

CITY OF FANNING SPRINGS, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2015

CITY OF FANNING SPRINGS, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2015

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INTRODUCTORY SECTION

CITY OF FANNING SPRINGS, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2015

MAYOR

Howard E. Lancaster, III

CITY CLERK

Sheila Watson

CITY COUNCIL

Paul Chase, Chair

Jane Nogaki, Vice Chair

Marty Sanchez

Barbara Locke

Ronald Queen

CITY ATTORNEY

Conrad Bishop, Jr.

FINANCIAL STATEMENTS



Richard C. Powell, Jr., CPA
Marian Jones Powell, CPA

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Fanning Springs, 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 Fanning Springs, 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

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.

Auditor's Responsibility

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

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

Opinion

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 of Fanning Springs, Florida, as of September 30, 2015, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Florida Institute of Certified Public Accountants • American Institute of Certified Public Accountants

Other Matters

Required Supplementary Information

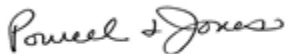
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of proportionate share of net pension liability and contribution information be presented to supplement the basic financial statements. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Fanning Springs, Florida's basic financial statements. The schedule of expenditures of federal awards and state financial assistance 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 schedule of expenditures of federal awards and state financial assistance 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 May 10, 2016, on our consideration of the City of Fanning Springs, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fanning Springs, Florida's internal control over financial reporting and compliance.



POWELL & JONES
Certified Public Accountants
May 10, 2016

CITY OF FANNING SPRINGS, FLORIDA
Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the City of Fanning Springs (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

The City has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first two statements are condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as fire control, public works, parks and recreation, community development and general governmental administration. The City's water and sewer services are reported as business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long been reported capital assets and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of the City's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City has four major governmental funds which are presented in separate columns. A budgetary comparison is presented for each of the governmental funds. Statements for the City's proprietary fund follow the governmental funds and include net position, revenue, expenses and changes in net position, and cash flows.

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.
- The MD&A is intended to serve as an introduction to the City's basic financial statements and to explain the significant changes in financial position and differences in operations between the current and prior years.

City as a Whole

Government-wide Financial Statements

Net Position at September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Assets						
Non-capital assets	\$ 597,399	\$ 511,656	\$ 582,763	\$ 632,934	\$ 1,180,162	\$ 1,144,590
Capital assets	1,252,820	1,201,328	8,151,153	8,202,216	9,403,973	9,403,544
Total assets	<u>1,850,219</u>	<u>1,712,984</u>	<u>8,733,916</u>	<u>8,835,150</u>	<u>10,584,135</u>	<u>10,548,134</u>
Deferred outflows	-	62,301	-	12,760	-	75,061
Liabilities						
Current liabilities	19,327	42,922	167,981	226,090	187,308	269,012
Long term liabilities	13,797	161,719	2,920,320	2,904,631	2,934,117	3,066,350
Total liabilities	<u>33,124</u>	<u>204,641</u>	<u>3,088,301</u>	<u>3,130,721</u>	<u>3,121,425</u>	<u>3,335,362</u>
Deferred inflows	-	29,314	-	6,004	-	35,318
Net position						
Invested in capital assets, net of related debt	1,252,820	1,201,328	5,198,005	5,291,391	6,450,825	6,492,719
Restricted	9,910	9,907	275,704	265,283	285,614	275,190
Unrestricted	554,365	330,095	171,906	154,511	726,271	484,606
Total net position	<u>\$ 1,817,095</u>	<u>\$ 1,541,330</u>	<u>\$ 5,645,615</u>	<u>\$ 5,711,185</u>	<u>\$ 7,462,710</u>	<u>\$ 7,252,515</u>

The majority all of the City's net position reflect its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted assets consist of earmarked funds of \$2,524 for the historical park, \$5,004 for fire protection services, and \$2,379 for the annual Easter event.

The City's net position decreased \$210,195 over the year. This decrease is primarily due to a prior period adjustment discussed further in the related disclosure.

The following schedule provides a summary of the changes in net position. The decrease in Governmental Activities net position is due primarily to depreciation of capital assets. The increase during the year through Business-type Activities net position is primarily due to increased sewer revenue.

A condensed version of the Statement of Activities follows:

Change in Net Position
For the Fiscal Years Ended September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2014	2015	2014	2015	2014	2015
Revenues						
Program revenues						
Charges for services	\$ 112,317	\$ 129,150	\$ 323,679	\$ 344,711	\$ 435,996	\$ 473,861
Capital grants and contributions	-	-	-	282,279	-	282,279
General revenues						
Property taxes	99,397	100,718	-	-	99,397	100,718
Other taxes and shared revenues	266,575	290,524	-	-	266,575	290,524
Miscellaneous	17,508	10,829	-	-	17,508	10,829
Investment earnings	123	263	-	-	123	263
Total revenues	<u>495,920</u>	<u>531,484</u>	<u>323,679</u>	<u>626,990</u>	<u>819,599</u>	<u>1,158,474</u>
Expenses						
General government	228,503	248,094	-	-	228,503	248,094
Public safety	209,969	225,194	-	-	209,969	225,194
Transportation	65,794	91,224	-	-	65,794	91,224
Culture and recreation	79,731	89,824	-	-	79,731	89,824
Interest on long-term debt	-	-	81,222	81,282	81,222	81,282
Loss on investments	-	7,943	-	-	-	7,943
Water	-	-	170,634	168,014	170,634	168,014
Sewer	-	-	255,510	282,431	255,510	282,431
Total expenses	<u>583,997</u>	<u>662,279</u>	<u>507,366</u>	<u>531,727</u>	<u>1,091,363</u>	<u>1,194,006</u>
Change in net position	(88,077)	(130,795)	(183,687)	95,263	(271,764)	(35,532)
Beginning net position	1,801,953	1,817,095	5,766,151	5,645,615	7,568,104	7,462,710
Prior period adjustment	103,219	(144,970)	63,151	(29,693)	166,370	(174,663)
Ending net position	<u>\$1,817,095</u>	<u>\$1,541,330</u>	<u>\$5,645,615</u>	<u>\$5,711,185</u>	<u>\$7,462,710</u>	<u>\$7,252,515</u>

Governmental activities:

Taxes provide 31% of the revenues for Governmental Activities, while franchise fees provide 11%. Most of the Governmental Activities resources are spent for General Government (37%), Public Safety (34%), and Culture/Recreation (14%).

Business-type activities:

Business-type activities increased the City's net position by \$65,570, net of the prior period adjustment. This increase is primarily due to the new sewer system coming online.

Budgetary Highlights

The City operated substantially within its budgetary appropriations during the current year.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2015, the City had \$9.4 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, roads, bridges and water and sewer facilities. This amount represents a net decrease (additions, deductions, and depreciation) of \$429 or 0% less than last year. This decrease was primarily attributable to the new sewer system annual depreciation.

Capital Assets at September 30, 2015 and 2014

	Governmental		Business-type		Totals	
	Activities		Activities			
	2014	2015	2014	2015	2014	2015
Land	\$ 715,283	\$ 715,283	\$ 340,191	\$ 340,191	\$ 1,055,474	\$ 1,055,474
CIP	-	-	62,000	137,175	62,000	137,175
Buildings and improvements	976,996	976,996	188,046	188,046	1,165,042	1,165,042
Water plant	-	-	2,499,193	2,727,417	2,499,193	2,727,417
Sewer system	-	-	6,600,450	6,600,450	6,600,450	6,600,450
Streets	38,883	38,883	-	-	38,883	38,883
Equipment	622,162	645,151	51,341	53,027	673,503	698,178
Subtotal	2,353,324	2,376,313	9,741,221	10,046,306	12,094,545	12,422,619
Accumulated depreciation	(1,100,504)	(1,174,985)	(1,590,069)	(1,844,090)	(2,690,572)	(3,019,075)
Capital assets, net	\$ 1,252,820	\$ 1,201,328	\$ 8,151,152	\$ 8,202,216	\$ 9,403,973	\$ 9,403,544

Debt Outstanding

At year-end, the City had \$3,145,640 in debt outstanding versus \$2,976,443 last year, an increase of \$169,167. The increase is due to the new accounting requirement to recognize the net pension liability of the City in the financial statements.

Debt Outstanding at September 30, 2015 and 2014

	Governmental		Business-type		Totals	
	Activities		Activities			
	2014	2015	2014	2015	2014	2015
Revenue bonds	\$ -	\$ -	\$2,946,000	\$2,906,000	\$2,946,000	\$2,906,000
Loan payable	-	-	7,148	4,825	7,148	4,825
	-	-	2,953,148	2,910,825	2,953,148	2,910,825
Net pension liability	-	173,414	-	35,518	-	208,932
Compensated absences	13,797	15,809	9,498	10,074	23,295	25,883
Total	\$ 13,797	\$ 189,223	\$2,962,646	\$2,956,417	\$2,976,443	\$3,145,640

More detailed information on the City long-term liabilities is presented in the notes to the financial statements.

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The current unemployment rate for Gilchrist County is 4.8% and the current unemployment rate for Levy County is 5.0%. These rates represent a net decrease over the prior years' rates of 6.5% and 6.9%.
- The official population for the City in 2015 was 1,144 and is estimated to be approximately the same in 2016.
- The ad valorem tax rate for the City was 3.00 mills in 2015.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Clerk at City Hall, 17651 NW 90th Street, Fanning Springs, Florida 32693.

BASIC FINANCIAL STATEMENTS

CITY OF FANNING SPRINGS, FLORIDA
STATEMENT OF NET POSITION
September 30, 2015

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 341,206	\$ 251,610	\$ 592,816
Investments	37,519	-	37,519
Accounts receivable, net	5,401	25,102	30,503
Due from other governmental units	42,819	28,100	70,919
Internal balances	84,711	(84,711)	-
Inventory	-	12,407	12,407
Total current assets	511,656	232,508	744,164
Restricted assets:			
Bond interest and sinking	-	123,001	123,001
Renewal and replacement	-	142,282	142,282
Customer deposits	-	50,432	50,432
Total restricted asstes	-	315,715	315,715
Fixed assets:			
Capital assets, net	1,201,328	8,202,216	9,403,544
Total fixed assets	1,201,328	8,202,216	9,403,544
Total assets	1,712,984	8,750,439	10,463,423
DEFERRED OUTFLOWS			
	62,301	12,760	75,061
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	3,894	29,449	33,343
Accrued liabilities	11,524	3,353	14,877
Accrued compensated absences	3,952	2,519	6,471
Net pension liability	23,552	4,824	28,376
Due to other funds	-	-	-
Notes payable, current	-	2,443	2,443
Total current liabilities (payable from current assets)	42,922	42,588	85,510
Current liabilities (payable from restricted assets):			
Accrued interest payable	-	6,660	6,660
Customer deposits	-	50,131	50,131
Bond payable, current	-	42,000	42,000
Total current liabilities (payable from restricted assets)	-	98,791	98,791
Total current liabilities	42,922	141,379	184,301
Long-term liabilities			
Accrued compensated absences	11,857	7,555	19,412
Notes payable, less current portion	-	2,382	2,382
Bond payable, less current portion	-	2,864,000	2,864,000
Net pension liability	149,862	30,694	180,556
Total long-term liabilities	161,719	2,904,631	3,066,350
Total liabilities	204,641	3,046,010	3,250,651

(continued)

CITY OF FANNING SPRINGS
STATEMENT OF NET POSITION
September 30, 2015

	<u>Governmental Activities</u>	<u>Business - type Activities</u>	<u>Total</u>
DEFERRED INFLOWS	\$ 29,314	\$ 6,004	\$ 35,318
NET POSITION			
Invested in long-term assets, net of related debt	1,201,328	5,291,391	6,492,719
Restricted for:			
Debt service	-	123,001	123,001
Renewal and replacement	-	142,282	142,282
Historical Park	2,524	-	2,524
Fire protection	5,004	-	5,004
Easter event	2,379	-	2,379
Unrestricted	330,095	154,511	484,606
Total net position	\$ 1,541,330	\$ 5,711,185	\$ 7,252,515

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	\$ 248,094	\$ 5,620	\$ -	\$ -	\$ (242,474)	\$ -	\$ (242,474)
Public safety	225,194	123,530	-	-	(101,664)	-	(101,664)
Transportation	91,224	-	-	-	(91,224)	-	(91,224)
Culture and recreation	89,824	-	-	-	(89,824)	-	(89,824)
Total governmental activities	654,336	129,150	-	-	(525,186)	-	(525,186)
Business-type activities							
Water and sewer services	450,445	344,711	-	282,279	-	176,545	176,545
Interest expense	81,282	-	-	-	-	(81,282)	(81,282)
Total business-type activities	531,727	344,711	-	282,279	-	95,263	95,263
Total government	\$ 1,186,063	\$ 473,861	\$ -	\$ 282,279	(525,186)	95,263	(429,923)
General revenues							
Property taxes					100,718	-	100,718
Other taxes					65,929	-	65,929
Intergovernmental					136,638	-	136,638
Franchise fees					57,813	-	57,813
Licenses and permits					28,713	-	28,713
Fines and forfeitures					1,431	-	1,431
Interest					263	-	263
Other fees and miscellaneous					10,829	-	10,829
Loss on investments					(7,943)	-	(7,943)
Total general revenues					394,391	-	394,391
Change in net position					(130,795)	95,263	(35,532)
Net position - beginning					1,817,095	5,645,615	7,462,710
Prior period adjustment					(144,970)	(29,693)	(174,663)
Net position - ending					\$ 1,541,330	\$ 5,711,185	\$ 7,252,515

See notes to financial statements

CITY OF FANNING SPRINGS, FLORIDA

GOVERNMENTAL FUND

BALANCE SHEET
September 30, 2015

	General Fund
ASSETS	
Cash	\$ 341,206
Investments	37,519
Accounts receivable	5,401
Due from other governmental units	42,819
Due from other funds	84,711
Total assets	511,656
LIABILITIES	
Accounts payable	3,894
Accrued liabilities	11,524
Total liabilities	15,418
FUND BALANCES	
Restricted for:	
Historical Park	2,524
Assigned for:	
Fire protection	5,004
Easter event	2,379
Unassigned	486,331
Total fund balances	496,238
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,201,328
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds	62,301
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds	(29,314)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(189,223)
Net position of governmental activities	\$ 1,541,330

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2015

	<u>General Fund</u>
REVENUES	
Property taxes, levied for general purposes	\$ 100,718
Other taxes	65,929
Intergovernmental	136,638
Franchise fees	57,813
Licenses and permits	28,713
Charges for service	129,150
Fines and forfeitures	1,431
Interest	263
Other fees and miscellaneous	10,829
Total revenues	<u>531,484</u>
EXPENDITURES	
Current	
General government	225,768
Public safety	210,082
Transportation	90,252
Culture and recreation	56,284
Capital outlay	
Public safety	22,989
Total expenditures	<u>605,375</u>
Excess of revenues (under) expenditures	(73,891)
OTHER FINANCING SOURCES (USES)	
Loss on investments	(7,943)
Total other financing sources (uses)	<u>(7,943)</u>
Net change in fund balance	(81,834)
Fund balance at beginning of year	578,072
Fund balance at end of year	<u>\$ 496,238</u>

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended September 30, 2015

Net change in fund balance - total governmental funds		\$	(81,834)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlay as expenditures however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Expenditures for capital assets	\$	22,989	
Less current year depreciation		<u>(74,481)</u>	
			(51,492)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
Compensated absences		(2,012)	
Pensions		<u>4,543</u>	<u>2,531</u>
Change in net position of governmental activities			<u>\$ (130,795)</u>

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2015

	Enterprise Fund
ASSETS	
Current assets	
Cash	\$ 251,610
Accounts receivable, net	25,102
Due from other governments	28,100
Inventory	12,407
Total current assets	317,219
Restricted cash and cash equivalents	
Bond interest and sinking	123,001
Renewal and replacement	142,282
Customer deposits	50,432
Total restricted cash and cash equivalents	315,715
Fixed assets	
Land	340,191
Construction in progress	137,175
Property, plant and equipment	9,568,940
Allowance for depreciation	(1,844,090)
Total fixed assets	8,202,216
Total assets	8,835,150
DEFERRED OUTFLOWS	12,760
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	29,449
Accrued liabilities	3,353
Due to other funds	84,711
Note payable, current portion	2,443
Accrued interest payable	6,660
Customer deposits	50,131
Bond payable, current	42,000
Accrued compensated absences	2,519
Net pension liability	4,824
Total current liabilities	226,090
Long-term liabilities	
Accrued compensated absences	7,555
Note payable, less current portion	2,382
Bond payable, less current portion	2,864,000
Net pension liability	30,694
Total long-term liabilities	2,904,631
Total liabilities	3,130,721

(continued)

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2015

DEFERRED INFLOWS	<u>\$ 6,004</u>
NET POSITION	
Invested in capital assets, net of related debt	5,291,391
Restricted for:	
Debt service	123,001
Renewal and replacement	142,282
Unrestricted	<u>154,511</u>
Total net position	<u><u>\$ 5,711,185</u></u>

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2015

	Enterprise Fund
OPERATING REVENUES	
Water sales	\$ 205,332
Sewer fees	135,524
Miscellaneous income	3,855
Total operating revenues	344,711
OPERATING EXPENSES	
Water utility	
Personnel services	43,223
Operating expenses	42,435
Sewer utility	
Personnel services	52,875
Operating expenses	57,891
Depreciation expense	254,021
Total operating expenses	450,445
Operating loss	(105,734)
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	282,279
Interest expense	(81,282)
Total nonoperating revenues (expenses)	200,997
Change in net position	95,263
Net position, beginning of year	5,645,615
Prior period adjustment	(29,693)
Net position, end of year	\$ 5,711,185

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended September 30, 2015

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers, including cash deposits	\$ 356,274
Cash paid to suppliers	(71,083)
Cash paid to employees	(93,101)
Net cash provided by operating activities	<u>192,090</u>
Cash flows from non-capital related financing activities:	
Transfers to other funds	<u>12,092</u>
Net cash provided by non-capital related financing activities	<u>12,092</u>
Cash flows from capital and related financing activities:	
Grant receipts	254,179
Principal payments	(42,322)
Interest payments	(81,373)
Acquisition and construction of capital assets	(305,084)
Net cash used in capital and related financing activities	<u>(174,600)</u>
Net increase in cash	29,582
Cash, at beginning of year	<u>537,743</u>
Cash, at end of year	<u>\$ 567,325</u>

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS**

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES
 For the Fiscal Year Ended September 30, 2015**

	<u>Enterprise Fund</u>
Operating loss	\$ (105,734)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	254,021
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	4,352
Deferred outflows	(5,672)
Accounts payable	29,243
Accrued liabilities	3,353
Compensated absences	576
Customer deposits	7,211
Deferred inflows	(10,198)
Net pension liability	14,938
Total adjustments	297,824
Net cash provided by operating activities	\$ 192,090

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fanning Springs (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, are not applied in the preparation of the financial statements of the proprietary fund type in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement 34-Basic Financial Statement and Management's Discussion and Analysis - for State and Local Governments. As provided by GASB 34, the City has elected not to report retroactive infrastructure improvements in its financial statements due to the fact that its annual revenues are less than ten million. The City has implemented all other applicable provisions of this Statement.

A. Reporting Entity - The City of Fanning Springs, Florida is a municipality created under Chapter 5507, *Laws of Florida*, 1905, and is governed by a Mayor and five member City Council, all of whom are individually elected.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that the following component unit existed which should be included within the reporting entity.

B. Measurement Focus and Basis of Accounting - The basic financial statements of the City are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type 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. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement 33 - Accounting and Financial Reporting for Nonexchange Transactions.

Program revenues include charges for services, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. As applicable, the City also chooses to eliminate the indirect costs between governmental activities to avoid the "doubling up" effect.

2. Fund Financial Statements

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

Fund financial statements for the City's governmental and proprietary funds are presented after the government-wide financial statements. These statements display information about major funds individually, and nonmajor funds in the aggregate for governmental and enterprise funds.

Governmental Funds - 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 collected within the current period or soon enough thereafter to pay

liabilities of the current period. For this purpose, the City 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. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, 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 only when cash is received by the City.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be measure of "available spendable resources." Governmental funds operating statements present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Any non-current portions of long-term receivables (special assessments) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Non-current portions of other long-term receivables are offset by fund balance reserve accounts. Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds - The City's Enterprise Fund is a proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The City applies all GASB pronouncements as well as all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

Proprietary fund operation revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The City has used GASB 34 minimum criteria for major fund determination. The City has five major funds and four nonmajor funds.

1. Governmental Major Fund:

General Fund - The General Fund 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.

2. Proprietary Major Fund:

Utilities Fund - The Enterprise Fund accounts for the revenues, expenses, assets, and liabilities associated with the City operated water, sewer, and solid waste disposal services.

3. Non-current Governmental Assets/Liabilities:

GASB Statement 34 requires non-current governmental assets, such as land and building, and non-current governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net position.

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity

1. Cash and Investments - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit and corporate bonds, are stated at cost which approximates market value or stated market value. All such deposits and investments are insured and collateralized as required by state law except for the corporate bonds which are not collateralized.

2. Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2015, the City's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.

3. Allowance for Doubtful Accounts - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2015, this allowance account totaled \$2,350 based upon prior collection history. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered to be fully collectible as reported at September 30, 2015.

4. 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 "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."

5. Inventories - The costs of governmental inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any such inventory type goods on hand at year end would not be material.

6. Restricted Assets - As applicable, year to year, certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

The fund balance related to the City Community Redevelopment Agency is also classified as restricted due to legal limitations on the use of these funds.

7. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.
8. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City, as well as of component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	40
Machinery and equipment	5 - 10
Street and related infrastructure	25 - 40

9. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the City did not have any capitalized interest.
10. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent unearned revenues. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. During the current period, the City did not have any unearned revenues.
11. **Accrued Compensated Absences** - The City accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
12. **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, *deferred outflows of resources*, 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 only has one item that qualifies for reporting in this category. It is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-

year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the City's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position 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 only one type of item, which is related to pensions. Deferred inflows on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the City's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

13. Fund Balances -

A. Governmental Funds

As of September 30, 2015, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Council. The Council is the highest level of decision making authority for the Council. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City's adopted policy, only the Council may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2015, fund balances are composed of the following:

	<u>General Fund</u>
Restricted, Historical park	\$ 2,524
Assigned, Fire protection	5,004
Assigned, Easter event	2,379
Unassigned	486,331
	<u>\$ 496,238</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spend first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Council has provided otherwise in its commitment or assignment actions.

B. Proprietary Funds

Restrictions of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses.

As of September 30, 2015, net position balances are composed of the following:

	<u>Amount</u>
Invested in capital assets, net	\$ 5,291,391
Restricted, Debt service	123,001
Restricted, Renewal and replacement	142,282
Unrestricted	<u>154,511</u>
	<u>\$ 5,711,185</u>

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position.

“Total fund balances” of the City’s governmental funds \$496,238 differs from “net position” of governmental activities \$1,541,330 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 2,376,313
Accumulated depreciation	<u>(1,174,985)</u>
Total	<u>\$ 1,201,328</u>

Long-term debt transactions

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2015, were:

Compensated absences	\$ (15,809)
Net pension liability	(173,414)
Deferred inflows	(29,314)
Deferred outflows	<u>62,301</u>
	<u>\$ (156,236)</u>

CITY OF FANNING SPRINGS, FLORIDA

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Fund Balance and the Government-wide Statement of Net Position

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Statement of Net Position
ASSETS					
Cash	\$ 341,206	\$ -	\$ -	\$ -	\$ 341,206
Investments	37,519	-	-	-	37,519
Accounts receivable	5,401	-	-	-	5,401
Due from other governmental units	42,819	-	-	-	42,819
Due from other funds	84,711	-	-	-	84,711
Capital asset - net	-	1,201,328	-	-	1,201,328
Total assets	511,656	1,201,328	-	-	1,712,984
DEFERRED OUTFLOWS					
	-	-	62,301	-	62,301
LIABILITIES AND FUND BALANCE/NET POSITION					
LIABILITIES					
Accounts payable	3,894	-	-	-	3,894
Accrued liabilities	11,524	-	-	-	11,524
Compensated absences	-	-	-	15,809	15,809
Net pension liability	-	-	-	173,414	173,414
Total liabilities	15,418	-	-	189,223	204,641
DEFERRED INFLOWS					
	-	-	29,314	-	29,314
Fund balance/net position	\$ 496,238	\$ 1,201,328	\$ 32,987	\$ (189,223)	\$ 1,541,330

B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds \$(81,834) differs from the “change in net position” for governmental activities \$(130,795) reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decrease by the amount of depreciation expense charges for the year.

Capital outlay	\$ 22,989
Depreciation expense	(74,481)
Difference	<u>\$ (51,492)</u>

Long-term debt related items

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net increase in compensated absences	\$ (2,012)
Net decrease in net pension liability	4,543
Net change in deferred outflows/inflows	(77,481)
	<u>\$ (74,950)</u>

Deferred outflows/inflows of resources

Recognition of certain obligations related to prior and subsequent periods are not recognized in governmental funds.

Net increase in deferred outflows	\$ 27,694
Net decrease in deferred inflows	49,787
	<u>\$ 77,481</u>

CITY OF FANNING SPRINGS, FLORIDA (KIM)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Activities
REVENUES					
Property taxes, levied for general purposes	\$ 100,718	\$ -	\$ -	\$ -	\$ 100,718
Other taxes	65,929	-	-	-	65,929
Intergovernmental	136,638	-	-	-	136,638
Franchise fees	57,813	-	-	-	57,813
Licenses and permits	28,713	-	-	-	28,713
Charges for service	129,150	-	-	-	129,150
Fines and forfeiture	1,431	-	-	-	1,431
Interest	263	-	-	-	263
Other fees and miscellaneous	10,829	-	-	-	10,829
Total revenues	531,484	-	-	-	531,484
EXPENDITURES					
Current expenditures					
General government	225,768	24,037	-	(1,711)	248,094
Public safety	210,082	15,932	-	(820)	225,194
Transportation	90,252	972	-	-	91,224
Culture and recreation	56,284	33,540	-	-	89,824
Capital outlay					
Public safety	22,989	(22,989)	-	-	-
Total expenditures	605,375	51,492	-	(2,531)	654,336
Excess of revenues over expenditures	(73,891)	(51,492)	-	2,531	(122,852)
OTHER FINANCING SOURCES (USES)					
Loss on investments	(7,943)	-	-	-	(7,943)
Deferred outflows (inflows)	-	-	77,481	(77,481)	-
Total other financing sources (uses)	(7,943)	-	77,481	(77,481)	(7,943)
Net change in fund balance	(81,834)	(51,492)	77,481	(74,950)	(130,795)
Fund balance at beginning of year	578,072	1,252,820	-	(13,797)	1,817,095
Prior period adjustment	-	-	(44,494)	(100,476)	(144,970)
Fund balance at end of year	\$ 496,238	\$ 1,201,328	\$ 32,987	\$ (189,223)	\$ 1,541,330

NOTE 3. LEGAL COMPLIANCE–BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the City Clerk develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted by the City Officers through passage of an ordinance.
4. Any revision that alters the total expenditures of any fund or transfers budgeted amounts between departments within any fund must be approved by the City Officers.
5. Budgets for all City funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Officers. Individual amendments were not material in relation to the original appropriations which were amended.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The book balances of the City deposits totaling \$946,050 were insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the City is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund. At year end, \$82,500 of invested funds consisted of bank cash accounts which were fully insured or collateralized. These deposits are classified as Category 1 in accordance with GASB Standard No. 3, "Deposits with Financial Institutions, Investments, and Reserve Repurchase Agreements."

At year end, the City also had investments in corporate bonds which totaled \$37,519 stated at fair market value with a cost value of \$50,000. The bonds carry a stated interest rate of 7.95% and mature on April 1, 2017. The bonds carry a Moody's rating of CAA2 and S&P rating of CCC. These investments are not authorized by State law, but rather by a City ordinance. These investments are uncollateralized and are classified as Category 3 in accordance with GASB Standard No. 3.

NOTE 5. PROPERTY TAX REVENUES

All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified by the County Property Appraiser. The County Tax Collector mails to each property owner on the assessment roll a notice of taxes levied by the City and other governmental entities in the County. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible personal property become delinquent taxes, including applicable tax certificate sales, tax deed sales, and tangible personal property seizure and sales are provided for by the laws of Florida. Due to those collection procedures, no material amounts of delinquent taxes were due the City at year end. Collections of City taxes and remittances are accounted for in the County Tax Collector's office.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable				
Land	\$ 715,283	\$ -	\$ -	\$ 715,283
Depreciable				
Streets	38,883	-	-	38,883
Buildings and improvements	976,996	-	-	976,996
Equipment and vehicles	622,162	22,989	-	645,151
Total depreciable capital assets	<u>1,638,041</u>	<u>22,989</u>	<u>-</u>	<u>1,661,030</u>
Accumulated depreciation				
Streets	(17,236)	(972)	-	(18,208)
Buildings and improvements	(510,612)	(56,616)	-	(567,228)
Equipment and vehicles	(572,656)	(16,893)	-	(589,549)
Total accumulated depreciation	<u>(1,100,504)</u>	<u>(74,481)</u>	<u>-</u>	<u>(1,174,985)</u>
Total depreciable capital assets, net	537,537	(51,492)	-	486,045
Total capital assets, net	<u>\$ 1,252,820</u>	<u>\$ (51,492)</u>	<u>\$ -</u>	<u>\$1,201,328</u>
Business-type activities:				
Nondepreciable				
Land	\$ 340,191	\$ -	\$ -	\$ 340,191
Construction in progress	62,000	75,175	-	137,175
Total nondepreciable capital assets	<u>402,191</u>	<u>75,175</u>	<u>-</u>	<u>477,366</u>
Depreciable				
Water plant	2,499,193	228,224	-	2,727,417
Sewer system	6,600,450	-	-	6,600,450
Improvements and bulldozers	188,046	-	-	188,046
Equipment	51,341	1,686	-	53,027
Total depreciable capital assets	<u>9,339,030</u>	<u>229,910</u>	<u>-</u>	<u>9,568,940</u>
Accumulated depreciation				
Water plant	(1,220,726)	(79,478)	-	(1,300,204)
Sewer system	(247,517)	(165,011)	-	(412,528)
Improvements	(91,037)	(6,358)	-	(97,395)
Equipment	(30,789)	(3,174)	-	(33,963)
Total accumulated depreciation	<u>(1,590,069)</u>	<u>(254,021)</u>	<u>-</u>	<u>(1,844,090)</u>
Total capital assets being depreciated, net	7,748,961	(24,111)	-	7,724,850
Total capital assets, net	<u>\$ 8,151,152</u>	<u>\$ 51,064</u>	<u>\$ -</u>	<u>\$8,202,216</u>

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

Governmental activities:	
General Government	\$ 24,037
Public Safety	15,932
Transportation	972
Parks and recreation	33,540
Total depreciation expense - governmental entities	<u>\$ 74,481</u>
Business-type activities:	
Water and sewer utility	<u>\$ 254,021</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2015.

Fund	Receivable	Payable
General	\$ 84,711	\$ -
Enterprise	-	84,711
	<u>\$ 84,711</u>	<u>\$ 84,711</u>

NOTE 8. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2015, were as follows:

	Account	Due from Others/ Governmental Units	Total Receivables
Governmental activities:	\$ 5,401	\$ 42,819	\$ 48,220
Business-type activities:	25,102	28,100	53,202
	<u>\$ 30,503</u>	<u>\$ 70,919</u>	<u>\$ 101,422</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$2,350.

Payables

Payables at September 30, 2015, were as follows:

	Vendors
Governmental activities:	\$ 3,894
Business-type activities:	29,449
	<u>\$ 33,343</u>

NOTE 9. LONG-TERM LIABILITIES

Governmental Activities

Summary of changes in governmental activities long-term liabilities

The following summarizes the changes in the City's governmental long-term liabilities during the year ended September 30, 2015:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015	Due Within One Year
Compensated absences	\$ 13,797	\$ 2,012	\$ -	\$ 15,809	\$ 3,952
Net pension liability	-	173,414	-	173,414	23,552
	<u>\$ 13,797</u>	<u>\$ 175,426</u>	<u>\$ -</u>	<u>\$ 189,223</u>	<u>\$ 27,504</u>

Business-type Activities

A summary of proprietary fund debt as of September 30, 2015, follows:

Water Revenue Bonds 1986 – The bonds were paid in full during the current year.

Bond Anticipation Note – The City took out a note with Capital City Bank in the amount of \$2,946,000 in anticipation of receiving revenue bond proceeds related to the sewer system construction project. Quarterly payments, including 3.25% interest commenced in July, 2012. This bond was paid in full during the current year.

USDA Water and Sewer Revenue Bonds 2012 - Gross revenues of the water and sewer system primarily, and secondarily the City's proceeds of its utility services taxes are pledged to service this debt. The outstanding balance at September 30, 2015, is \$2,906,000.

Reserve Funds - The following reserves are required to be maintained for the revenue bonds:

USDA Water and Sewer Revenue Bonds 2012 - A reserve is required by the bond ordinance to accumulate sufficient funds to be used for: (a) bond and interest sinking fund to accumulate a sum equal to 1/12 of the principal and interest of the bond payment due on the next succeeding September 1, (b) to be included in the bond and interest sinking fund, a sum equal to 1/120 of the maximum bond service requirement over the period of the bond, (c) operation and maintenance fund to pay operating expenses pursuant to the annual budget, and (d) payment of any principal and interest if the funds of the Sinking Fund are insufficient. The reserve is maintained by transferring monthly from the revenue account \$1,130, until a maximum amount of \$135,630 is attained. This reserve was fully funded at September 30, 2015.

Revenue bond debt service requirements to maturity, including \$1,839,319 of interest, are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2016	\$ 42,000	\$ 79,915	\$ 121,915
2017	43,000	78,760	121,760
2018	44,000	77,578	121,578
2019	46,000	76,368	122,368
2020	47,000	75,103	122,103
2021-2024	262,000	355,108	617,108
2025-2030	305,000	316,801	621,801
2031-2035	359,000	271,948	630,948
2036-2040	422,000	219,259	641,259
2041-2045	495,000	160,301	655,301
2046-2050	581,000	84,728	665,728
2051-2052	260,000	43,450	303,450
	<u>\$ 2,906,000</u>	<u>\$ 1,839,319</u>	<u>\$ 4,745,319</u>

Loan Payable – On September 18, 2013, the City closed on a loan agreement with Capital City Bank in the amount of \$9,416. The proceeds of this loan were used to purchase a vehicle to use in the water and sewer operations. The City is paying off 48 equal monthly principal and interest payments of \$206, including interest at 2.45%. The balance of the loan at September 30, 2015 was \$4,825. Future debt service requirements are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2016	\$ 2,423	\$ 93	\$ 2,516
2017	2,402	33	2,435
	<u>\$ 4,825</u>	<u>\$ 126</u>	<u>\$ 4,951</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015	Due Within One Year
Bonds payable	\$ 2,946,000	\$ -	\$ (40,000)	\$ 2,906,000	\$ 42,000
Loan payable	7,148	-	(2,323)	4,825	2,443
Compensated absences	9,498	576	-	10,074	2,519
Net pension liability	-	35,518	-	35,518	4,824
	<u>\$ 2,962,646</u>	<u>\$ 36,094</u>	<u>\$ (42,323)</u>	<u>\$ 2,956,417</u>	<u>\$ 51,786</u>

NOTE 10. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREMENT HEALTH INSURANCE SUBSIDY PROGRAM

Florida Retirement System

General Information - All of the City’s employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers’ class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers’ class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants
Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to

member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular—7.37% and 7.26%; Special Risk Administrative Support—42.07% and 32.95%; Special Risk—19.82% and 22.04%; Senior Management Service—21.14% and 21.43%; Elected Officers’—43.24% and 42.27%; and DROP participants—12.28% and 12.88%. These employer contribution rates include 1.26% and 1.66% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The City’s contributions, including employee contributions, to the Pension Plan totaled \$45,709 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$134,668 for its proportionate share of the Pension Plan’s net pension liability. 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 July 1, 2015. The City’s proportionate share of the net pension liability was based on the City’s 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City’s proportionate share was 0.002133527 percent, which was an increase (decrease) of 0.00004234 percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$16,554. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,217	\$ 3,194
Changes in assumptions	8,938	-
Net difference between projected and actual earnings on Pension Plan investments	-	32,124
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	33,236	-
City Pension Plan contributions subsequent to the measurement date	6,140	-
Total	\$ 62,531	\$ 35,318

The deferred outflows of resources related to the Pension Plan, totaling \$6,140 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported

as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2016	(18,409)
2017	(18,409)
2018	(18,409)
2019	27,435
2020	5,328
Thereafter	1,391
	<u>\$ (21,073)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. 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. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate - Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad U.S. Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Entities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		2.00%

(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 7.65%. The Pension 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 calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's proportionate share of the net pension liability	\$ 348,955	\$ 134,668	\$ (43,654)

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2015, the City had no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.26% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$10,755 for the fiscal year ended September 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2015, the City reported a liability of \$74,264 for its proportionate share of the HIS Plan's net pension liability. 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 July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was 0.002005955 percent, which was an increase (decrease) of (0.00013433) percent from its proportionate share measured as of June 30, 2014.

For the fiscal year ended September 30, 2015, the City recognized pension expense of \$6,579. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	5,843	
Net difference between projected and actual earnings on HIS Plan investments	7	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	5,726	-
City HIS Plan contributions subsequent to the measurement date	954	-
Total	\$ 12,530	\$ -

The deferred outflows of resources related to the HIS Plan, totaling \$954 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2016	\$ 1,010
2017	1,010
2018	1,010
2019	(1,505)
2020	(292)
Thereafter	(76)
	\$ 1,156

Actuarial Assumptions – The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	4.29 %

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 4.29%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 4.29%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.29%) or one percentage point higher (5.29%) than the current rate:

	1% Decrease (3.29%)	Current Discount Rate (4.29%)	1% Increase (5.29%)
City's proportionate share of the net pension liability	\$ 84,621	\$ 74,264	\$ 65,629

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2015, the City had no payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit

terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City did not have any participants in the Investment Plan for the fiscal year ended September 30, 2015.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retirees are receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees. GASB Statement 45 requires governments to report this cost and related liability in its financial statements.

Due to the fact that there were no retirees participating in the plan during the year and it is anticipated that this situation will continue in the future due to the fact that most employees work until they are eligible for Medicare benefits, management had determined that the City's OPEB obligation at year end would be of a de minimis amount. Management will monitor this situation in the future and take appropriate steps to properly comply with this GASB Statement.

NOTE 12. 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. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Employee Dishonesty Bond

NOTE 13. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State and Federal governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 14. PRIOR PERIOD ADJUSTMENT

The implementation of GASB 68 requires employers participating in cost-sharing deferred benefit pension plans to report their proportionate share of the total net pension liability and deferred inflows/outflows of resources for the plan on their government-wide financial statements. This resulted in the following adjustments:

Deferred outflows	\$ 41,696
Deferred inflows	(95,303)
Net pension liability	(121,056)
Net position (decrease)	174,663
	\$ -
	-

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FANNING SPRINGS, FLORIDA
GOVERNMENTAL FUND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2015

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes, levied for general purposes	\$ 101,907	\$ 101,907	\$ 100,718	\$ (1,189)
Other taxes	55,570	55,570	65,929	10,359
Intergovernmental	126,257	126,257	136,638	10,381
Franchise fees	55,000	55,000	57,813	2,813
Licenses and permits	2,100	2,100	28,713	26,613
Charges for service	173,530	173,530	129,150	(44,380)
Fines and forfeitures	500	500	1,431	931
Interest	-	-	263	263
Other fees and miscellaneous	1,600	1,600	10,829	9,229
Total revenues	516,464	516,464	531,484	15,020
EXPENDITURES				
Current				
General government	211,943	219,563	225,768	(6,205)
Public safety	213,434	232,164	210,082	22,082
Transporation	77,000	85,810	90,252	(4,442)
Culture and recreation	49,075	51,835	56,284	(4,449)
Capital outlay				
General government	-	-	-	-
Public safety	83,000	23,900	22,989	911
Transporation	3,000	-	-	-
Total expenditures	637,452	613,272	605,375	7,897
Excess of revenues over expenditures	(120,988)	(96,808)	(73,891)	22,917
OTHER FINANCING SOURCES (USES)				
Loss on investments	-	-	(7,943)	(7,943)
Total other financing sources (uses)	-	-	(7,943)	(7,943)
Net change in fund balance	(120,988)	(96,808)	(81,834)	14,974
Fund balance at beginning of year	578,072	578,072	578,072	-
Fund balance at end of year	\$ 457,084	\$ 481,264	\$ 496,238	\$ 14,974

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015**

I. Stewardship, Compliance, and Accountability

- A. Budgetary information.** The City, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The City prepares a tentative budget, which is used by the City at a public workshop to prepare the budgets for the coming year. Public hearings are conducted to obtain taxpayer comments. Subsequently, these budgets are legally adopted through the passage of a resolution at an advertised public session. Such actions are recorded in the City's minutes.

The budget is adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America (GAAP). The only exception to the GAAP basis is the Enterprise Fund, where depreciation is not budgeted for capital assets, while capital outlay expenditures are budgeted and are reclassified into fixed assets. These are then eliminated from the results of operations for financial reporting purposes in the Enterprise Fund. Estimated beginning fund balances are considered in the budgetary process, but are not included in the financial statements as budgeted revenues.

The annual budget serves as the legal authorization for expenditures. All budget amendments, which change the legally adopted total appropriation for a fund, are approved by the City Council.

If during the fiscal year, additional revenue becomes available for appropriations in excess of those estimated in the budget, the City Council, by resolution, may make supplemental appropriations for the year up to the amount of such excess.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the City Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.

5. **Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.**

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY OF FANNING SPRINGS PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*

	<u>2015</u>	<u>2014</u>
City's proportion of the FRS net pension liability (asset)	0.000010426%	0.000009032%
City's proportionate share of the FRS net pension liability (asset)	\$ 134,668	\$ 55,106
City's proportion of the HIS net pension liability (asset)	0.002005955%	0.002140285%
City's proportionate share of the HIS net pension liability (asset)	<u>74,264</u>	<u>65,950</u>
City's proportionate share of the total net pension liability (asset)	<u>\$ 208,932</u>	<u>\$ 121,056</u>
City's covered-employee payroll	\$ 225,725	\$ 207,502
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	92.56%	58.34%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

Note 1) The amounts presented for each year were determined as of the June 30 year end of the Florida Retirement System

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY OF FANNING SPRINGS CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS***

	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 26,156	\$ 21,575
Contractually required HIS contribution	3,908	3,224
Total Contractually Required Contributions	<u>30,064</u>	<u>24,799</u>
Contributions in relation to the contractually required contribution	(30,064)	(24,799)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 225,725	\$ 207,502
Contributions as a percentage of covered-employee payroll	13.32%	11.95%

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
THE CITY OF FANNING SPRINGS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
REQUIRED CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
For the Fiscal Year End September 30, 2015**

Net Pension Liability

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of September 30, 2015, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 161,370,735	\$ 10,249,201
Plan fiduciary net position	(148,454,394)	(50,774)
	\$ 12,916,341	\$ 10,198,427
 Plan fiduciary net position as a percentage of the total pension liability	92.00%	0.50%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2013, 2014 and 2015, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2015, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts

applicable for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

Actuarial Methods and Assumptions

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan 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 Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.60%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan 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 the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2015:

- **FRS:** There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%
- **HIS:** The municipal bonds rate used to determine total pension liability was decreased from 4.29% to 3.80%.

COMPLIANCE SECTION

CITY OF FANNING SPRINGS, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2015

<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA #/ CFSA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Revenue Received or Recognized</u>	<u>Expenditures</u>
Federal Financial Assistance						
Non-major programs						
U.S. Department of Housing and Urban Development						
Passed through the Florida Department of						
Economic Opportunity						
Community Development Block Grant	14.228	15DB-0J-05-48-02-N31	\$ 600,000	\$ -	\$ 13,875	\$ 13,875
Total federal awards			\$ 600,000	\$ -	\$ 13,875	\$ 13,875
State Financial Assistance						
Major Programs						
Florida Department of Environmental						
Protection Agency						
Florida Springs Initiative Grant Program	37.052	S0749	\$ 492,960	\$ -	\$ 61,300	\$ 61,300
Total state financial assistance			\$ 492,960	\$ -	\$ 61,300	\$ 61,300

CITY OF FANNING SPRINGS, FLORIDA

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Fiscal Year Ended September 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the City of Hilliard, Florida (the "City") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Budget Circular A-133.

A. Reporting Entity

This reporting entity consists of the City of Fanning Springs, Florida, and each of its component units. The City includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the Compliance Section for the purpose of additional analysis.

B. Basis of Accounting

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

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become 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 City considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

C. Grant Awards

As required by OMB Circular A-133, federal grant awards drawn and expended during the year are included in the Schedule of Expenditures of Federal Awards and State Financial Assistance.

**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**

To the Mayor and Members
Of the City Council
City of Fanning Springs, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities and the major funds of the City of Fanning Springs, Florida, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Fanning Springs, Florida's basic financial statements and have issued our report thereof dated May 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fanning Springs, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fanning Springs, Florida'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant *deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

2013-1

Financial Statement Preparation

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the City does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the City is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

MANAGEMENT'S RESPONSE

We agree with this finding. We are a very small government and have used our available resources to employ competent bookkeepers who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the City Council review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the City Council.

At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.

Compliance and Other Matters

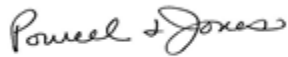
As part of obtaining reasonable assurance about whether the City of Fanning Springs, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the City of Fanning Springs, Florida, in a separate "Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General" dated May 10, 2016.

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 Organization'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**POWELL & JONES**

Certified Public Accountants

May 10, 2016

MANAGEMENT LETTER

To the Mayor and
Members of the City Council
City of Fanning Springs, Florida

In planning and performing our audit of the financial statements of the City of Fanning Springs, Florida, for the year ended September 30, 2015, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. In addition to furnishing information required by Chapter 10.550, *Rules of the Auditor General*, and other compliance matters, the remaining sections of this report letter discuss these findings.

FINDINGS OF PRIOR AUDITOR

2012-2-Resolved

During the current year, this finding related to budget management was substantially corrected.

PRIOR YEAR FINDINGS

2014-1-Resolved

The finding related to documentation for fire rescue call payments was substantially corrected by the fiscal year end.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of the City of Fanning Springs, for the fiscal year ended September 30, 2015.

Financial Emergency Status - We have determined that the City did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(7)(c) and 10.556(7)), we applied financial condition assessment procedures. It is

management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

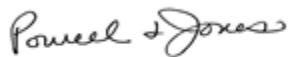
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the City of Fanning Springs, Florida, for the year ended September 30, 2015, as provided in the audit requirements for USDA-Rural Development borrowers.

1. Generally accepted auditing procedures were performed in this audit.
2. Internal control was evaluated and is discussed in the prior sections of this audit report.
3. Accounting records and physical control over assets were adequate.
4. The accounting records of the City have been adjusted to agree with the audited financial statements.
5. The City's funds are in institutions insured by the Federal government and are authorized depositories of Florida public funds.
6. A summary of the City's insurance coverage is shown in the annual report to USDA-Rural Development.
7. The City is exempt from Federal Income Tax.
8. We found nothing to indicate that financial compliance with the loan agreements had not occurred.

CONCLUSION

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the City. We appreciate the helpful assistance and courtesy afforded us by all City employees and look forward to working with you in the future.



POWELL & JONES
Certified Public Accountants
May 10, 2016

INDEPENDENT ACCOUNTANT'S REPORT

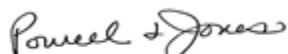
To the Mayor and
Members of the City Council
City of Fanning Springs, Florida

We have examined the City of Fanning Springs' compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during 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 complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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



POWELL & JONES
Certified Public Accountants
May 10, 2016

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Mayor and
Members of the City Council
City of Fanning Springs, Florida

We have audited the financial statements of the City of Fanning Springs, Florida for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Fanning Springs, Florida are described Note 1 to the financial statements. As described in Note 10 to the financial statements, the City changed accounting policies related to the recognition of their proportionate share of the net pension liability of the Florida Retirement System by adopting Statement of Governmental Accounting Standards (GASB statement) No. 68, Accounting and Financial Reporting for Pension Plans, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the City of Fanning Springs, Florida's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 10, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

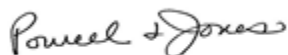
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the City Council and management of the City of Fanning Springs, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



POWELL & JONES
Certified Public Accountants
May 10, 2016