

CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION
SEPTEMBER 30, 2019

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 8
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	9
STATEMENT OF ACTIVITIES	10
FUND FINANCIAL STATEMENTS:	
BALANCE SHEET - GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	14
STATEMENT OF NET POSITION - PROPRIETARY FUND	15
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND	16
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	17
NOTES TO FINANCIAL STATEMENTS	18 - 34
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND	35

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

TABLE OF CONTENTS – CONTINUED

	<u>PAGE</u>
OTHER SUPPLEMENTAL INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – SPECIAL REVENUE FUND	36
DETAIL SCHEDULE OF REVENUE – BUDGET AND ACTUAL – GENERAL FUND	37
DETAIL SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND	38 – 39
DETAIL SCHEDULE OF REVENUES AND EXPENSES – BUDGET AND ACTUAL – ENTERPRISE FUND – NON-GAAP BUDGETARY BASIS	40
DETAIL SCHEDULE OF EXPENSES – BUDGET AND ACTUAL – ENTERPRISE FUND – NON-GAAP BUDGETARY BASIS	41 – 42
DETAIL SCHEDULE OF EXPENSES BY DEPARTMENT – ENTERPRISE FUND – NON- GAAP BUDGET BASIS	43
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	44
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	45 – 46
OTHER REPORTS	
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	47 – 48
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL	49 – 50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	51 – 52
MANAGEMENT LETTER	53 – 54
MANAGEMENT’S RESPONSE TO AUDIT FINDINGS	55
INDEPENDENT ACCOUNTANT’S REPORT ON INVESTMENT COMPLIANCE	56

**CITY OF BOWLING GREEN, FLORIDA
OFFICIALS**

**City of Bowling Green, Florida
Principal City Officials**

September 30, 2019

CITY COMMISSION

STEVEN M. SPINKS, MAYOR
MARY ALICE TUCKER, VICE MAYOR
ROBERT S. FITE, JR.
DAVID DURASTANTI
DUANE GARDNER

CITY OFFICIALS

WILLIAM LAWRENCE, CITY MANAGER
CARMEN SILVA, CITY CLERK
JOHN SCHEEL, POLICE CHIEF
GERALD BUHR, CITY ATTORNEY

CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Bowling Green (City) was incorporated in 1927 under the laws of Florida Chapter 12563–(758) and as amended in 1935 under the Laws of Florida Chapter 17496–(725). The present charter calls for a five–member City Commission, one of whom is elected Mayor by the Commission. The City is managed by a City Manager appointed by the Commission. Under the present charter, the City has the power to impose license taxes on occupations, to levy taxes on City property, and to levy charges for services as required for the improvement and government of the City. Services authorized to be provided under the present charter are as follows: public safety, streets and roads, sanitation, water and sewer, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The City does not have any discretely presented component units.

During the 2016 fiscal year, the City established the City of Bowling Green Community Redevelopment Agency (CRA), which is comprised of a five member Board of Commissioners. The CRA is presented as a special revenue fund within the City’s financial statements because: 1) the CRA substantively operates under the same body as the City through the City Commission which meets separately as the CRA’s governing body to approve the adoption of their annual budget, the transactions of real property, and the execution of contracts and modifications to the community redevelopment plans; 2) the City Commission/CRA Board has operational responsibility of the CRA; and 3) the CRA provides an exclusive service or benefit to the City and its citizens. The CRA is responsible for carrying out the rehabilitation, conservation and redevelopment of the Community Redevelopment Plan. The related tax increment revenue is included in this Special Revenue Fund, all of which is restricted for the CRA.

B. GOVERNMENT–WIDE AND FUND FINANCIAL STATEMENTS

The government–wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business–type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items properly not included among program revenues are reported instead as general revenues.

CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED

Separate financial statements are provided for the governmental funds (General Fund and Special Revenue Fund) and the proprietary fund. The general fund and the enterprise fund are considered major funds and are presented as separate columns in the fund financial statements. The special revenue fund is reported as a non-major fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Government-wide financial statements include a Statement of Net Position and a Statement of Activities. The Statement of Net Position reports all financial and capital resources of the City's governmental activities. It is presented in a net position format (assets and deferred outflows less liabilities and deferred inflows equal net position) and shown with three components: net investment in capital assets, restricted net position and unrestricted net position. 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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.

The government reports the following governmental funds:

General Fund

The general fund is the City's general operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. From this fund, expenditures paid include general operating expenditures, fixed charges, and capital improvement costs not paid through other funds.

CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION – CONTINUED

Special Revenue Fund

The CRA is the City's only special revenue fund. It accounts for the rehabilitation, conservation and redevelopment of certain slum or blighted areas of the City, included within the community redevelopment area. Financing is provided primarily through tax increment funding from the City and Hardee County. All amounts within this fund are restricted to CRA activities.

The government reports the following proprietary fund:

Enterprise Fund

The enterprise fund accounts for the operation of the City's water and sewer system, as well as sanitation services.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. CASH AND INVESTMENTS

Florida Statute 218.415 authorizes the City to invest surplus funds in the following:

(a) The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes.

(b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

(c) Interest bearing time deposits or savings accounts in state-certified Qualified Public Depositories as defined in Section 280.02, Florida Statutes.

(d) Direct obligations of the U.S. Treasury.

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. CASH AND INVESTMENTS – CONTINUED

All City bank accounts and certificates of deposit are with banking institutions that post collateral as required by state statutes (Qualified Public Depositories). As a result, all amounts which exceed FDIC insured limits are collateralized pursuant to Chapter 280 of the Florida statutes.

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, at September 30, 2019 the City only had demand deposits and time deposits.

E. 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.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of allowance for doubtful accounts.

F. PROPERTY TAXES

Property taxes become due and payable on November 1st of each year. The county tax collector remits the City's portion as such revenues are received. The City collects nearly all of its tax revenue during the period November 1 through April 1, at which time the property taxes become delinquent. The key dates in the property tax cycle are as follows:

Assessment roll validated	July 1
Millage resolution approved	September 30
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

Property taxes are recognized as revenue in the fiscal year for which the taxes have been levied to the extent they result in current receivables. Under the system outlined above, no material amount of taxes is receivable after the end of the fiscal year.

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

G. RESTRICTED ASSETS

The following represent restricted resources of each fund:

General Fund

Cash in the General Fund is reserved for the following:

Police Department	\$ 1,872
Community Center improvements	<u>45,870</u>
	<u>\$ 47,742</u>

Special Revenue Fund

CRA activities	<u>\$ 49,515</u>
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Enterprise Fund

Restricted assets, provided for by ordinances adopted by the City for the issuance of the Sewer System Bonds, SRF loans, impact fees, and customer deposits are as follows:

Customer deposits	\$ 105,551
Revenue bond retirement	70,086
Other debt retirement	17,922
Impact fees	<u>82,941</u>
Restricted assets	<u>\$ 276,500</u>

H. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has elected to report general infrastructure assets on a prospective basis only.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expensed as incurred.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 – 40
Infrastructure	20
Machinery and equipment	4 – 10

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. COMPENSATED ABSENCES

The City personnel policy provides for the payment of accrued vacation upon separation from its employees. A liability for this amount is recorded in the government-wide and proprietary fund financial statements. A liability for this amount is recorded in the governmental funds only if it has matured. The City also provides sick pay, which is not payable upon separation from the City and is not recorded as a liability. Compensated absences are liquidated out of the general fund and enterprise fund as applicable.

J. LONG-TERM OBLIGATIONS

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of any applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in the year the debt is issued in both the government-wide and fund financial statements.

K. NET POSITION

Net position is reported in three parts as applicable: net investment in capital assets, restricted and unrestricted. When both restricted and unrestricted resources are available, restricted resources are used first, and then unrestricted resources, as they are needed.

L. FUND BALANCE

The City follows Governmental Accounting Standards Board (GASB) Statement No. 54 which established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications are Nonspendable and Spendable. Spendable is then further classified as Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance.

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. FUND BALANCE – CONTINUED

The City classified governmental fund balance as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

- Restricted – includes amounts that can be spent only for specific purposes because of State or Federal laws or enabling legislation, or which are externally restricted by providers, such as creditors or grantors.
- Committed – includes amounts that can be spent only for specific purposes that are approved by a formal action of the City Commission through a resolution or the budget process.
- Assigned – includes amounts designated for a specific purpose by the City Commission through a resolution or the budget process, which are neither restricted nor committed.
- Unassigned – includes residual positive fund balance within the General Fund that has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted or committed for those specific purposes.

The City uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City does not have a formal minimum fund balance policy.

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Spendable:</u>		
Restricted to:		
Confiscated fund – Police Department	\$ 1,872	\$ -0-
Community Center improvements	45,870	-0-
Community Redevelopment Agency	<u>-0-</u>	<u>49,399</u>
	47,742	49,399
Unassigned	<u>788,546</u>	<u>-0-</u>
Total Fund Balances	<u>\$ 836,288</u>	<u>\$ 49,399</u>

The entire fund balance of the Special Revenue Fund of \$49,399 is restricted for the purposes of alleviating slum and blight in the City in accordance with Florida Statute 163.

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

M. INVENTORIES

Inventories are stated at the lower of cost or market as determined on the first in, first out method.

N. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, all highly liquid debt instruments purchased with a maturity of three months or less and certificates of deposit without significant withdrawal penalties are considered cash.

O. ESTIMATES

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

P. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for the governmental funds. Expenditures should not exceed total appropriations. All annual appropriations lapse at fiscal year end. Any required budget amendments have to be approved by the City Commissioners through resolutions.

Q. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. On the governmental funds balance sheet, unavailable revenue is classified as deferred inflows of resources. This represents funds which did not meet the availability criteria under the modified accrual basis of accounting and therefore are considered to be deferred charges until available.

NOTE 2 – DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

At September 30, 2019, the City's carrying amount of cash and cash equivalents was \$1,097,207 and the bank balance was \$1,036,491. The City had certificates of deposit classified as cash equivalents in the amount of \$644,893.

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

B. Receivables

Receivables as of September 30, 2019 for the government’s funds in the aggregate, including the applicable allowance for uncollectible accounts, are as follows:

<u>Receivables</u>	<u>General Fund</u>	<u>Enterprise Fund</u>
Accounts receivable	\$ 23,622	\$ 108,360
Less: allowance for uncollectibles	<u>-0-</u>	<u>22,000</u>
Net total accounts receivables	<u>\$ 23,622</u>	<u>\$ 86,360</u>

C. Interfund receivables, payables, and transfers

There were no interfund balances as of September 30, 2019. Additionally, there were no interfund transfers during the year.

D. Capital Assets

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 510,393	\$ -0-	\$ -0-	\$ -0-	\$ 510,393
Construction in progress	<u>14,130</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>14,130</u>
Total capital assets, not being depreciated	<u>524,523</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>524,523</u>
Capital assets, being depreciated:					
Buildings and improvements	611,878	25,908	-0-	-0-	637,786
Infrastructure	345,432	231,224	-0-	-0-	576,656
Machinery and equipment	<u>606,901</u>	<u>72,681</u>	<u>(70,140)</u>	<u>-0-</u>	<u>609,442</u>
Total capital assets being depreciated	<u>1,564,211</u>	<u>329,813</u>	<u>(70,140)</u>	<u>-0-</u>	<u>1,823,884</u>
Less accumulated depreciation for:					
Buildings and improvements	(440,992)	(19,917)	-0-	-0-	(460,909)
Machinery and equipment	(462,895)	(49,896)	68,182	-0-	(444,609)
Infrastructure	<u>(101,143)</u>	<u>(28,970)</u>	<u>-0-</u>	<u>-0-</u>	<u>(130,113)</u>
Total accumulated depreciation	<u>(1,005,030)</u>	<u>(98,783)</u>	<u>68,182</u>	<u>-0-</u>	<u>(1,035,631)</u>
Total capital assets, being depreciated, net	<u>559,181</u>	<u>231,030</u>	<u>(1,958)</u>	<u>-0-</u>	<u>788,253</u>
Governmental activities capital assets, net	<u>\$ 1,083,704</u>	<u>\$ 231,030</u>	<u>\$ (1,958)</u>	<u>\$ -0-</u>	<u>\$ 1,312,776</u>

CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Capital Assets – Continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 31,894	\$ -0-	\$ -0-	\$ -0-	\$ 31,894
Construction in progress	<u>2,289,979</u>	<u>6,877,338</u>	<u>-0-</u>	<u>-0-</u>	<u>9,167,317</u>
Total capital assets, not being depreciated	<u>2,321,873</u>	<u>6,877,338</u>	<u>-0-</u>	<u>-0-</u>	<u>9,199,211</u>
Capital assets, being depreciated:					
Buildings and improvements	8,768,619	-0-	-0-	-0-	8,768,619
Machinery and equipment	<u>610,427</u>	<u>100,104</u>	<u>-0-</u>	<u>-0-</u>	<u>710,531</u>
Total capital assets being depreciated	<u>9,379,046</u>	<u>100,104</u>	<u>-0-</u>	<u>-0-</u>	<u>9,479,150</u>
Less accumulated depreciation for:					
Buildings and improvements	(4,736,337)	(274,316)	-0-	-0-	(5,010,653)
Machinery and equipment	<u>(494,135)</u>	<u>(42,020)</u>	<u>-0-</u>	<u>-0-</u>	<u>(536,155)</u>
Total accumulated depreciation	<u>(5,230,472)</u>	<u>(316,336)</u>	<u>-0-</u>	<u>-0-</u>	<u>(5,546,808)</u>
Total capital assets, being depreciated, net	<u>4,148,574</u>	<u>(216,232)</u>	<u>-0-</u>	<u>-0-</u>	<u>3,932,342</u>
Business-type activities capital assets, net	<u>\$ 6,470,447</u>	<u>\$ 6,661,106</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 13,131,553</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 10,114
Physical environment	40,317
Public safety	36,838
Culture and recreation	<u>11,514</u>
	<u>\$ 98,783</u>
Business-type activities:	
Water, sewer and sanitation	<u>\$ 316,336</u>

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt

Revenue Bonds – Business-type Activities

In 1984, 1993, 1995 and 1999, the City passed bond ordinances to provide for the issuance of Water and Sewer Revenue Certificates. At September 30, 2019, bonds outstanding are as follows:

<u>Ordinance Year</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance Outstanding</u>
1984	06/11/85	09/01/2024	5.0%	257,000	\$ 65,915
1993	09/01/94	09/01/2033	4.5%	300,000	168,797
1995	09/13/95	09/01/2035	4.5%	400,000	247,753
1999	02/10/99	09/01/2038	4.5%	167,000	115,410
TOTAL					<u>\$ 597,875</u>

The bonds are secured by the net revenue derived from the operations of the water and sewer system and require the use of a debt service fund, of which is included in restricted cash.

Total annual debt service requirements for the 1984 bonds as of September 30, 2019 are as follows:

<u>Year Ending September 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$12,000	\$ 3,310	\$15,310
2021	12,600	2,710	15,310
2022	13,200	2,080	15,280
2023	13,900	1,420	15,320
2024	14,215	725	14,940
	<u>\$65,915</u>	<u>\$10,245</u>	<u>\$76,160</u>

Total annual debt service requirements for the 1993 bonds as of September 30, 2019 are as follows:

<u>Year Ending September 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 9,000	\$ 8,450	\$ 17,450
2021	9,000	8,000	17,000
2022	10,000	7,550	17,550
2023	10,000	7,050	17,050
2024	11,000	6,550	17,550
2025 – 2029	61,000	24,150	85,150
2030 – 2034	58,797	7,450	66,247
	<u>\$168,797</u>	<u>\$69,200</u>	<u>\$237,997</u>

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

Revenue Bonds – Business-type Activities – continued

Total annual debt service requirements for the 1995 bonds as of September 30, 2019 are as follows:

<u>Year Ending September 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 11,000	\$ 11,160	\$ 22,160
2021	11,000	10,665	21,665
2022	12,000	10,170	22,170
2023	12,000	9,630	21,630
2024	13,000	9,090	22,090
2025 – 2029	75,000	36,090	111,090
2030 – 2034	93,000	17,685	110,685
2035 – 2039	<u>20,753</u>	<u>945</u>	<u>21,698</u>
	<u>\$247,753</u>	<u>\$105,435</u>	<u>\$353,188</u>

Total annual debt service requirements for the 1999 bonds as of September 30, 2019 are as follows:

<u>Year Ending September 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 4,000	\$ 5,775	\$ 9,775
2021	4,500	5,575	10,075
2022	4,500	5,350	9,850
2023	4,500	5,125	9,625
2024	5,000	4,900	9,900
2025 – 2029	28,000	20,575	48,575
2030 – 2034	34,500	12,925	47,425
2035 – 2039	<u>30,410</u>	<u>3,675</u>	<u>34,085</u>
	<u>\$115,410</u>	<u>\$ 63,900</u>	<u>\$179,310</u>

Notes Payable from Direct Borrowings – Business-type Activities

The City entered into a loan and grant agreement (WW250202) with the Florida Department of Environmental Protection through the State Revolving Fund. The total amount initially borrowed was \$144,456, at an interest rate of 0.92%, with interest and principal to be paid in 40 semi-annual payments beginning March 15, 2015. During 2014, the City borrowed an additional \$61,010 with an interest rate of 1.19%. The debt obligation is secured by a pledge of the net revenues of the water and sewer systems. The total amount outstanding at September 30, 2019 is \$120,114.

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

Total annual debt service requirements as of September 30, 2019 are as follows:

<u>Year Ending September 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,487	\$ 1,168	\$ 8,655
2021	7,562	1,094	8,656
2022	7,637	1,020	8,657
2023	7,711	944	8,655
2024	7,788	868	8,656
2025 – 2029	40,107	3,171	43,278
2030 – 2034	<u>41,822</u>	<u>1,150</u>	<u>42,972</u>
	<u>\$120,114</u>	<u>\$ 9,415</u>	<u>\$129,529</u>

During 2015, the City entered into a second loan and grant agreement (WW250204) with the Florida Department of Environmental Protection through the State Revolving Fund. The initial approved amount of the agreement is for \$1,187,750, of which \$833,451 will be forgiven through the grant portion of the agreement. In 2016, the agreement was amended to reduce the approved amount to \$871,777 of which \$803,571 will be forgiven. The total amount borrowed as of September 30, 2019 was \$75,883, at an interest rate of 1.15%. The principal borrowed is required to be paid over 40 semi-annual payments. The debt obligation is secured by a pledge of the net revenues of the water and sewer system. The total amount outstanding at September 30, 2019 is \$72,195.

Total annual debt service requirements as of September 30, 2019 are as follows:

<u>Year Ending September 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,709	\$ 837	\$ 4,546
2021	3,752	795	4,547
2022	3,795	751	4,546
2023	3,839	707	4,546
2024	3,883	663	4,546
2025 – 2029	20,099	2,634	22,733
2030 – 2034	21,285	1,448	22,733
2035 – 2039	<u>11,833</u>	<u>270</u>	<u>12,103</u>
	<u>\$ 72,195</u>	<u>\$ 8,105</u>	<u>\$ 80,300</u>

During fiscal year 2017, the City entered into a third loan and grant agreement (WW250230) with the Florida Department of Environmental Protection through the State Revolving Fund. The initial approved amount of the agreement is for \$553,000, of which \$442,400 will be forgiven through the grant portion of the agreement. The total amount borrowed as of September 30, 2019 was \$119,075, at an interest rate of 0.47%. The principal borrowed is required to be paid over 40 semi-annual payments. The debt obligation is secured by a pledge of the net revenues of the water and sewer system. The total amount outstanding at September 30, 2019 is \$113,235.

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

Total annual debt service requirements as of September 30, 2019 are as follows:

<u>Year Ending September 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,867	\$ 525	\$ 6,392
2021	5,894	498	6,392
2022	5,922	470	6,392
2023	5,950	442	6,392
2024	5,978	414	6,392
2025 – 2029	30,316	1,645	31,961
2030 – 2034	31,037	924	31,961
2035 – 2039	<u>22,271</u>	<u>203</u>	<u>22,474</u>
	<u>\$ 113,235</u>	<u>\$ 5,121</u>	<u>\$ 118,356</u>

During 2018, the City entered into a fourth loan and grant agreement (WW250231) with the Florida Department of Environmental Protection through the State Revolving Fund. The initial approved amount of the loan agreement was for \$2,018,861, which was amended to \$2,610,385. The total amount borrowed as of September 30, 2019 was \$2,336,645, at an initial interest rate of 0%. The principal borrowed is required to be paid over 40 semi-annual payments beginning March 15, 2020. The debt obligation is secured by a pledge of the net revenues of the water and sewer system. The total amount outstanding at September 30, 2019 is \$2,336,645.

Total annual debt service requirements as of September 30, 2019 are as follows:

<u>Year Ending September 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 116,627	\$ -0-	\$ 116,627
2021	116,627	-0-	116,627
2022	116,627	-0-	116,627
2023	116,627	-0-	116,627
2024	116,627	-0-	116,627
2025 – 2029	583,133	-0-	583,133
2030 – 2034	583,133	-0-	583,133
2035 – 2039	<u>587,244</u>	<u>-0-</u>	<u>587,244</u>
	<u>\$ 2,336,645</u>	<u>\$ -0-</u>	<u>\$ 2,336,645</u>

During 2018, the City entered into a fifth loan and grant agreement (DW250250) with the Florida Department of Environmental Protection through the State Revolving Fund. The initial approved amount of the loan agreement was for \$383,473 which was amended to \$595,598. The total amount borrowed as of September 30, 2019 was \$361,630, at an initial interest rate of 0.46%. The principal borrowed is required to be paid over 40 semi-annual payments beginning November 15, 2019. The debt obligation is secured by a pledge of the net revenues of the water and sewer system. The total amount outstanding at September 30, 2019 is \$349,718.

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

Total annual debt service requirements as of September 30, 2019 are as follows:

<u>Year Ending September 30, 2019</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 8,502	\$ 1,161	\$ 9,663
2021	17,739	1,586	19,325
2022	17,820	1,504	19,324
2023	17,903	1,422	19,325
2024	17,985	1,340	19,325
2025 – 2029	91,177	5,447	96,624
2030 – 2034	93,298	3,326	96,624
2035 – 2039	<u>85,294</u>	<u>1,156</u>	<u>86,450</u>
	<u>\$ 349,718</u>	<u>\$ 16,942</u>	<u>\$ 366,660</u>

For all five loans with the Florida Department of Environmental Protection through the State Revolving Funds, an event of default may subject the City to certain finance-related consequences such as:

- The Florida Department of Environmental Protection establishing rates and collecting fees and charges for the use of the Water and Sewer system and applying the revenues to the reduction of the debt obligation.
- Interception of delinquent amounts plus a penalty from any unobligated funds due to the City under any revenue or tax sharing fund established by the State, except as otherwise provided by the State Constitution.
- Imposing a penalty in an amount not to exceed an interest rate of 18 percent on amounts due in addition to charging the cost to handle and process the debt.
- Accelerating the repayment schedule or increasing the financing rate to as much as 1.667 times.

Loans under the City’s State Revolving Funds describe events of default as failure to make required payments, failure of meeting covenants, representing to false or misleading statements in regards to the loan agreements, the City’s appointment of a legal receiver of any part of the water and sewer system or gross revenues thereof, or any agreement with other creditors affecting the gross revenues of the water or sewer system.

The notes also require the use of a debt service fund, of which is included in restricted cash.

**CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

NOTE 2 – DETAILED NOTES ON ALL FUNDS – CONTINUED

E. Long-Term Debt – Continued

Total annual debt service requirements for all outstanding business-type activities and enterprise fund debt obligations as of September 30, 2019 are as follows:

Year Ending September 30,	Bonds		Notes from Direct Borrowings		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 36,000	\$ 28,695	\$ 142,192	\$ 3,691	\$ 178,192	\$ 32,386
2021	37,100	26,950	151,574	3,973	188,674	30,923
2022	39,700	25,150	151,801	3,745	191,501	28,895
2023	40,400	23,225	152,030	3,515	192,430	26,740
2024	43,215	21,265	152,261	3,285	195,476	24,550
2025–2029	164,000	80,815	764,832	12,897	928,832	93,712
2030–2034	186,297	38,060	770,575	6,848	956,872	44,908
2035–2039	51,163	4,620	706,642	1,629	757,805	6,249
	<u>\$ 597,875</u>	<u>\$ 248,780</u>	<u>\$2,991,907</u>	<u>\$ 39,583</u>	<u>\$3,589,782</u>	<u>\$ 288,363</u>

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Debt obligations:					
Notes from direct borrowings					
WW250202	\$ 127,490	\$ -0-	\$ (7,376)	\$ 120,114	\$ 7,487
WW250204	64,197	11,686	(3,688)	72,195	3,709
WW250230	110,600	8,475	(5,840)	113,235	5,867
WW250231	213,723	2,122,922	-0-	2,336,645	116,627
DW250250	35,775	325,855	(11,912)	349,718	8,502
Total notes payable from direct borrowings	551,785	2,468,938	(28,816)	2,991,907	142,192
Revenue bonds					
1984	77,600	-0-	(11,685)	65,915	12,000
1993	178,000	-0-	(9,203)	168,797	9,000
1995	259,000	-0-	(11,247)	247,753	11,000
1999	119,500	-0-	(4,090)	115,410	4,000
Total revenue bonds	634,100	-0-	(36,225)	597,875	36,000
Long-term liabilities	<u>\$1,185,885</u>	<u>\$2,468,938</u>	<u>\$ (65,041)</u>	<u>\$3,589,782</u>	<u>\$ 178,192</u>

In the Statement of Activities, interest expense of \$11,407 is included in Water and \$71,285 is included in Sewer.

CITY OF BOWLING GREEN, FLORIDA
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

NOTE 3 – EMPLOYEE BENEFIT PLAN

The City adopted a defined contribution retirement plan, effective January 1, 1992 for all full-time employees over 21 years of age and twelve months of service with at least 1,000 service hours during the eligibility period. The name of the Plan is the City of Bowling Green Retirement Plan and the plan is administered by the Variable Annuity Life Insurance Company (VALIC), which is also the Trustee. The City Commission may amend the plan by giving the trustee written notification of such Amendments as adopted.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the City's Commission. City contributions to the plan are not fixed or guaranteed. During the year ended September 30, 2019, for each employee in the pension plan, the City contributed 3 percent of total annual salary, including overtime pay, to an individual employee account. The plan requires employees hired after October 1, 2015 to contribute 3 percent of total annual salary and allows employees hired prior to October 1, 2015 to choose to contribute either 2 or 3 percent. In addition to the required contributions, employees are permitted to make contributions to the pension plan up to applicable Internal Revenue Code limits. For the year ended September 30, 2019, employee contributions totaled \$17,279 and City contributions totaled \$18,373.

Employees hired prior to October 1, 1997 become vested in the plan at 20% after two years of service with 100% vesting after six years of service for employees. For participants hired on or after October 1, 1997, vesting is 100% after ten years of service. Employees may also become 100% vested at retirement age (sixty-five) or in case of disability or death. Non-vested City contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended September 30, 2019, the City did not apply any available forfeitures towards the City's pension expense. As of September 30, 2019, the City had outstanding contributions payable to the Plan in the amount of \$17,182, which are included in accounts payable.

NOTE 4 – 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. There has been no significant reduction in coverage from the prior year. The City has not experienced any settlements in excess of coverage over the past three years.

NOTE 5 – CONSTRUCTION COMMITMENTS

The City has various construction projects that commenced during the year ended September 30, 2019, but were not completed by the end of the fiscal year. Total construction commitments outstanding at September 30, 2019 are approximately \$1,059,000.

REQUIRED SUPPLEMENTARY INFORMATION

OTHER SUPPLEMENTAL INFORMATION

**CITY OF BOWLING GREEN, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

NOTE A – 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 Bowling Green, Florida (City) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits*, and of the Florida State Single Audit Act and Rules of the Auditor General of the State of Florida, Chapter 10.550. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the City's operations, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City. The City has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE B – CONTINGENCIES

Grant monies received and distributed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, the City does not believe that such allowances, if any, would have a material effect on the financial position of the City. As of February 7, 2020, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

NOTE C – LOANS

The City has a loan outstanding issued through the State of Florida, Department of Environmental Protection, under the Small Community Wastewater Facility Grant (WW250231). The loan is considered a state award and the amount recognized in the accompanying schedule of expenditures of federal awards and state financial assistance is for expenditures that were incurred during the year ended September 30, 2019 under the accrual basis of accounting. At September 30, 2019, the outstanding loan balance recognized was \$2,336,645.

The City has another loan outstanding issued through the State of Florida, Department of Environmental Protection, under the Small Community Wastewater Facility Grant (WW250202). While there were no expenditures under this agreement during the year, at September 30, 2019 the outstanding loan balance recognized was \$120,114.

The City also has federal loans outstanding issued through the Environmental Protection Agency, under the Capitalization Grants for State Revolving Funds program. Federal expenditures, including loan proceeds, incurred during the year ended September 30, 2019 are recognized in the accompanying schedule of expenditures of federal awards and state financial assistance totaling \$1,196,505. The outstanding loan balances as of September 30, 2019 are as follows:

CITY OF BOWLING GREEN, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE

NOTE C – LOANS – CONTINUED

<u>Grant Number</u>	<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at September 30, 2019</u>
WW250204	66.458	Capitalization Grants for State Revolving Funds	\$ 72,195
WW250230	66.458	Capitalization Grants for State Revolving Funds	\$ 113,235
WW250250	66.458	Capitalization Grants for State Revolving Funds	\$ 349,718

OTHER REPORTS

INDEPENDENT AUDITOR'S 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*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MANAGEMENT LETTER

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

INDEPENDENT ACCOUNTANT'S REPORT ON INVESTMENT COMPLIANCE

**CITY OF BOWLING GREEN, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Section I – Summary of Auditors’ Results

Financial Statements

Type of Auditor’s report issued: Unmodified

Internal Control over financial reporting:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? x yes ___ none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards and State Projects

Internal Control over major Federal programs and State projects:

Material weakness(es) identified? ___ yes x no

Significant deficiency(ies) identified? ___ yes x none reported

Type of auditor’s report issued on compliance for major Federal programs and State projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.550 ___ yes x no

Identification of Major Federal Programs:

CFDA Number

Capitalization Grants for Drinking Water State Revolving Fund 66.468

Identification of Major State Projects:

CSFA Number

Wastewater Treatment Facility Construction 37.077

Small Community Wastewater Grant 37.075

Dollar threshold used to distinguish between Type A and Type B programs:

Federal	\$750,000
State	\$750,000

Auditee qualified as low-risk auditee ___ yes x no

CITY OF BOWLING GREEN, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

2019-01 – Year End Adjustments

Criteria: Internal controls over financial reporting should ensure that financial statements properly present the net position, fund equity and activities of the City in accordance with accounting principles generally accepted in the United States of America. This would include ensuring that all transactions are properly reflected in the financial statements subjected to auditing.

Condition: In conjunction with our audit, various audit adjustments were required in order to properly present the financial statements in accordance with generally accepted accounting principles.

Context: Audit procedures identified various adjustments that were required to be reflected in the City’s financial statements. This included adjustments to record grant revenue and expenses, long-term debt and related service costs, certain accruals, and depreciation.

Effect: The City did not present financial statements in accordance with generally accepted accounting principles prior to the proposed adjustments.

Cause: The financial statements presented for audit were more representative of the manner in which the City prepares its budget.

Recommendation: We recommend that the City establish internal controls over financial reporting to ensure that all material accounts are reconciled and adjusted prior to the audit in accordance with accounting principles generally accepted in the United States of America.

PRIOR YEAR FINDINGS

Finding 2018-01 included in the prior year management letter was carried forward as comment
2019-01.

Section III – Federal Program and State Project Findings and Questioned Costs

No matters were reported.

PRIOR YEAR FINDINGS

No summary schedule of prior audit findings is required because there were no prior audit findings
related to federal programs or state projects.