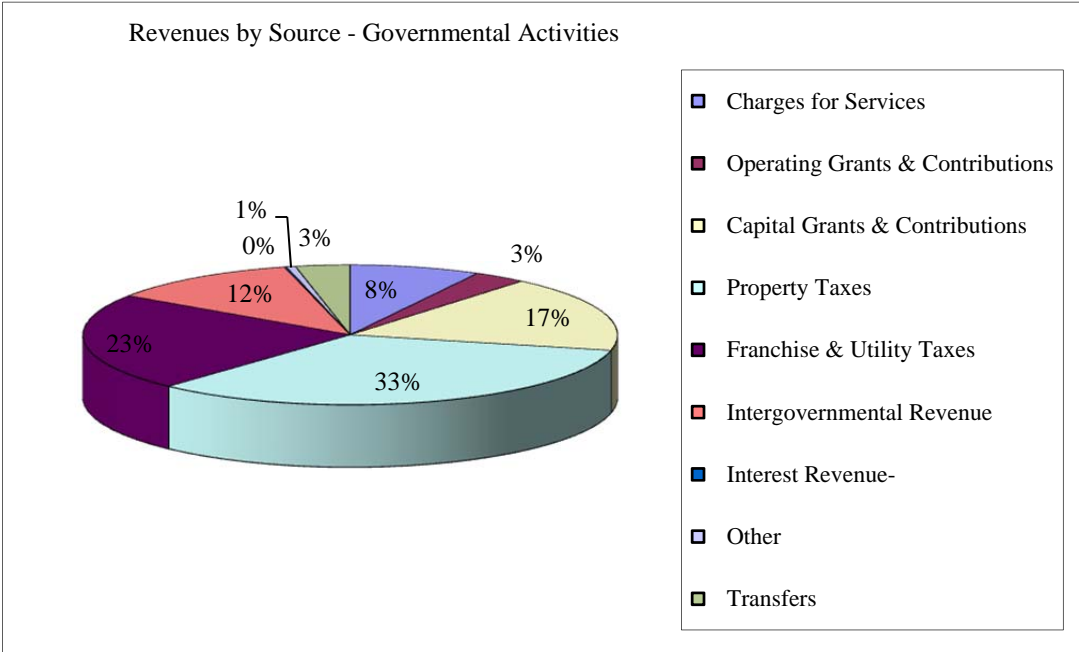
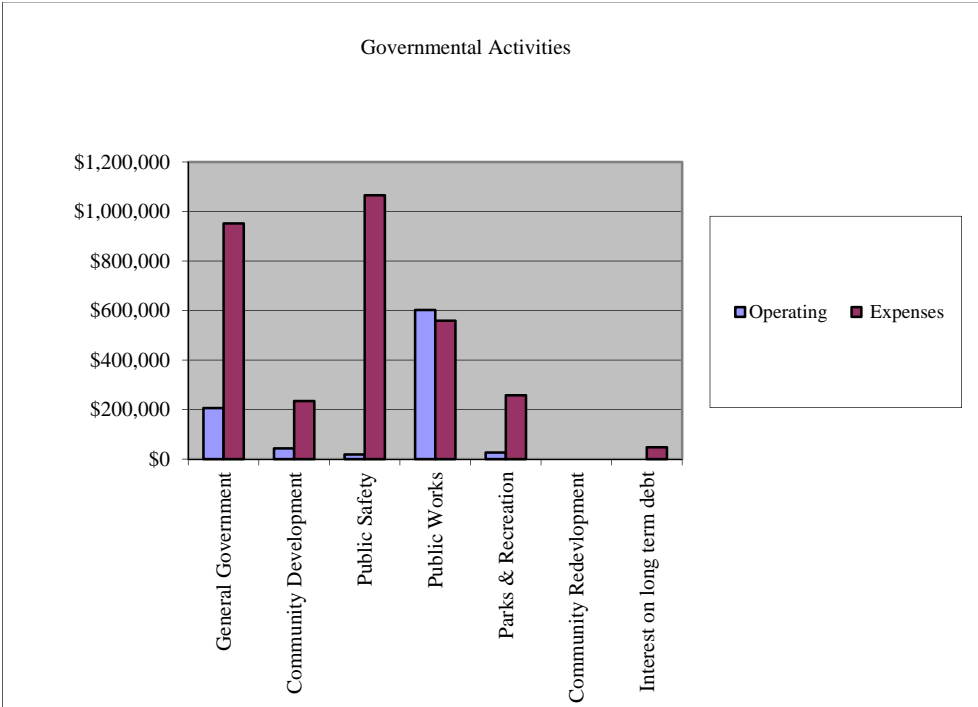
	Governmental Activities		Business Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 1,084,070	\$ 1,084,287	\$ 4,955,623	\$ 4,225,042	\$ 6,039,693	\$ 5,309,329
Capital Assets	4,311,498	4,368,405	16,153,311	11,869,001	20,464,809	16,237,406
Total Assets	<u>5,395,568</u>	<u>5,452,692</u>	<u>21,108,934</u>	<u>16,094,043</u>	<u>26,504,502</u>	<u>21,546,735</u>
Deferred Outflows	276,203	-	82,403	-	358,606	-
Total Deferred Outflows	<u>276,203</u>	<u>-</u>	<u>82,403</u>	<u>-</u>	<u>358,606</u>	<u>-</u>
Long-term Liabilities	2,150,890	1,463,675	6,964,300	4,056,845	9,115,190	5,520,520
Other Liabilities	373,977	343,050	1,079,665	601,702	1,453,642	944,752
Total Liabilities	<u>2,524,867</u>	<u>1,806,725</u>	<u>8,043,965</u>	<u>4,658,547</u>	<u>10,568,832</u>	<u>6,465,272</u>
Deferred Inflows	397,981	-	126,332	-	524,313	-
Total Deferred Outflows	<u>397,981</u>	<u>-</u>	<u>126,332</u>	<u>-</u>	<u>524,313</u>	<u>-</u>
Net Investment in						
Capital Assets	3,522,926	2,987,543	9,661,137	7,841,770	13,184,063	10,829,313
Restricted	77,566	205,243	1,341,100	2,297,390	1,418,666	2,502,633
Unrestricted	(851,569)	453,181	2,018,803	1,296,336	1,167,234	1,749,517
Total Net Position	<u>\$ 2,748,923</u>	<u>\$ 3,645,967</u>	<u>\$ 13,021,040</u>	<u>\$ 11,435,496</u>	<u>\$ 15,769,963</u>	<u>\$ 15,081,463</u>

City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2015

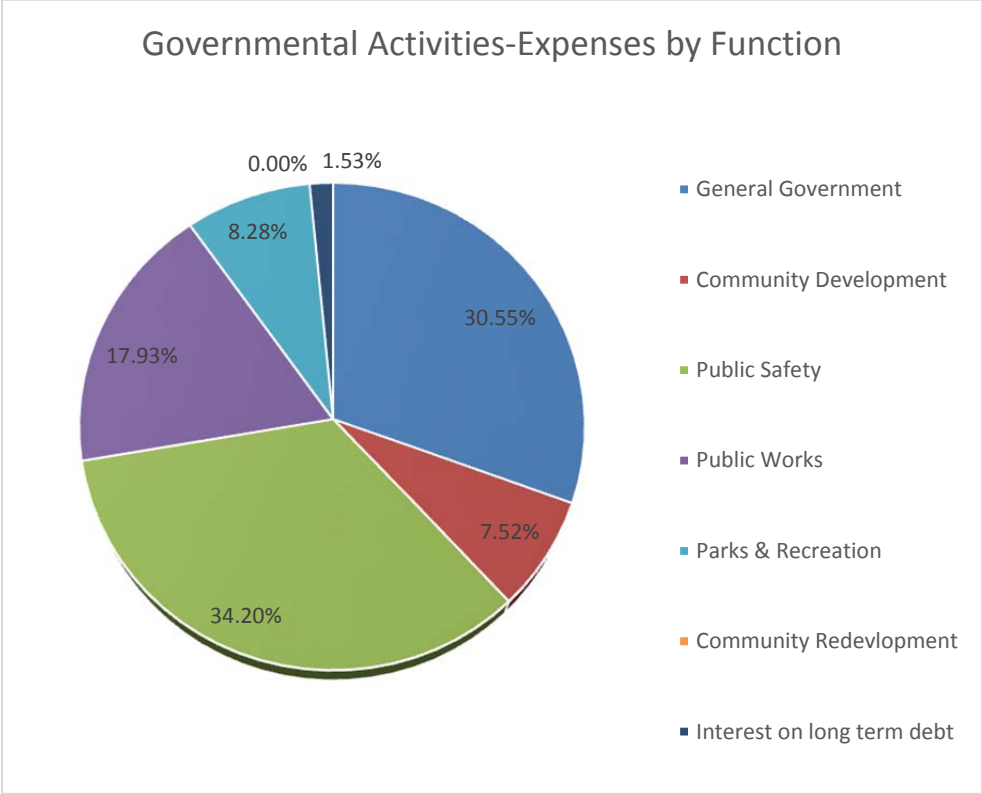
	CITY OF BUNNELL'S CHANGE IN NET POSITION					
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 248,216	\$ 83,260	\$ 3,248,040	\$ 2,965,492	\$ 3,496,256	\$ 3,048,752
Operating Grants & Contributions	100,109	65,512	7,954	12,664	108,063	78,176
Capital Grants & Contributions	548,128	133,707	1,492,671	15,555	2,040,799	149,262
General Revenues:						
Property Taxes	1,043,734	948,877			1,043,734	948,877
Franchise & Utility Taxes	708,532	688,494			705,532	688,494
Intergovernmental Revenue	364,355	1,121,414			364,355	1,121,414
Interest Revenue	3,999	(710)	6,378	1,377	10,377	667
Other	17,248	10,940	190,417	289,717	207,665	300,657
Total Revenues	<u>3,034,321</u>	<u>3,051,494</u>	<u>4,945,460</u>	<u>3,284,805</u>	<u>7,979,781</u>	<u>6,336,299</u>
Expenses:						
General Government	951,732	900,205			951,732	896,209
Community Development	234,344	272,814			234,344	272,814
Public Safety	1,065,455	1,241,343			1,065,455	1,241,343
Public Works	558,534	1,506,366			558,534	1,506,366
Parks & Recreation	257,859	230,375			257,859	230,375
Interest on Long Term debt	47,536	12,870			47,536	
Water & Sewer	-	-	2,259,692	2,007,879	2,259,692	2,011,875
Solid Waste	-	-	680,286	726,188	680,286	739,058
Total Expenses	<u>3,115,460</u>	<u>4,163,973</u>	<u>2,939,978</u>	<u>2,734,067</u>	<u>6,055,438</u>	<u>6,898,040</u>
Increase (Decrease) in Net Position Before Transfers	(81,139)	(1,112,479)	2,005,482	550,738	1,924,343	(561,741)
Transfers	103,182	-	(103,182)	-	-	-
Increase (Decrease) in Net Position	22,043	(1,112,479)	1,902,300	550,738	1,924,343	(561,741)
Net Position Beginning as restated	2,726,880	4,758,446	11,118,740	10,884,758	13,845,620	15,643,204
Net Position Ending	<u>\$ 2,748,923</u>	<u>\$ 3,645,967</u>	<u>\$ 13,021,040</u>	<u>\$ 11,435,496</u>	<u>\$ 15,769,963</u>	<u>\$ 15,081,463</u>

City of Bunnell, Florida
 Management Discussion and Analysis
 For the Year Ended September 30, 2015

Governmental Activities – Governmental activities increased the City of Bunnell’s net position by \$22,043.

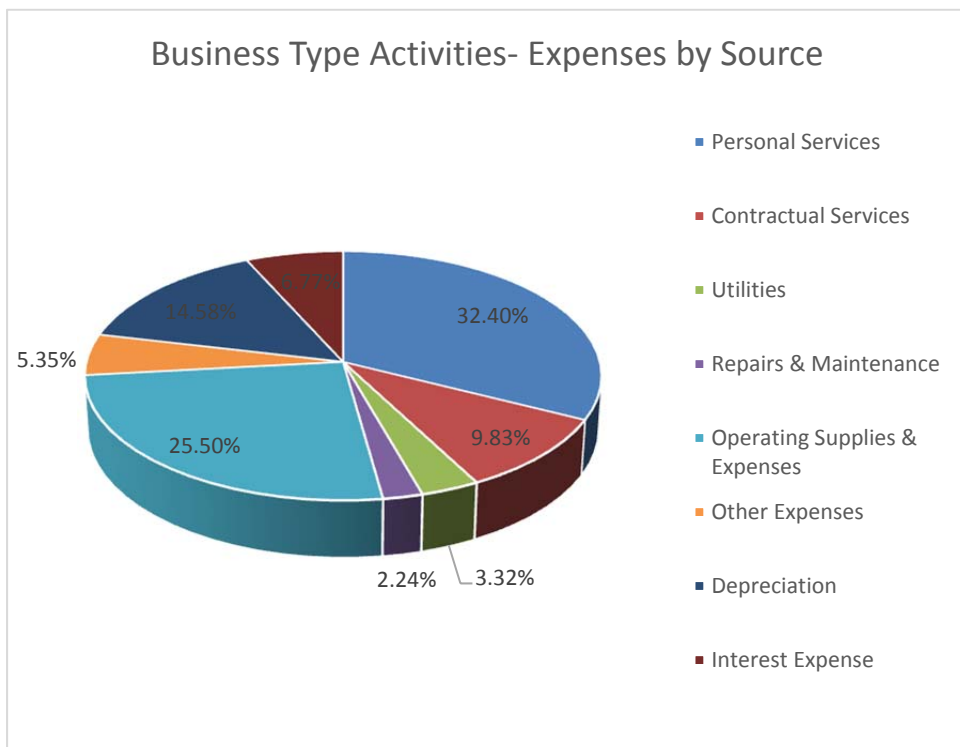
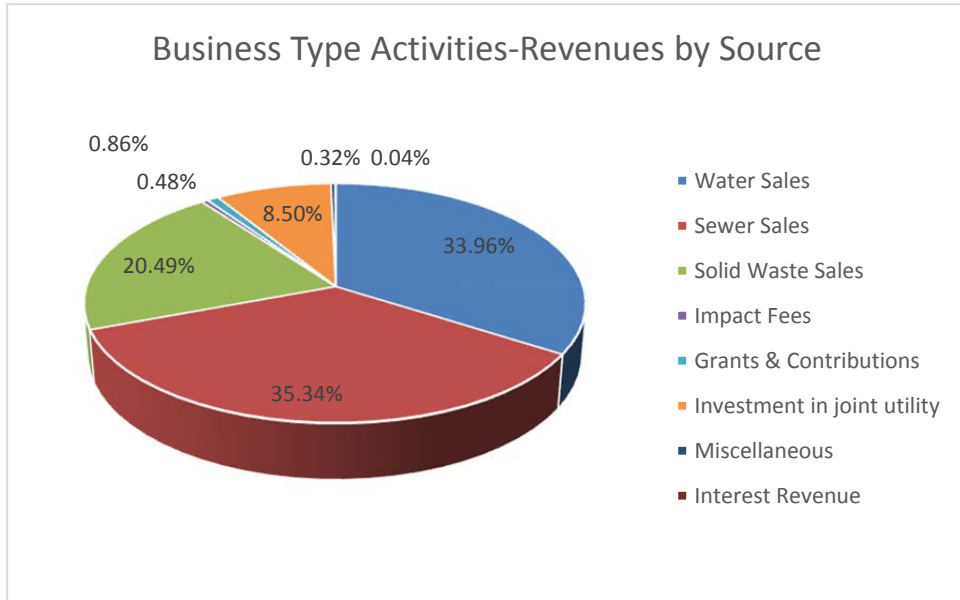


Governmental Activities – (cont.)



City of Bunnell, Florida
 Management Discussion and Analysis
 For the Year Ended September 30, 2015

- Business-type Activities – Business-type activities increased the City of Bunnell’s net position by \$1,902,300. The key element to this increase was the receipt of \$1,484,894 of grant funds to construct the City’s new Water Plant.



City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2015

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, 2015, fund balances were \$710,093 a decrease of \$31,444 in comparison with the prior year. Of this amount \$629,519 constitutes unassigned General Fund balance, which is available for spending at the City's discretion. \$73,948 is to be spent on capital projects and \$3,618 is for Community Redevelopment.

The General Fund unassigned fund balance increased by \$93,225 during the current fiscal year. There was \$218,389 transferred in from the capital projects fund and \$103,082 transferred in from the Water Sewer fund. In addition, the Water Sewer fund paid charges for services of \$168,099 to the General fund. The Solid Waste fund was unable to contribute to the administrative charges for services in the General fund.

The capital project fund has a fund balance of \$73,948, which represents a decrease of \$127,677, which resulted from transfers to the general fund for debt service on capital projects. Therefore, only minimal activity for annual required fees have occurred in this fund.

The special revenue fund for the Community Redevelopment Agency (CRA) were established to fund promote and provide economic incentives for redevelopment efforts through tax increment funding. However, during the last several years of property value declines, no tax increment revenue has been generated.

The Governmental Debt Service fund was created to track the required debt service activity for the City's new municipal Complex which houses The Commission Chambers, City Hall, and the Police Department. Transfers from the three major operating funds (General, Water/Sewer, and Solid Waste) provide the revenue source for this fund.

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 \$2,215,062. The total increase in net position was \$1,862,881. The increase was primarily due to capital grant contributions of \$1,484,894 and investment returns from the Bunnell Flagler County Joint Utility of \$220,993. Unrestricted net position in the Solid Waste Fund was a deficit of \$(196,259). Even though the Solid Waste fund showed an overall increase to net position of \$39,419 the investment in capital assets net of debt increased by \$22,432 resulted in a decline in the unrestricted fund balance.

General Fund Budgetary Highlights

The budget was amended to reflect capital expenditures funded from State grant that was 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.

City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2015

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, 2015 amounts to \$20,464,809 (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 \$56,634 decrease in net capital assets for governmental activities and a \$4,340,944 increase in net capital assets for business-type activities.

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

- Design of the Commerce Parkway for \$449,081.
- Police vehicles of \$62,271.
- Western Hills and Bay St. Lift stations improvements of \$23,832.
- Utility Department vehicle 21,394.
- Utilities equipment in the amount of \$85,154
- Acquisition of STEP/PEP systems for \$24,101.
- The Water Plant Improvement project is a multiple year project that increased assets by \$4,673,916

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	449,080	5,433,144	5,882,224
Buildings and improvements	3,227,532	9,925,818	13,153,350
Equipment	429,884	767,358	1,197,242
Total	<u>\$ 4,311,498</u>	<u>\$ 16,153,311</u>	<u>\$ 20,464,809</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 2015 fiscal year, the City of Bunnell had total debt outstanding of \$6,528,480.

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	\$ 788,572	\$ 6,492,174	\$ 7,280,746
Net OPEB	18,796	10,204	29,000
Compensated Absences	105,821	26,102	131,923
Total	<u>\$ 913,189</u>	<u>\$ 6,528,480</u>	<u>\$ 7,441,669</u>

City of Bunnell, Florida
Management Discussion and Analysis
For the Year Ended September 30, 2015

The City of Bunnell's total debt increased by \$2,471,635 during the current fiscal year primarily due to the Water Plant improvements.

The implementation of GASB Statement No. 68 requires that the City report a net pension liability on the Statement of Net position. This liability for Fiscal Year 2015 is \$1,673,521. This liability is a long-term liability. The reporting of this information enhances the accountability and transparency of the future pension obligations of the City.

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 2.66% for the 2015 fiscal year.
- The property values and assessments have been declining over the last several years. A continued decline is expected next year of approximately 2.66%. However, the local economy has is showing signs of stabilization and increasing activity.
- The Millage rate of 7.45 was approved in Fiscal year 2016 an increase of 7.49% over the roll back rate.
- Due to the significant declines to General fund balance over the last several years, the City's financial condition was considered unfavorable in fiscal year 2014. 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 fiscal year 2015 which served to reverse the unfavorable financial position.
- The fiscal year 2016 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, 2015**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 954,390	\$ 1,401,448	\$ 2,355,838
Investments	335,981	364,120	700,101
Receivables, net	114,799	503,437	618,236
Internal balances	(722,469)	722,469	-
Due from other governments	397,862	98,980	496,842
Due from Flagler County BFCU	499	40,998	41,497
Bunnell Flagler County Utility Joint Venture	-	431,661	431,661
Prepays	3,008	-	3,008
Restricted assets:			
Cash and cash equivalents	-	479,988	479,988
Investments	-	912,522	912,522
Capital assets:			
Land	205,002	26,991	231,993
Buildings and improvements	5,583,532	14,497,608	20,081,140
Infrastructure (other than buildings)	-	-	-
Equipment	3,846,622	2,145,234	5,991,856
Construction in progress	449,080	5,433,144	5,882,224
Accumulated depreciation	(5,772,738)	(5,949,666)	(11,722,404)
Total assets	<u>\$ 5,395,568</u>	<u>\$ 21,108,934</u>	<u>\$ 26,504,502</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 276,203</u>	<u>\$ 82,403</u>	<u>\$ 358,606</u>
LIABILITIES			
Accounts payable	\$ 107,784	\$ 287,425	\$ 395,209
Retainage payable	-	467,038	467,038
Accrued payroll and employee benefits	41,636	24,103	65,739
Customer deposits	5,860	245,384	251,244
Accrued rent	136,370	-	136,370
Unearned revenue	23,841	-	23,841
Due to other governments	58,486	4,305	62,791
Accrued interest payable	-	51,410	51,410
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	33,623	269,946	303,569
Compensated absences	26,455	6,526	32,981
Due in more than one year:			
Bonds and notes payable	754,949	6,222,228	6,977,177
Net OPEB obligation	18,796	10,204	29,000
Compensated absences	79,366	19,576	98,942
Net pension liability	1,237,701	435,820	1,673,521
Total liabilities	<u>\$ 2,524,867</u>	<u>\$ 8,043,965</u>	<u>\$ 10,568,832</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 397,981</u>	<u>\$ 126,332</u>	<u>\$ 524,313</u>
NET POSITION			
Net investment in capital assets	\$ 3,522,926	\$ 9,661,137	\$ 13,184,063
Restricted for:			
Capital improvements	73,948	794,682	868,630
Debt service	-	546,418	546,418
Community redevelopment	3,618	-	3,618
Unrestricted	(851,569)	2,018,803	1,167,234
Total net position	<u>\$ 2,748,923</u>	<u>\$ 13,021,040</u>	<u>\$ 15,769,963</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, 2015**

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	\$ 951,732	\$ 168,314	\$ 37,499	\$ -	\$ (745,919)	\$ -	\$ (745,919)
Community development	234,344	43,348	-	-	(190,996)	-	(190,996)
Public safety	1,065,455	18,470	-	-	(1,046,985)	-	(1,046,985)
Public works	558,534	-	62,610	539,792	43,868	-	43,868
Parks and recreation	257,859	18,084	-	8,336	(231,439)	-	(231,439)
Interest on long-term debt	47,536	-	-	-	(47,536)	-	(47,536)
Total governmental activities	<u>3,115,460</u>	<u>248,216</u>	<u>100,109</u>	<u>548,128</u>	<u>(2,219,007)</u>	<u>-</u>	<u>(2,219,007)</u>
Business-type activities:							
Water and sewer	2,259,692	2,535,400	7,954	1,492,671	-	1,776,333	1,776,333
Solid Waste	680,286	712,640	-	-	-	32,354	32,354
Total business-type activities	<u>2,939,978</u>	<u>3,248,040</u>	<u>7,954</u>	<u>1,492,671</u>	<u>-</u>	<u>1,808,687</u>	<u>1,808,687</u>
Total primary government	<u>\$ 6,055,438</u>	<u>\$ 3,496,256</u>	<u>\$ 108,063</u>	<u>\$ 2,040,799</u>	<u>(2,219,007)</u>	<u>1,808,687</u>	<u>(410,320)</u>
General revenues:							
Property taxes					1,043,734	-	1,043,734
Sales and use taxes					88,949	-	88,949
Franchise fees					251,213	-	251,213
Public service utility taxes					457,319	-	457,319
Fire insurance premium taxes					20,587	-	20,587
Other taxes					84,200	-	84,200
State revenue sharing					67,415	-	67,415
Other intergovernmental revenues					103,204	-	103,204
Investment earnings					3,999	6,378	10,377
Change in investment in Bunnell Flagler County Utility Joint Venture					-	220,993	220,993
Miscellaneous revenues (expenses)					17,248	(30,576)	(13,328)
Transfers					103,182	(103,182)	-
Total general revenues and transfers					<u>2,241,050</u>	<u>93,613</u>	<u>2,334,663</u>
Change in net position					22,043	1,902,300	1,924,343
Net position - beginning, as restated					2,726,880	11,118,740	13,845,620
Net position - ending					<u>\$ 2,748,923</u>	<u>\$ 13,021,040</u>	<u>\$ 15,769,963</u>

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

**CITY OF BUNNELL, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	General	Community Redevelopment Agency	Capital Projects	Debt Service	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 954,214	\$ 176	\$ -	\$ -	\$ 954,390
Investments	71,012	-	264,969	-	335,981
Receivables, net	114,799	-	-	-	114,799
Due from other governments	382,012	-	15,850	-	397,862
Due from Flagler County BFCU	499	-	-	-	499
Due from other funds	365,685	3,442	-	49,946	419,073
Prepaid items	3,008	-	-	-	3,008
Total assets	<u>\$ 1,891,229</u>	<u>\$ 3,618</u>	<u>\$ 280,819</u>	<u>\$ 49,946</u>	<u>\$ 2,225,612</u>
LIABILITIES					
Accounts payable	\$ 107,951	\$ -	\$ -	\$ -	\$ 107,951
Accrued payroll and employee benefits	41,469	-	-	-	41,469
Accrued rent	136,370	-	-	-	136,370
Due to other governments	58,486	-	-	-	58,486
Customer deposits	5,860	-	-	-	5,860
Unearned revenue	23,841	-	-	-	23,841
Due to other funds	384,725	-	206,871	49,946	641,542
Advances from other funds	500,000	-	-	-	500,000
Total liabilities	<u>\$ 1,258,702</u>	<u>\$ -</u>	<u>\$ 206,871</u>	<u>\$ 49,946</u>	<u>\$ 1,515,519</u>
FUND BALANCES					
Nonspendable:					
Prepaid items	\$ 3,008	\$ -	\$ -	\$ -	\$ 3,008
Restricted for:					
Community redevelopment	-	3,618	-	-	3,618
Capital improvements	-	-	73,948	-	73,948
Unassigned	629,519	-	-	-	629,519
Total fund balances	<u>\$ 632,527</u>	<u>\$ 3,618</u>	<u>\$ 73,948</u>	<u>\$ -</u>	<u>\$ 710,093</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, 2015**

Fund balances - total governmental funds \$ 710,093

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

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

Total governmental capital assets	10,084,236	
Less: accumulated depreciation	<u>(5,772,738)</u>	4,311,498

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

Net pension liability	(1,237,701)	
Deferred outflows related to pensions	276,203	
Deferred inflows related to pensions	<u>(397,981)</u>	(1,359,479)

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	(788,572)	
Net OPEB obligation	(18,796)	
Compensated absences	<u>(105,821)</u>	(913,189)

Net position of governmental activities \$ 2,748,923

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, 2015

	General	Community Redevelopment Agency	Capital Projects	Debt Service	Total Governmental Funds
Revenues					
Taxes	\$ 1,835,463	\$ -	\$ 90,712	\$ -	\$ 1,926,175
Licenses and permits	111,978	-	-	-	111,978
Intergovernmental	746,147	-	-	-	746,147
Charges for services	202,695	-	-	-	202,695
Fines and forfeitures	19,736	-	-	-	19,736
Interest revenues (loss)	3,999	-	-	-	3,999
Miscellaneous	41,728	-	-	-	41,728
Total revenues	2,961,746	-	90,712	-	3,052,458
Expenditures					
Current:					
General government	735,087	-	-	-	735,087
Community development	206,076	-	-	-	206,076
Public safety	770,638	-	-	-	770,638
Public works	423,556	-	-	-	423,556
Parks and recreation	183,879	-	-	-	183,879
Capital outlay	548,022	-	-	-	548,022
Debt service					
Principal	1,060,862	-	-	36,428	1,097,290
Interest and fiscal charges	34,018	-	-	13,518	47,536
Total expenditures	3,962,138	-	-	49,946	4,012,084
Excess (deficiency) of revenues over expenditures	(1,000,392)	-	90,712	(49,946)	(959,626)
Other financing sources (uses)					
Transfers in	321,571	-	-	49,946	371,517
Transfers out	(49,946)	-	(218,389)	-	(268,335)
Issuance of debt	825,000	-	-	-	825,000
Total other financing sources (uses)	1,096,625	-	(218,389)	49,946	928,182
Net change in fund balances	96,233	-	(127,677)	-	(31,444)
Fund balances, beginning of year	536,294	3,618	201,625	-	741,537
Fund balances, end of year	\$ 632,527	\$ 3,618	\$ 73,948	\$ -	\$ 710,093

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, 2015**

Net change in fund balances - total governmental funds	\$ (31,444)
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	548,022
Depreciation expense	(345,620)
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.	
	60,691
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the Statement of Activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	(440,392)
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	(825,000)
Principal repayment of of long-term debt	1,097,290
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	(8,766)
Change in compensated absences liability	(32,738)
Change in net position of governmental activities	\$ 22,043

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Taxes	\$ 1,727,563	\$ 1,727,563	\$ 1,835,463	\$ 107,900
Licenses and permits	72,257	72,257	111,978	39,721
Intergovernmental	159,425	1,659,425	746,147	(913,278)
Charges for services	293,191	293,191	202,695	(90,496)
Fines and forfeitures	19,909	19,909	19,736	(173)
Interest revenues	-	-	3,999	3,999
Miscellaneous	23,000	63,638	41,728	(21,910)
Total revenues	<u>2,295,345</u>	<u>3,835,983</u>	<u>2,961,746</u>	<u>(874,237)</u>
Expenditures				
Current:				
General government:				
Legislative	116,800	139,200	142,377	(3,177)
Executive	105,818	115,068	114,488	580
Administration	549,312	552,661	411,981	140,680
Legal	84,000	84,750	63,743	21,007
Grants & special projects	-	-	2,498	(2,498)
Public safety:				
Fire	116,805	107,132	74,160	32,972
Police	698,000	712,282	696,478	15,804
Community development	237,821	222,821	206,076	16,745
Public works	453,087	457,173	423,556	33,617
Parks and recreation	214,440	199,440	183,879	15,561
Capital outlay	20,000	1,590,335	548,022	1,042,313
Debt service:				
Principal	-	250,000	1,060,862	(810,862)
Interest and fiscal charges	-	17,200	34,018	(16,818)
Total expenditures	<u>2,596,083</u>	<u>4,448,062</u>	<u>3,962,138</u>	<u>485,924</u>
Excess (deficiency) of revenues over expenditures	<u>(300,738)</u>	<u>(612,079)</u>	<u>(1,000,392)</u>	<u>(388,313)</u>
Other financing sources (uses)				
Transfers in	300,738	550,738	321,571	(229,167)
Transfers out	-	-	(49,946)	(49,946)
Issuance of debt	-	35,670	825,000	789,330
Total other financing sources (uses)	<u>300,738</u>	<u>586,408</u>	<u>1,096,625</u>	<u>510,217</u>
Net change in fund balances	<u>-</u>	<u>(25,671)</u>	<u>96,233</u>	<u>121,904</u>
Fund balances, beginning of year	536,294	536,294	536,294	-
Fund balances, end of year	<u>\$ 536,294</u>	<u>\$ 510,623</u>	<u>\$ 632,527</u>	<u>\$ 121,904</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current:				
Community redevelopment	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	3,618	3,618	3,618	-
Fund balances, end of year	<u>\$ 3,618</u>	<u>\$ 3,618</u>	<u>\$ 3,618</u>	<u>\$ -</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, 2015**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,261,506	\$ 139,942	\$ 1,401,448
Investments	364,120	-	364,120
Restricted cash and cash equivalents	279,248	-	279,248
Accounts receivable, net	408,150	95,287	503,437
Due from other governments	98,980	-	98,980
Due from Flagler County BFCU	40,998	-	40,998
Investment in Bunnell Flagler County Utility Joint Venture	431,661	-	431,661
Due from other funds	528,496	14,976	543,472
Total current assets	<u>3,413,159</u>	<u>250,205</u>	<u>3,663,364</u>
Noncurrent assets:			
Restricted cash	194,787	5,953	200,740
Restricted investments	912,522	-	912,522
Advances to other funds	500,000	-	500,000
Capital assets:			
Land	26,991	-	26,991
Buildings and improvements	14,497,608	-	14,497,608
Equipment	1,508,764	636,470	2,145,234
Construction in progress	5,433,144	-	5,433,144
Accumulated depreciation	(5,554,992)	(394,674)	(5,949,666)
Total noncurrent assets	<u>17,518,824</u>	<u>247,749</u>	<u>17,766,573</u>
Total assets	<u>\$ 20,931,983</u>	<u>\$ 497,954</u>	<u>\$ 21,429,937</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 64,799</u>	<u>\$ 17,604</u>	<u>\$ 82,403</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 269,958	\$ 17,467	\$ 287,425
Retainage payable	467,038	-	467,038
Accrued payroll	18,475	5,628	24,103
Deposits	226,890	18,494	245,384
Due to other governments	4,305	-	4,305
Due to other funds	29,362	291,641	321,003
Compensated absences	4,242	2,284	6,526
Payable from restricted assets:			
Current maturities on long-term debt	227,838	42,108	269,946
Accrued interest payable	51,410	-	51,410
Total current liabilities	<u>1,299,518</u>	<u>377,622</u>	<u>1,677,140</u>
Noncurrent liabilities:			
Notes payable	6,222,228	-	6,222,228
Net OPEB obligation	8,593	1,611	10,204
Net pension liability	342,715	93,105	435,820
Compensated absences	12,726	6,850	19,576
Total noncurrent liabilities	<u>6,586,262</u>	<u>101,566</u>	<u>6,687,828</u>
Total liabilities	<u>\$ 7,885,780</u>	<u>\$ 479,188</u>	<u>\$ 8,364,968</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 99,344</u>	<u>\$ 26,988</u>	<u>\$ 126,332</u>
NET POSITION			
Net investment in capital assets	\$ 9,461,449	\$ 199,688	\$ 9,661,137
Restricted for:			
Capital improvements	794,682	-	794,682
Debt service	540,465	5,953	546,418
Unrestricted	2,215,062	(196,259)	2,018,803
Total net position	<u>\$ 13,011,658</u>	<u>\$ 9,382</u>	<u>\$ 13,021,040</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, 2015

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 2,535,400	\$ 712,640	\$ 3,248,040
Total operating revenues	<u>2,535,400</u>	<u>712,640</u>	<u>3,248,040</u>
Operating expenses			
Personal services	994,176	270,357	1,264,533
Contractual services	292,274	197,371	489,645
Repairs and maintenance	42,164	32,174	74,338
Supplies	164,247	68,444	232,691
Utilities	119,685	986	120,671
Other expenses	84,606	16,165	100,771
Depreciation	386,032	90,847	476,879
Total operating expenses	<u>2,083,184</u>	<u>676,344</u>	<u>2,759,528</u>
Operating income (loss)	<u>452,216</u>	<u>36,296</u>	<u>488,512</u>
Nonoperating revenues (expenses)			
Interest earnings	6,378	-	6,378
Change in investment in Bunnell Flagler County Utility	220,993	-	220,993
Operating grants	7,954	-	7,954
Other income (expense)	(37,641)	7,065	(30,576)
Interest and amortization expense	(176,508)	(3,942)	(180,450)
Total nonoperating revenues (expenses)	<u>21,176</u>	<u>3,123</u>	<u>24,299</u>
Income (loss) before capital contributions and transfers	<u>473,392</u>	<u>39,419</u>	<u>512,811</u>
Capital grants	1,484,894	-	1,484,894
Capital contributions	7,777	-	7,777
Transfers out	(103,182)	-	(103,182)
Change in net position	<u>1,862,881</u>	<u>39,419</u>	<u>1,902,300</u>
Net position , beginning of year, as restated	11,148,777	(30,037)	11,118,740
Net position , end of year	<u>\$ 13,011,658</u>	<u>\$ 9,382</u>	<u>\$ 13,021,040</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, 2015**

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Cash flows from operating activities			
Cash received from customers	\$ 2,605,975	\$ 717,175	\$ 3,323,150
Cash paid to employees	(861,936)	(232,912)	(1,094,848)
Cash paid to suppliers	(255,065)	(331,219)	(586,284)
Other receipts (payments)	(29,687)	7,065	(22,622)
Net cash provided by operating activities	<u>1,459,287</u>	<u>160,109</u>	<u>1,619,396</u>
Cash flows from noncapital financing activities			
Interfund transfers	(103,182)	-	(103,182)
Interfund loans	(960,109)	45,231	(914,878)
Net cash provided by (used in) noncapital financing activities	<u>(1,063,291)</u>	<u>45,231</u>	<u>(1,018,060)</u>
Cash flows from capital and related financing activities			
Impact fees and capital contributions	7,777	-	7,777
Acquisition and construction of capital assets	(4,769,452)	8,263	(4,761,189)
Proceeds from sale of capital assets	-	-	-
Capital grants	1,484,894	-	1,484,894
Principal payments of long-term debt	(5,321,189)	(121,542)	(5,442,731)
Proceeds from issuance of long-term debt	7,907,674	-	7,907,674
Interest paid	(139,922)	(2,680)	(142,602)
Net cash used in capital and related financing activities	<u>(830,218)</u>	<u>(115,959)</u>	<u>(946,177)</u>
Cash flows from investing activities			
Interest received	1,100	-	1,100
Net increase (decrease) in cash and cash equivalents	<u>(433,122)</u>	<u>89,381</u>	<u>(343,741)</u>
Cash and cash equivalents, beginning of year	2,168,663	56,514	2,225,177
Cash and cash equivalents, end of year	<u>\$ 1,735,541</u>	<u>\$ 145,895</u>	<u>\$ 1,881,436</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 452,216	\$ 36,296	\$ 488,512
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation	386,032	90,847	476,879
Other income (expense)	(29,687)	7,065	(22,622)
Changes in assets and liabilities:			
Accounts receivable	(541)	4,120	3,579
Due from other governments	67,553	-	67,553
Inventories and prepaids	-	-	-
Accounts payable and accrued liabilities	447,911	(16,079)	431,832
Deposits	3,563	415	3,978
Unearned revenue	-	-	-
Compensated absences	(1,183)	1,641	458
Net Pension Liability	128,173	34,820	162,993
Net OPEB obligation	5,250	984	6,234
Net cash provided by operating activities	<u>\$ 1,459,287</u>	<u>\$ 160,109</u>	<u>\$ 1,619,396</u>
Cash and cash equivalents classsified as:			
Unrestricted	\$ 1,261,506	\$ 139,942	\$ 1,401,448
Restricted	474,035	5,953	479,988
Total cash and cash equivalents	<u>\$ 1,735,541</u>	<u>\$ 145,895</u>	<u>\$ 1,881,436</u>
Non-cash investing, capital, and financing activities:			
Increase in Investment in Bunnell Flagler County Utility	\$ 220,993	\$ -	\$ 220,993

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, 2015**

	Firefighters' Pension Trust Fund
ASSETS	
Cash and cash equivalents with trustee	\$ 16,534
Receivables	
State premium taxes	7,925
Total receivables	7,925
Investments, at fair value	
Mutual funds	506,636
Total investments	506,636
Total assets	531,095
NET POSITION	
Held in trust for pension benefits	\$ 531,095

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, 2015

	Firefighters' Pension Trust Fund
Additions	
Contributions:	
Plan members	\$ 922
State - insurance premium taxes	20,587
Total contributions	21,509
Investment earnings:	
Interest and dividends	11,231
Net appreciation (depreciation) in fair value of investments	(10,499)
Total investment earnings	732
Less: investment expense	(4,576)
Net investment income (loss)	(3,844)
Total additions	17,665
Deductions	
Benefit payments	13,229
Administrative expenses	1,409
Total deductions	14,638
Change in net position	3,027
Net position held in trust for pension benefits, beginning of year	528,068
Net position held in trust for pension benefits, end of year	\$ 531,095

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

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

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

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

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

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(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.

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fiduciary fund:

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

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

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

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

Capital assets are defined by the City as assets with an initial individual cost of \$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.

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

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

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

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

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

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

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

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

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

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

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

(p) **Implementation of new accounting standards**— At September 30, 2015 and for the year then ended, the City has implemented Governmental Accounting Standards Board (GASB) *Statement No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB No. 27, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment to GASB No. 68*. See Note (9) for the effects of GASB 68 and 71 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.

(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, 2015, was 7.4500 per \$1,000.

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

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

Valuation Date:	January 1, 2014
Levy Date:	November 1, 2014
Due Date:	March 31, 2015
Lien Date:	June 1, 2015

(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, 2015, all City deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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 29 days to maturity and was rated AAAM by Standard & Poor’s as of September 30, 2015.

As of September 30, 2015, the City’s governmental and business-type investment portfolio is composed of the following investments:

<u>Investment Type</u>	<u>Credit Quality Rating (S&P)</u>	<u>Fair Value</u>	<u>Maturities (in Years)</u>		
			<u>Less Than 1</u>	<u>1-5</u>	<u>Over 5</u>
Cash and cash equivalents	NR	\$ 2,835,826	\$ 2,835,826	\$ -	\$ -
SBA funds	AAAm	1,612,623	1,612,623	-	-
Total Portfolio		<u>\$ 4,448,449</u>	<u>\$ 4,448,449</u>	<u>\$ -</u>	<u>\$ -</u>

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

Credit Risk: Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The City’s 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, 2015, the City’s investment of \$1,612,623 in SBA funds are backed by the full faith and credit of the State of Florida, or explicitly guaranteed by the State of Florida.

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.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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&P)</u>
Cash	\$ 16,534	\$ 16,534	NR
Mutual Funds – Fixed Income	180,032	180,032	NR
Mutual Funds – Equity	326,604	326,604	NR
Total Portfolio	<u>\$ 523,170</u>	<u>\$ 523,170</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, 2015, 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, 2015.

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, 2015, 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, 2015, the investment portfolios had no foreign investments.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

Fair Value/Carrying Value	
Governmental and Business-type Investment Portfolio	\$ 4,448,449
Pension Investment Portfolio	523,170
Total	\$ 4,971,619
Government-Wide Statement of Net Position:	
Equity in pooled cash	\$ 2,355,838
Investments	700,101
Restricted equity in pooled cash	479,988
Restricted investments	912,522
Statement of Plan Net Position:	
Cash and cash equivalents with trustee	16,534
Investments	506,636
Total	\$ 4,971,619

(5) **Accounts Receivable:**

The City's receivables consist of the following at September 30, 2015:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 114,799	\$ -	\$ 114,799
Totals – Governmental Type Activities	114,799	-	114,799
Business-Type Activities			
Water and Sewer Fund			
Accounts receivable	488,150	(80,000)	408,150
Solid Waste Fund			
Accounts receivable	139,287	(44,000)	95,287
Totals – Business-Type Activities	627,437	(124,000)	503,437
Totals	\$ 742,236	\$ (124,000)	\$ 618,236

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(6) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated –				
Land	\$ 205,002	\$ -	\$ -	\$ 205,002
Construction in progress	789,361	449,080	(789,361)	449,080
Total capital assets, not being depreciated	<u>994,363</u>	<u>449,080</u>	<u>(789,361)</u>	<u>654,082</u>
Capital assets, being depreciated –				
Buildings	5,090,304	813,228	(320,000)	5,583,532
Equipment	3,838,969	75,075	(67,422)	3,846,622
Total capital assets, being depreciated	8,929,273	888,303	(387,422)	9,430,154
Less: accumulated depreciation	<u>(5,555,231)</u>	<u>(345,620)</u>	<u>128,113</u>	<u>(5,772,738)</u>
Total capital assets, being depreciated, net	<u>3,374,042</u>	<u>542,683</u>	<u>(259,309)</u>	<u>3,657,416</u>
Governmental activities capital assets, net	<u>\$ 4,368,405</u>	<u>\$ 991,763</u>	<u>\$ (1,048,670)</u>	<u>\$ 4,311,498</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 26,991	\$ -	\$ -	\$ 26,991
Construction in progress	763,459	4,699,011	(29,326)	5,433,144
Total capital assets, not being depreciated	<u>790,450</u>	<u>4,699,011</u>	<u>(29,326)</u>	<u>5,460,135</u>
Capital assets, being depreciated –				
Buildings and improvements	14,446,334	51,274	-	14,497,608
Equipment	2,153,744	113,813	(122,323)	2,145,234
Total capital assets, being depreciated	16,600,078	165,087	(122,323)	16,642,842
Less: accumulated depreciation	<u>(5,521,527)</u>	<u>(476,879)</u>	<u>48,740</u>	<u>(5,949,666)</u>
Total capital assets, being depreciated, net	<u>11,078,551</u>	<u>(311,792)</u>	<u>(73,583)</u>	<u>10,693,176</u>
Business-type activities capital assets, net	<u>\$ 11,869,001</u>	<u>\$ 4,387,219</u>	<u>\$ (102,909)</u>	<u>\$ 16,153,311</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 53,323
Community development	6,928
Public safety	87,556
Parks and recreation	137,390
Public works	60,423
Total depreciation expense - governmental activities	<u>\$ 345,620</u>
Business-type activities:	
Water and sewer	\$ 386,032
Solid waste	90,847
Total depreciation expense - business-type activities	<u>\$ 476,879</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

A summary of the long-term liability transactions for the City for the fiscal year ended September 30, 2015, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Notes and bonds payable	\$ 1,380,862	\$ 825,000	\$ (1,417,290)	\$ 788,572	\$ 33,623
Net OPEB obligation	10,030	8,766	-	18,796	-
Compensated absences	73,083	98,954	(66,216)	105,821	26,455
Governmental activities – Total long-term liabilities	<u>\$ 1,463,975</u>	<u>\$ 932,720</u>	<u>\$ (1,483,506)</u>	<u>\$ 913,189</u>	<u>\$ 60,078</u>
Business-type activities:					
Long-term debt:					
Notes and bonds payable	\$ 3,273,625	\$ 7,833,664	\$ (5,388,134)	\$ 5,719,155	\$ 211,775
SRF Notes payable	753,606	74,010	(54,597)	773,019	58,171
Total long-term debt, net	4,027,231	7,907,674	(5,442,731)	6,492,174	269,946
Net OPEB obligation	3,970	6,234	-	10,204	-
Compensated absences	25,644	48,474	(48,016)	26,102	6,526
Business-type activities – Total long-term liabilities	<u>\$ 4,056,845</u>	<u>\$ 7,962,382</u>	<u>\$ (5,490,747)</u>	<u>\$ 6,528,480</u>	<u>\$ 276,472</u>

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

Year Ending September 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 33,623	\$ 16,323	\$ 269,946	\$ 140,180	\$ 460,072
2017	45,940	20,655	230,236	133,194	430,025
2018	47,240	19,355	237,415	127,481	431,491
2019	48,576	18,019	243,164	121,626	431,385
2020	49,951	16,644	249,039	115,626	431,260
2021-2025	271,771	61,204	1,475,516	482,614	2,291,105
2026-2030	291,471	20,517	1,323,292	324,738	1,960,018
2031-2035	-	-	417,217	222,996	640,213
2036-2040	-	-	458,116	182,016	640,132
2041-2045	-	-	494,233	135,801	630,034
2046-2050	-	-	516,000	83,552	599,552
2051-2055	-	-	578,000	33,377	611,377
Total	<u>\$ 788,572</u>	<u>\$ 172,717</u>	<u>\$ 6,492,174</u>	<u>\$ 2,103,201</u>	<u>\$ 9,556,664</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Notes and bonds payable in the City's governmental activities at September 30, 2015, are comprised of the following obligations:

Non-Ad Valorem Revenue note payable, in the original amount of \$825,000, dated February 26, 2015, due in quarterly payments of \$16,649, including interest at 2.8% through February 26, 2030. Repayment of loan balance is secured by a pledge of Non-Ad Valorem revenues.	\$ 788,572
Total long-term debt, governmental activities	<u>\$ 788,572</u>

Notes and bonds payable in the City's business-type activities at September 30, 2015, are comprised of the following obligations:

State Revolving Fund note payable, dated July 1, 2005, due in semiannual payments of \$35,363, including interest at 2.6% through December 15, 2025. Repayment of loan balance is secured by a pledge of Water & Sewer Utility revenues.	\$ 630,454
Note payable to Florida Department of Transportation, in the original amount of \$529,694, unsecured and noninterest bearing. Flagler County made a \$264,647 payment in 2010, remaining payments will begin October 15, 2020 with ten annual payments of \$26,505.	265,047
State Revolving Fund note payable, dated November 19, 2012, due in semiannual payments of \$4,777 once the full amount has been drawn, including interest at 2.12% through June 15, 2035. Repayment of loan balance is secured by a pledge of Water & Sewer Utility revenues.	142,565
Water and Sewer System Refunding Revenue Note, Series 2015: Water and Sewer Revenue note payable, in the original amount of \$2,050,000, dated May 21, 2015, due in annual payments of \$168,017, including interest at 2.7% through April 30, 2030. Repayment of year-end loan balance is secured by a pledge of Water and Sewer Utility Revenues.	2,050,000
Water and Sewer Bonds, in the original amount of \$3,362,000, dated May 20, 2015; due serially to May 20, 2055 with interest at 1.875% payable annually. Repayment of year-end loan balance is secured by a pledge of Water and Sewer Utility Revenues.	3,362,000
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.	42,108
Total long-term debt, business-type activities	<u>\$ 6,492,174</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(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, 2015, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund:		
Bunnell CRA Fund	\$ -	\$ 3,442
Debt Service Fund	49,946	49,946
Capital Projects Fund	206,871	-
Water and Sewer Fund	29,362	816,361
Solid Waste Fund	79,506	14,976
Bunnell CRA Fund:		
General Fund	3,442	-
Debt Service Fund:		
General Fund	49,946	49,946
Capital Projects Fund:		
General Fund	-	206,871
	<u>419,073</u>	<u>1,141,542</u>
Business-Type Activities:		
Water and Sewer Fund:		
General Fund	816,361	29,362
Solid Waste Fund	212,135	-
Solid Waste Fund:		
General Fund	14,976	79,506
Water and Sewer Fund	-	212,135
	<u>1,043,472</u>	<u>321,003</u>
Total – All Funds	<u>\$ 1,462,545</u>	<u>\$ 1,462,545</u>

For the year ended September 30, 2015, interfund transfers consisted of the following:

	<u>Transfer From</u>	<u>Transfer To</u>
Governmental Activities		
General Fund:		
Debt Service Fund	\$ -	\$ 49,946
Capital Projects Fund	218,389	-
Water and Sewer Fund	103,182	-
Debt Service Fund:		
General Fund	49,946	-
Capital Projects Fund:		
General Fund	-	218,389
	<u>371,517</u>	<u>268,335</u>
Business-Type Activities		
Water and Sewer Fund:		
General Fund	-	103,182
Totals – All Funds	<u>\$ 371,517</u>	<u>\$ 371,517</u>

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

A. Florida Retirement System:

Plan Description and Administration

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

In addition, all regular employees of the City are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

Participate in the Investment Plan in lieu of the FRS defined-benefit plan. Florida Board of Bar Examiners employees participating in DROP are not eligible to participate in this program. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

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

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

Contributions

The City participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2015, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Employee Contribution Rate	Employer Contribution Rate	Total Contribution Rate
Regular Class	3.00%	7.26%	10.26%
Special Risk	3.00%	22.04%	25.04%
Senior Management	3.00%	21.43%	24.43%
Elected Officials	3.00%	42.27%	45.27%
Elected Officials Not Eligible for FRS	0.00%	33.75%	33.75%

Current-year employer HIS contributions were made at a rate of 1.26% of covered payroll through June 30, and 1.66% of covered payroll thereafter.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Payroll – Covered Employees	\$ 2,046,001	\$ 2,349,609	\$ 2,277,060
City Contributions – FRS	190,099	205,334	265,519
City Contributions – HIS	25,780	28,195	*
Employee Contributions	61,140	69,549	68,190

*HIS contributions included in total FRS contributions for 2013.

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

At September 30, 2015, the City reported a liability of \$1,637,625 for its proportionate share of the net pension liability, \$927,077 related to FRS and \$710,548 to HIS. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2015, the City's FRS proportion was 0.007177553% and the City's HIS proportion was 0.006967227%. For the year ended September 30, 2015, the City's recognized pension expense of \$37,717 from FRS and \$47,634 from HIS, for a grand total of \$85,351.

Deferred outflows/inflows related to pensions:

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 97,872	\$ (21,987)	\$ -	\$ -
Changes of assumptions	61,533	-	55,902	-
Net different between projected and actual investment earnings	-	(221,371)	385	-
Change in City's proportionate share	-	(145,889)	44,105	(85,458)
Contributions subsequent to the measurement date	41,054	-	8,783	-
	<u>\$ 200,459</u>	<u>\$ (389,247)</u>	<u>\$ 109,175</u>	<u>\$ (85,458)</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2016	\$	(97,470)
2017		(97,470)
2018		(97,470)
2019		85,090
2020		(3,021)
Thereafter		(4,567)

Actuarial assumptions:

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

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 4.29%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2015, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.2%
Fixed income	18.0%	4.8%
Global equities	53.0%	8.5%
Real estate	10.0%	6.8%
Private equity	6.0%	11.9%
Strategic investments	12.0%	6.7%
Total	<u>100.0%</u>	

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

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

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	7.65%	\$ 2,402,267	\$ 927,077	\$ (300,523)
HIS	3.80%	809,636	710,548	627,923

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

Plan Description and Administration

The City maintains one single-employer defined benefit pension plan for eligible firefighters, the City of Bunnell Florida Firefighters' Retirement System Trust Fund (the Plan), which is administered by the 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. No stand-alone financial report is issued for the Plan.

**CITY OF BUNNELL, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2015**

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

Benefits Provided and Employees Covered

The Plan provides retirement, disability and death benefits to plan participants and beneficiaries. Cost of living adjustments are provided to retirees and beneficiaries at the discretion of the City Commission. Benefits vest after ten years of full-time employment. The Retirement Board has contracted with an actuary to provide an actuarial valuation of each plan as of October 1 of each year. Current membership in the Plan was composed of the following at October 1, 2014:

Retirees and beneficiaries currently receiving benefits	2
Active participants	17
	19
Total current membership	19

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

Financial Statements

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

Contributions

The participant contribution rates for the Plan are established by and may be amended by the City Commission. The City's annual required contribution for the current year was determined as part of the October 1, 2014 actuarial valuations. The City is required under the Florida Protection of Public Employee Retirement Benefits Act to contribute a payment which represents annual normal cost plus amortization of the unfunded actuarial accrued liability over various periods as prescribed by law. The City's contributions (and if applicable, any liquidations of a net pension obligation) to the Plan are funded by the General Fund.

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Contributions to the Plan for the year ended September 30, 2015, were as follows:

Employee contributions	\$ 922
City contributions	-
State contributions	<u>20,587</u>
Total contributions	<u>\$ 21,509</u>

Investment Policy

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

Net Pension Liability

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

The components of the net pension liability of the Plan at September 30, 2015, were as follows:

Total pension liability	\$ 566,991
Plan fiduciary net position	<u>(531,095)</u>
Net pension liability	<u>\$ 35,896</u>
 Plan fiduciary net position as percentage of total pension liability	 93.67%

The total pension liability was determined by an actuarial valuation as of October 1, 2014, with a measurement date of September 30, 2015, using the following actuarial assumptions to all measurement periods.

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

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

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

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Best estimates of arithmetic real rates of return for each major class included in the Plan's target asset allocation as of September 30, 2015, are summarized in the following table:

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

Discount rate:

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

Changes in net pension liability:

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

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a - b)</u>
Beginning balance	\$ 573,676	\$ 528,068	\$ 45,608
Changes for year:			
Service cost	2,163	-	2,163
Interest	45,538	-	45,538
Differences between expected and actual experience	12,960	-	12,960
Changes of assumptions	(54,117)	-	(54,117)
Contributions – employer	-	-	-
Contributions – state	-	20,587	(20,587)
Contributions – employee	-	922	(922)
Net investment income	-	(3,844)	3,844
Benefit payments, including refunds	(13,229)	(13,229)	-
Administrative expenses	-	(1,409)	1,409
Net changes	<u>(6,685)</u>	<u>3,027</u>	<u>(9,712)</u>
Ending balance	<u>\$ 566,991</u>	<u>\$ 531,095</u>	<u>\$ 35,896</u>

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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

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

<u>City's Net Pension Liability (Asset)</u>	<u>1% Decrease 7.00%</u>	<u>Current Discount Rate 8.00%</u>	<u>1% Increase 9.00%</u>
Firefighters' Retirement System Trust Fund	116,906	35,896	(28,551)

Money-weighted rate of return:

For the year ended September 30, 2015, the annual money-weighted rate of return on Plan investments, net of pension plan investment expense was -0.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

For the year ended September 30, 2015, the City recognized pension expense of \$11,511 in the Plan. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,880	\$ -
Changes of assumptions	-	49,608
Net different between projected and actual investment earnings	37,092	-
	<u>\$ 48,972</u>	<u>\$ 49,608</u>

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

2016	\$ 5,844
2017	5,844
2018	5,843
2019	5,843
2020	(3,430)
Thereafter	(20,580)

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

Defined Contribution Plan:

The City Commission has adopted the International City Management Association Retirement Corporation (ICMA-RC) Money Purchase Plan and Trust effective July 1, 2015. The plan is available to the general employees who are not in one of the other City retirement plans. City contributions to the ICMARC Money Purchase Plan and Trust for general employees shall be in same percentages as the FRS. For the year ended September 30, 2015, actual employer contributions to this plan totaled \$31,065.

C. Other Post-Employment Benefits (OPEB):

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

The City's OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of the GASB Codification. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's OPEB cost was first valued for the year ended September 30, 2014, therefore, only two years of data are available.

The following table shows the components of the City's annual OPEB activity for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the plan based on the most recent actuarial valuation dated October 1, 2014:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual Required Contribution	\$ 15,000	\$ 14,000	*
Interest on Net OPEB Obligation	1,000	-	*
Adjustment to Annual Required Contribution	(1,000)	-	*
Annual OPEB Cost	15,000	14,000	*
City Contributions Made	-	-	*
Interest on City Contributions	-	-	*
Increase (Decrease) in Net OPEB Obligation	15,000	14,000	*
Net OPEB Obligation (beginning of year)	14,000	-	*
Net OPEB Obligation (end of year)	<u>\$ 29,000</u>	<u>\$ 14,000</u>	*

* Data unavailable for the year ended September 30, 2013.

Three-year trend information is summarized as follows:

<u>Plan Fiscal Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2015	\$ 15,000	0%	\$ 29,000
2014	14,000	0%	14,000
2013	*	*	*

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

The funded status of the plan as of October 1, 2014, the most recent valuation date, was as follows:

Actuarial accrued liability (AAL)	\$	33,000
Actuarial value of plan assets		-
Unfunded actuarial accrued liability (UAAL)	\$	33,000
Funded ratio (actuarial value of plan assets/AAL)		0.00%
Covered payroll (Active plan members)		Not provided
UAAL as a percentage of covered payroll		N/A

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

Actuarial Valuation Date	October 1, 2014
Actuarial Cost Method	Projected unit credit
Amortization Method	Level dollar, open
Remaining Amortization Period	15 years
Actuarial Assumptions:	
Investment Rate of Return with Inflation	4.00%
Health Care Cost Trend Rate	8.0% for 2015, graded to 5.5% for 2020

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

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

(10) **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.

**CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

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, 2015, the City's investment gain in the joint venture was \$431,661. 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

Summary financial statements of the BFCU as of and for the year ended September 30, 2015, were as follows:

**Statement of Net Position
September 30, 2015**

Assets	\$ 7,948,168
Liabilities	7,084,846
Net Position:	
Net investment in capital assets	318,442
Unrestricted	544,880
Total Net Position	\$ 863,322

**Statement of Activities
For the Year Ended September 30, 2015**

Revenues	\$ 2,013,953
Expenses	(1,425,481)
Operating income (loss)	588,472
Nonoperating revenue (expenses), net	(146,486)
Change in net position	441,986
Net position, September 30, 2014	421,336
Net position, September 30, 2015	\$ 863,322

As of and for the year ended September 30, 2015, the City's portion of activity and net position in the BFCU was as follows:

Investment in Joint Venture, September 30, 2014	\$ 210,668
Plus: City's share of net loss for year	220,993
City Investment in Joint Venture, September 30, 2015	\$ 431,661

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(11) **Risk Management:**

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

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

(12) **Subsequent Events:**

Subsequent to year-end, the City and Flagler County, Florida amended and restated the Original Interlocal Agreement such that all rights and obligations concerning the operation, maintenance financing, expansion, and control of BFCU, including billing for services and the right to collect and retain the revenue were transferred and assigned by the City to the County on October 1, 2015.

(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. 72, *Fair Value Measurement and Application*, in February 2015, which addresses accounting and financial reporting issues related to fair value measurements, specifically that the definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investment and disclosures related to all fair value measurements. The provisions in GASB 72 are effective for fiscal years beginning after June 15, 2015.
- (b) GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, in June 2015, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB. GASB 73 is intended to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of GASB 74 are effective for fiscal years beginning after June 15, 2016.
- (c) GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, in June 2015, which establishes standards for recognizing and measuring liabilities, deferred outflows or resources, deferred inflows of resources, and expense/expenditures. GASB 75 seeks to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. The provisions in GASB 75 are effective for fiscal years beginning after June 15, 2017.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

- (d) GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, in June 2015, which supersedes GASB Statement No. 55. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The provisions in GASB 76 are effective for periods beginning after June 15, 2015.
- (e) GASB issued Statement No. 77, *Tax Abatement Disclosures*, in August 2015. GASB 77 requires governments that enter into tax abatement agreements to disclose the following information about the agreements: (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The provisions in GASB 77 are effective for periods beginning after December 15, 2015.
- (f) GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, in December 2015. GASB 78 addresses practice issues regarding the scope and applicability of GASB 68. The provisions in GASB 78 are effective for periods beginning after December 15, 2015.
- (g) GASB issued Statement No. 79, *Certain External Investment Pools*, in December 2015. GASB 79 addressing accounting and financial reporting for certain external investment pools and pool participants by establishing criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions in GASB 79 are effective for periods beginning after December 15, 2015.
- (h) GASB issued Statement No. 80, *Blending Requirements for Certain Component Units* – an amendment of GASB Statement No. 14, in January 2016. GASB 80 clarifies the financial statement presentation requirements for certain component units and amends the blending requirements for the financial statement presentation of component units. The provisions in GASB 80 are effective for periods beginning after June 15, 2016.
- (i) GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, in March 2016. GASB 81 provides recognition and measurement guidance for irrevocable split-interest agreements in which a government is a beneficiary of the agreement. The provisions in GASB 81 are effective for fiscal years beginning after December 15, 2016.
- (j) GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, in March 2016, which addresses issues regarding: (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and (3) the classification of payments made by employers to satisfy employee contribution requirements. The provisions in GASB 82 are effective for periods beginning after June 15, 2016.

CITY OF BUNNELL, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

(14) **Restatements of Fund Balance and Net Position:**

In June 2012, the Government Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB 68 changes the treatment of defined benefit pension plan accounting by employers whereby the City is now required to record the net pension liability and related deferred outflows of resources and deferred inflows of resources for each of the City's two defined benefit pension plans on its financial statements.

The requirements of GASB 68 are effective for fiscal year 2015 and have been implemented as of and for the year ended September 30, 2015. The implementation of GASB 68 resulted in effectively recording of the net pension liability and deferred outflows of resources at September 30, 2014, and in the reduction of beginning unrestricted net position in the proprietary fund and government-wide statements of net position by the same amount.

The cumulative effect on beginning net position in the affected reporting units related to these adjustments is as follows:

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>
Balance, 9/30/2014	\$ 11,397,864	\$ 37,632	\$ 11,435,496	\$ 3,645,967
Less: Net pension liability, 9/30/2014	(261,422)	(71,020)	(332,442)	(962,341)
Add: Deferred outflows related to pensions, 9/30/2014	12,335	3,351	15,686	43,254
Restated balance, 9/30/2014	<u>\$ 11,148,777</u>	<u>\$ (30,037)</u>	<u>\$ 11,118,740</u>	<u>\$ 2,726,880</u>

**CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - OPEB
SEPTEMBER 30, 2015**

Other Post Employment Benefit Plan

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

**CITY OF BUNNELL, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF EMPLOYER CONTRIBUTIONS – OPEB
 SEPTEMBER 30, 2015**

Other Post-Employment Benefit Plan

Year Ended September 30	Annual Required Contribution	City Contribution	Percentage Contribution
2015	\$ 15,000	\$ -	0.0%
2014	14,000	-	0.0%

CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FIREFIGHTERS' RETIREMENT SYSTEM TRUST FUND
SEPTEMBER 30, 2015

For the year ended September 30,	2015	2014
Total Pension Liability		
Service cost	\$ 2,163	\$ 2,077
Interest	45,538	42,984
Differences between expected/actual experience	12,960	-
Changes of assumptions	(54,117)	-
Benefit payments, including refunds of employee contributions	<u>(13,229)</u>	<u>(13,229)</u>
Net change in total pension liability	(6,685)	31,832
Total pension liability – beginning	<u>573,676</u>	<u>541,844</u>
Total pension liability – ending (a)	<u>\$ 566,991</u>	<u>\$ 573,676</u>
 Total Fiduciary Net Position		
Contributions – employee	\$ 922	\$ 1,176
Contributions – state	20,587	3,964
Contributions – employer	-	10,006
Net investment income	(3,844)	32,838
Benefit payments, including refunds of employee contributions	(13,229)	(13,229)
Administrative expense	<u>(1,409)</u>	<u>(997)</u>
Net change in plan fiduciary net position	3,027	33,758
Plan fiduciary net position – beginning	<u>528,068</u>	<u>494,310</u>
Plan fiduciary net position – ending (b)	<u>\$ 531,095</u>	<u>\$ 528,068</u>
 Net pension liability – ending (a) - (b)	<u>\$ 35,896</u>	<u>\$ 45,608</u>
 Plan fiduciary net position as a percentage of the total pension liability	93.67%	92.05%
 Covered employee payroll	\$ 23,669	\$ 23,510
Net pension liability as a percentage of covered employee payroll	151.66%	193.99%

**CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FIREFIGHTERS' RETIREMENT TRUST FUND
SEPTEMBER 30, 2015**

<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>
2015	\$ 7,555	\$ 20,587	\$ (13,032)	\$ 23,669	86.98%
2014	13,970	13,970	-	23,510	59.42%

Notes to Schedule:

Valuation Date: 10/01/2014

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: Aggregate Method (Level Dollar)
Amortization Method: Level Dollar
Remaining Amortization Period: 13 Years (as of 10/01/2014).
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 8 (previously 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, 2015**

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

Year	Firefighters' Retirement System Trust Fund
2015	-0.73%
2014	6.66%

**CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY – FRS/HIS
SEPTEMBER 30, 2015**

	<u>2015</u>	<u>2014</u>
Florida Retirement System (FRS)		
Proportion of the net pension liability (NPL)	0.007177553%	0.008108986%
Proportionate share of the NPL	\$ 927,077	\$ 494,767
Covered-employee payroll	2,046,001	2,349,609
Proportionate share of the NPL as percentage of covered-employee payroll	45.31%	21.06%
Plan fiduciary net position as a percentage of the NPL	92.00%	96.09%
Health Insurance Subsidy Program (HIS)		
Proportion of the net pension liability (NPL)	0.006967227%	0.008068319%
Proportionate share of the NPL	\$ 710,548	\$ 754,408
Covered-employee payroll	2,046,001	2,349,609
Proportionate share of the NPL as percentage of covered-employee payroll	34.73%	32.11 %
Plan fiduciary net position as a percentage of the NPL	0.50%	0.99%

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

**CITY OF BUNNELL, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS – FRS/HIS
SEPTEMBER 30, 2015**

	<u>2015</u>	<u>2014</u>
Florida Retirement System (FRS)		
Contractually required contribution	\$ 190,099	\$ 205,334
Contributions in relation to contractually required contribution	<u>190,099</u>	<u>205,334</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,046,001	\$ 2,349,609
Contributions as percentage of covered-employee payroll	9.29%	8.74%
 Health Insurance Subsidy Program (HIS)		
Contractually required contribution	\$ 25,780	\$ 28,195
Contributions in relation to contractually required contribution	<u>25,780</u>	<u>28,195</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,046,001	\$ 2,349,609
Contributions as percentage of covered-employee payroll	1.26%	1.20%

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

CITY OF BUNNELL, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

<u>Federal/State Agency / Pass-Through Entity / Federal Program/State Project</u>	<u>CFDA/CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
FEDERAL AWARDS			
U.S. Department of Labor			
Passed-through CareerSource Flagler Volusia: WIA Adult Program	17.258	774-045	\$ 5,118
Total U.S. Department of Labor			<u>5,118</u>
U.S. Department of Environmental Protection			
Passed-through Florida Department of Environmental Protection Drinking Water State Revolving Funds - Grant	66.468	DW180540	660,166
Drinking Water State Revolving Funds - Loan	66.468	DW180540	74,010
Total U.S. Department of Labor			<u>734,176</u>
U.S. Department of Agriculture			
Direct:			
Water and Waste Disposal Systems for Rural Communities - Loan	10.760	7691000513-101	2,650,336
Water and Waste Disposal Systems for Rural Communities - Grant	10.760	n/a	824,728
Total Water and Waste Disposal Systems for Rural Communities			<u>3,475,064</u>
Community Facilities Grant Program Assistance	10.766	n/a	35,020
Total U.S. Department of Agriculture			<u>3,510,084</u>
U.S. Department of Transportation			
Passed-through Florida Department of Transportation: Highway Planning and Construction	20.205	427118-2-38-01	449,080
Total U.S. Department of Transportation			<u>449,080</u>
Total Federal Awards			<u>\$ 4,698,458</u>
STATE FINANCIAL ASSISTANCE			
Florida Department of Environmental Protection			
Direct:			
Small Community Wastewater Facility Grant	37.077	WW180500	\$ 76,800
Total Florida Department of Environmental Protection			<u>76,800</u>
Total State Financial Assistance			<u>\$ 76,800</u>

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

**CITY OF BUNNELL, FLORIDA, FLORIDA
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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, 2015.

**CITY OF BUNNELL, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

A. Summary of Auditors' Results:

Financial Statements:

- Type of audit report issued on the basic financial statements: Unmodified
- Internal control over financial reporting:
 - Are any material weaknesses identified? No
 - Are any significant deficiencies identified? Yes
- Is any noncompliance material to financial statements noted? No

Federal Programs:

- Internal control over major programs:
 - Any material weaknesses identified? No
 - Are any significant deficiencies identified? None reported
- Type of report issued on compliance for each major program: Unmodified
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No
- Major program identification:
 - CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities
 - CFDA Number 66.468 – Capitalization Grants for Drinking Water State Revolving Funds
 - CFDA Number 20.205 – Highway Planning and Construction
- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- Auditee qualified as a low-risk auditee? Yes

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 (Repeat Comment)

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.

C. Federal Programs Findings and Questioned Costs:

None.

D. Summary Schedule of Prior Audit Findings:

2014-001 Recording of Solid Waste Fees and Utility Taxes: Corrective action not taken. See repeat of comment above.

2014-002 Journal Entry Controls: Corrective action not taken. See repeat of comment above.

2014-003 Review of Bad Debt and Uncollectible Accounts: Corrective action taken.

E. Corrective Action Plan:

See Management's Response to Findings starting on page 76.

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, 2015. 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.

- 67 -

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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, 2015.

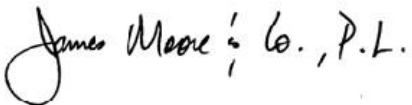
Report on Internal Control Over Compliance

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
July 30, 2016

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 30, 2016.

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 and 2014-002 that we consider to be significant deficiencies.

- 69 -

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Compliance and Other Matters

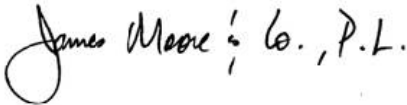
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

City of Bunnell, Florida's Response to Findings

The City's responses to the findings identified in our audit are described starting on page 76. 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
July 30, 2016

**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, 2015, and have issued our report thereon dated July 30, 2016.

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 July 30, 2016, 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:

2014-001 through 2014-003– See Schedule of Findings and Questioned Costs.

2014-004 Unfavorable Financial Condition Rating and Fund Balance Policy–Corrected action taken on unfavorable financial condition rating. See current comment 2015-004 for fund balance policy portion not corrected.

- 71 -

- 2014-005 Pooled Cash Accounting** – Corrective action not taken.
- 2014-006 Payroll Segregation of Duties** – Corrective action not taken.
- 2014-007 Journal Entry Documentation** – Corrective action taken.
- 2014-008 Tracking of Consumable Inventory** – Corrective action not taken.
- 2014-009 Capital Asset Inventory** – Corrective action not taken.
- 2014-010 Fuel Tax Returns** – Corrective action not taken.
- 2014-011 Utility Billing Adjustments** – Corrective action taken.
- 2014-012 Customer Invoicing** – Corrective action taken.
- 2014-013 Recording of Net Other Post-Employment Benefits (OPEB) Liability** – Corrective action taken.
- 2014-014 User Access Rights** – Corrective action not taken.
- 2014-015 Tracking of Electronic Funds Transfers** – Corrective action not taken.

Official Title and Legal Authority

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

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City 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.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, 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, 2015. 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.

2014-008 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.

2014-014 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.

2015-001 Human Resource Testing Exceptions – We noted in our detail audit human resource testing out of the 40 employees tested, one employee had an incorrect resignation date recorded in the City’s system, 4 employees did not have an approved personnel action forms (PAF) in their file related to the pay period tested, 3 employees were missing the proper approval on their PAFs, 1 manual time sheet had extra overtime hours recorded and was improperly approved by the department head, and 8 employees were paid outside of their assigned pay grades. Maintaining current and accurate personnel files is an important control for employee data, as well as for other compliance with employment laws and regulations. Employee files should contain all approved

salary increases so the employee's current salary can be verified at any time. Also, appropriate approval signatures should be recorded on every PAF before changes are entered into the payroll system. Each employee's file should contain an appropriately authorized salary or hourly pay amount and employee authorization for any withholding or other deductions. We recommend the City periodically review the personnel files for completeness. Also, improper supervisory approval can allow errors in the time charged and since allocated among funds may pass undetected. We also recommend management obtain a better understanding of how hours are recorded and they perform a thorough review of employees' time before approving it.

2015-002 Solid Waste Administrative Fee - We noted no administrative service fee was charged to the solid waste fund by the general fund. We recommend charging an administrative fee for resources used of other funds, which benefit the solid waste fund.

2015-003 Public Service Utility Tax - Per Section 58-1(a) of the Bunnell Code of Ordinances, the public service Utility Tax for Water is based on 10% of water usage revenues, and only federal, state, and political subdivisions and agencies thereof are exempted from payment of the taxes by this section. We noted certain entities other than those described above, which had not been properly assessed the utility tax. We recommend a full review of all customer accounts in the utility billing software to ensure all customers are properly established as either taxable or tax-exempt.

2015-004 Fund Balance Policy - We noted no policy to be in place related to minimum fund balances. To help provide a baseline level in the budgetary process and provide better financial condition, 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.


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.

City of Bunnell, Florida's Response to Findings

The City's responses to the findings identified in our audit are described starting on page **Error! Bookmark not defined.** The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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



Daytona Beach, Florida
July 30, 2016

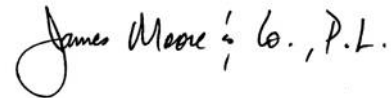
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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, 2015. 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, 2015.



Daytona Beach, Florida
July 30, 2016

- 75 -

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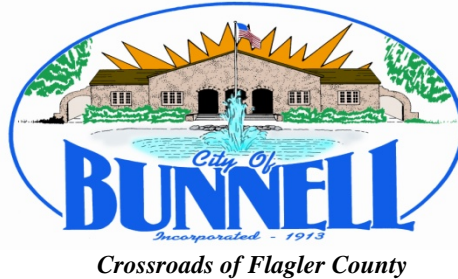
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Member of AGN International with offices in principal cities worldwide

CATHERINE D. ROBINSON
MAYOR

JOHN ROGERS
VICE-MAYOR

LAWRENCE WILLIAMS
CITY MANAGER



COMMISSIONERS:

ELBERT TUCKER

BILL BAXLEY

BONITA ROBINSON

July 29, 2016

Management's Response to the Auditor's Comments

2014-001 Recording of Solid Waste Fees and Utility Taxes

The City has implemented interim changes to record the Solid Waste and Utility Tax revenue on a timely basis. The interim process is accomplished by preparing manual General Ledger adjusting entries. To implement the proper fund recording of the revenue transactions through the Utility Billing system, the City must finalize the pooled cash project. The City anticipates this portion of the pooled cash project will be completed by the end of Fiscal Year 2016.

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. This policy and review will be finalized by the end of Fiscal Year 2016.

2014-005 Pooled Cash Accounting

The City has made significant progress towards establishing a pooled cash methodology for cash assets. This project requires numerous changes in both the City's Financial system and bank accounts.

2014-006 Payroll Segregation of Duties

The City has completed a comprehensive review of security access to the financial system. Most security access were updated to insure segregation of duties such that one person cannot enter a new employee and generate payroll activities, except the Finance Director. The Finance Director's security will be changed before the end of Fiscal Year 2016. Additional steps have been taken to establish additional segregation of duties between the HR and Payroll functions.

- 76 -

The City of Bunnell is an Equal Opportunity Service Provider.

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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 update the City's policy to routinely perform the fixed asset inventory.

2014-010 Fuel Tax Return

The City will begin filing fuel tax returns.

2014-014 User Access Rights

The City has completed a comprehensive review of all financial system users' security rights. The City will limit full system access to the IT Director by the end of Fiscal year 2016. Additional security restrictions and limitations will be placed on users based on their job functions.

2014-015 Tracking of Electronic Funds Transfers

The City will implement processing Electronic Funds Transfers payments through the Accounts Payable system before the end of Fiscal year 2016.

2015-001 Human Resource Testing Exceptions

The City will complete a comprehensive review of all Human Resource records to insure proper documentation for all employee maintenance items are properly maintained in the personnel file. In addition, the City will review, update and obtain Commission approval for the position grade matrix. The employee Personnel Manual will be updated to include proper pay grade placement procedures and employee personnel file maintenance procedures.

2015-002 Solid Waste Administrative Fee


Solid Waste administrative fees were not budgeted in Fiscal year 2016 due to the unfavorable financial condition of this fund. The City plans on charging a minimal administrative fee to Solid Waste for Fiscal year 2017.

2015-003 Public Service Utility Tax

The City has corrected the Utility Billing system in July 2016 to properly charge the tax as provided in Section 58-1(a) of the City of Bunnell code of Ordinances.

2015-004 Fund Balance Policy

The City will establish a formal fund balance policy before the end of Fiscal Year 2016.


For Dan Davis
City Manager