

Town of Callahan, Florida

Audit Report

September 30, 2019



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Town of Callahan, Florida

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Town of Callahan, Florida

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Town Council
Town of Callahan, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Callahan, Florida (the "Town"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension trend 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020 on our consideration of the Town'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's 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 Town's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 30, 2020



Town of Callahan, Florida

Management's Discussion and Analysis

This discussion and analysis of the Town of Callahan's (the "Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the Town's financial statements, which follow this section.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the Town's activities as a whole and fund financial statements that report on the Town's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the Town's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position can be used to measure the Town's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the Town's financial health is improving or deteriorating. However, other non-financial factors, such as road conditions or changes in the tax base, must also be considered when assessing the overall health of the Town.

In these statements, the Town's activities are divided as follows:

- Governmental activities – Most of the Town's basic services are reported here, including administration, fire services, road and bridge, and maintenance. Taxes and charges for services finance most of these activities.
- Business-type activities – These activities are financed in whole or in part by fees charged to external parties for goods or services. The activities of the water and sewer system are reported as a business-type activity.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the Town's funds.

- Governmental fund – The General Fund is the Town's only governmental fund. This fund is accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. Reconciliations are provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

Town of Callahan, Florida

Management's Discussion and Analysis

- Proprietary fund – The Water and Sewer Fund is the Town's only proprietary fund. The proprietary fund is reported using the accrual basis of accounting and, accordingly, there is a correlation between the amounts reported in the fund financial statements and the amounts reported in the government-wide financial statements.

CONDENSED FINANCIAL INFORMATION

The following tables present condensed, government-wide comparative data about net position and changes in net position.

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Assets						
Non-capital assets	\$ 1,447,684	\$ 1,751,633	\$ 801,181	\$ 836,863	\$ 2,248,865	\$ 2,588,496
Capital assets	796,846	875,576	7,204,535	6,831,663	8,001,381	7,707,239
Total assets	2,244,530	2,627,209	8,005,716	7,668,526	10,250,246	10,295,735
Deferred outflows of resources	91,550	89,348	77,985	76,108	169,535	165,456
Liabilities						
Current liabilities	93,996	93,126	195,294	62,717	289,290	155,843
Long-term liabilities	232,048	272,449	1,144,104	1,165,274	1,376,152	1,437,723
Total liabilities	326,044	365,575	1,339,398	1,227,991	1,665,442	1,593,566
Deferred inflows	23,511	19,435	20,030	16,557	43,541	35,992
Net position						
Net investment in capital assets	745,084	875,576	6,368,200	6,037,435	7,113,284	6,913,011
Restricted	-	-	419,117	366,396	419,117	366,396
Unrestricted	1,241,441	1,455,971	(63,044)	96,255	1,178,397	1,552,226
Total net position	\$ 1,986,525	\$ 2,331,547	\$ 6,724,273	\$ 6,500,086	\$ 8,710,798	\$ 8,831,633

Town of Callahan, Florida

Management's Discussion and Analysis

CONDENSED FINANCIAL INFORMATION (CONTINUED)

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Program revenues						
Charges for services	\$ 88,132	\$ 171,216	\$ 694,809	\$ 954,076	\$ 782,941	\$ 1,125,292
Operating grants and contributions	-	-	624,453	25,503	624,453	25,503
Capital grants and contributions	107,500	67,376	-	-	107,500	67,376
General revenues						
Property taxes	248,301	268,118	-	-	248,301	268,118
Intergovernmental and other	683,413	743,731	-	-	683,413	743,731
Miscellaneous	32,216	51,114	-	-	32,216	51,114
Total revenues	1,159,562	1,301,555	1,319,262	979,579	2,478,824	2,281,134
Program expenses						
General government	333,936	399,162	-	-	333,936	399,162
Public safety	173,818	162,991	-	-	173,818	162,991
Transportation	305,748	365,794	-	-	305,748	365,794
Economic environment	13,686	27,346	-	-	13,686	27,346
Human services	3,500	1,003	-	-	3,500	1,003
Culture and recreation	52,937	67,099	-	-	52,937	67,099
Interest on long-term debt	1,331	675	-	-	1,331	675
Water and sewer	-	-	1,028,713	1,136,229	1,028,713	1,136,229
Total expenses	884,956	1,024,070	1,028,713	1,136,229	1,913,669	2,160,299
Transfers	70,807	67,537	(70,807)	(67,537)	-	-
Change in net position	345,413	345,022	219,742	(224,187)	565,155	120,835
Beginning net position	1,641,112	1,986,525	6,504,531	6,724,273	8,145,643	8,710,798
Ending net position	\$ 1,986,525	\$ 2,331,547	\$ 6,724,273	\$ 6,500,086	\$ 8,710,798	\$ 8,831,633



Town of Callahan, Florida

Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$238,592 in program revenues and \$1,062,963 in general revenues, and incurred \$1,024,070 of program expenses, and received transfers of \$67,537 from the Water and Sewer Fund. This resulted in a \$345,022 increase in net position.

Business-type Activities

Revenues of the Water and Sewer Fund were \$979,579 compared to expenses of \$1,136,229 and transfers of \$67,537 to the General fund. This resulted in a \$224,187 decrease in net position.

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$280,541 from \$1,382,110 to \$1,662,651. The increase was primarily the result of an increase in utility service taxes, expenditures being below amounts anticipated and budgeted, and transfers from the Water and Sewer Fund being above amounts anticipated and budgeted.

Water and Sewer Fund

The Water and Sewer Fund's net position decreased by \$224,187 from \$6,724,273 to \$6,500,086. The decrease was primarily the result of lower intergovernmental revenues due in the current year. Additionally, operating expenses increased for the year ended September 30, 2019.

BUDGETARY HIGHLIGHTS

Revenues of the General Fund were more than budgeted amounts. The largest variance between final budget amounts and actual results occurred with utility service taxes, permit, fees and special assessments, and miscellaneous revenues

General Fund expenditures were below budgeted amounts in total. Public Safety and Transportation expenditure categories accounted for the largest variances between budget and actual amounts.



Town of Callahan, Florida

Management's Discussion and Analysis

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town purchased capital assets of approximately \$212,309, including building improvements and equipment. The Town also completed the watermain construction in progress of \$782,781. Please refer to Note 3 to the accompanying financial statements entitled, *Capital Asset Activity* for more detailed information about the Town's capital asset activity.

Debt Administration

The Town incurred no new long-term debt during the year.

Please refer to Note 4 to the accompanying financial statements entitled *Long-term Obligations* for more detailed information about the Town's long-term debt activity.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the Town's financial position or results of operations.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Town Hall at PO Box 5016; Callahan, FL 32012.

Town of Callahan, Florida

**Statement of Net Position
September 30, 2019**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 1,679,130	\$ 30,954	\$ 1,710,084
Accounts receivable	2,778	62,363	65,141
Internal balances	35,814	(35,814)	35,814
Due from other governments	33,911	-	33,911
Inventories	-	71,993	71,993
Prepaid expenses	-	12,979	12,979
Restricted cash and equivalents	-	694,388	694,388
Capital assets:			
Non-depreciable	363,781	85,441	449,222
Depreciable, net	511,795	6,746,222	7,258,017
Total assets	2,627,209	7,668,526	10,331,549
Deferred outflows of resources			
Pension related	89,348	76,108	165,456
Liabilities			
Accounts payable and accrued expenses	88,982	12,987	101,969
Deposits	-	49,730	49,730
Noncurrent liabilities:			
Due within one year	4,144	51,495	55,639
Due in more than one year	272,449	1,113,779	1,386,228
Total liabilities	365,575	1,227,991	1,593,566
Deferred inflows of resources			
Pension related	19,435	16,557	35,992
Net position			
Net investment in capital assets	875,576	6,037,435	6,913,011
Restricted for debt service	-	92,168	92,168
Restricted for renewal and replacement	-	195,750	195,750
Restricted for capital projects	-	78,478	78,478
Unrestricted	1,455,971	96,255	1,552,226
Total net position	\$ 2,331,547	\$ 6,500,086	\$ 8,831,633

See accompanying notes.

Town of Callahan, Florida

Statement of Activities Year ended September 30, 2019

Functions/Programs	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
Governmental activities:							
General government	\$ 399,162	\$ 64,782	\$ -	\$ 50,000	\$ (284,380)	\$ -	\$ (284,380)
Public safety	162,991	81,886	-	17,376	(63,729)	-	(63,729)
Transportation	365,794	24,548	-	-	(341,246)	-	(341,246)
Economic environment	27,346	-	-	-	(27,346)	-	(27,346)
Human services	1,003	-	-	-	(1,003)	-	(1,003)
Culture and recreation	67,099	-	-	-	(67,099)	-	(67,099)
Interest on long-term debt	675	-	-	-	(675)	-	(675)
Total governmental activities	1,024,070	171,216	-	67,376	(785,478)	-	(785,478)
Business-type activities							
Water and sewer	1,136,229	949,388	25,503	-	-	(161,338)	(161,338)
Total	\$ 2,160,299	\$ 1,120,604	\$ 25,503	\$ 67,376	(785,478)	(161,338)	(946,816)
General revenues:							
Property taxes					268,118	-	268,118
Sales tax and other shared revenues					163,015	-	163,015
Discretionary sales surtaxes					190,039	-	190,039
Franchise fees					137,805	-	137,805
Utility taxes					168,544	-	168,544
Communications service tax					84,328	-	84,328
Miscellaneous					51,114	4,688	55,802
Transfers					67,537	(67,537)	-
Total general revenues and transfers					1,130,500	(62,849)	1,067,651
Change in net position					345,022	(224,187)	120,835
Net position – beginning of year					1,986,525	6,724,273	8,710,798
Net position – end of year					\$ 2,331,547	\$ 6,500,086	\$ 8,831,633

See accompanying notes.

Town of Callahan, Florida

**Balance Sheet
Governmental Fund
September 30, 2019**

General Fund

Assets

Cash and equivalents	\$ 1,679,130
Accounts Receivable	2,778
Due from other fund	35,814
Due from other governments	33,911

Total assets	\$ 1,751,633
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Liabilities

Accounts payable and accrued expenses	\$ 88,982
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Fund balance

Unassigned	1,662,651
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Total liabilities and fund balance	\$ 1,751,633
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See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Fund
September 30, 2019**

Fund balance – governmental fund	\$ 1,662,651
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the governmental fund.	
Capital assets – net	875,576
Deferred outflows and inflows of resources associated with pensions are not reported in the governmental fund.	
Deferred outflows of resources	89,348
Deferred inflows of resources	(19,435)
Long-term liabilities are not reported in the governmental fund.	
Compensated absences	(3,975)
Net pension liability	(272,617)
Net position of governmental activities	\$ 2,331,547

See accompanying notes.

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year ended September 30, 2019

	General Fund
Revenues	
Taxes	\$ 738,510
Permits, fees and special assessments	219,265
Intergovernmental	227,459
Charges for services	62,721
Fines and forfeitures	2,487
Miscellaneous	51,114
Total revenues	1,301,556
Expenditures	
Current:	
General government	347,153
Public safety	105,936
Transportation	535,457
Economic environment	27,346
Human services	1,003
Culture and recreation	48,396
Debt service:	
Principal	22,586
Interest	675
Total expenditures	1,088,552
Excess of revenues over expenditures	213,004
Other financing sources	
Transfers in	67,537
Net change in fund balance	280,541
Fund balance – beginning of year	1,382,110
Fund balance – end of year	\$ 1,662,651

See accompanying notes.

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities
Governmental Fund
Year ended September 30, 2019**

Net change in fund balance – governmental fund **\$ 280,541**

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

Governmental funds report capital outlays as expenditures. However,
in the statement of activities the cost of those assets is depreciated
over their estimated useful lives.

Acquisitions of capital assets	175,782
Current year depreciation expense	(97,052)

Repayment of debt principal is an expenditure in governmental funds,
but the repayment does not effect net position of governmental activities.

Principal payments on long-term debt	22,586
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The net change in net pension liability and deferred outflows and inflows are
reported in the statement of activities, but not in the governmental funds.

Change in net pension liability	(40,509)
Change in deferred outflows related to pensions	(2,202)
Change in deferred inflows related to pensions	4,076

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	1,800
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Change in net position of governmental activities	\$ 345,022
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See accompanying notes.

Town of Callahan, Florida

**Statement of Net Position
Proprietary Fund
September 30, 2019**

	Water and Sewer Fund
Current assets	
Cash and equivalents	\$ 30,954
Accounts receivable	62,363
Inventories	71,993
Prepaid expenses	12,979
Total current assets	178,289
Noncurrent assets	
Restricted cash and equivalents	694,388
Capital assets, net	6,831,663
Total noncurrent assets	7,526,051
Total assets	7,704,340
Deferred outflows	
Pension related	76,108
Current liabilities	
Accounts payable	12,987
Deposits	49,730
Due to other fund	35,814
Current portion of noncurrent liabilities	51,495
Total current liabilities	150,026
Noncurrent liabilities	1,113,779
Total liabilities	1,263,805
Deferred inflows	
Pension related	16,557
Net position	
Net investment in capital assets	6,037,435
Restricted for debt service	92,168
Restricted for renewal and replacement	195,750
Restricted for capital projects	78,478
Unrestricted	96,255
Total net position	\$ 6,500,086

See accompanying notes.

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended September 30, 2019

	Water and Sewer Fund
Operating revenues	
User fees - water	\$ 327,747
User fees - sewer	341,124
User fees - garbage	63,517
Operating grant revenues - water	12,496
Operating grant revenues - sewer	13,007
Other operating revenues - water	106,330
Other operating revenues - sewer	110,670
Total operating revenues	974,891
Operating expenses	
Personal services - water	128,343
Personal services - sewer	128,343
Operating expenses - water	232,906
Operating expenses - sewer	202,346
Depreciation - water	81,879
Depreciation - sewer	327,518
Total operating expenses	1,101,335
Operating loss	(126,444)
Nonoperating income	
Interest income - water	2,297
Interest income - sewer	2,391
Nonoperating expenses	
Interest expense - water	(17,447)
Interest expense - sewer	(17,447)
Loss before transfers	(156,650)
Transfers out	(67,537)
Change in net position	(224,187)
Net position – beginning of year	6,724,273
Net position – end of year	\$ 6,500,086

See accompanying notes.

Town of Callahan, Florida
Statement of Cash Flows
Proprietary Fund
Year ended September 30, 2019

	Water and Sewer Fund
Operating activities	
Receipts from customers	\$ 942,126
Operating grants	25,503
Payments to suppliers	(533,720)
Payments to employees	(225,739)
Net cash provided by operating activities	208,170
Noncapital financing activities	
Net transfers out	(67,537)
Principal paid on noncapital debt	(21,000)
Net cash used by noncapital financing activities	(88,537)
Capital and related financing activities	
Interest earned	4,688
Acquisitions of capital assets	(36,525)
Principal paid on capital-related debt	(42,107)
Interest paid on capital-related debt	(34,894)
Net cash used by capital and related financing activities	(108,838)
Change in cash and restricted cash and equivalents	10,795
Cash and restricted cash and equivalents – beginning of year	714,547
Cash and restricted cash and equivalents – end of year	\$ 725,342
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (126,444)
Depreciation	409,397
Change in:	
Accounts receivable	(7,262)
Inventories	(19,540)
Accounts payable	(78,927)
Due to other fund	1,915
Deferred outflows of resources for pensions	1,877
Compensated absences	(3,880)
Net pension liability	34,507
Deferred inflows of resources for pensions	(3,473)
Net cash provided by operating activities	\$ 208,170

See accompanying notes.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Callahan, Florida (the “Town”) is a political subdivision of the State of Florida established by Chapter 6333, Laws of Florida. It is governed by an elected Mayor and Town Council. As required by generally accepted accounting principles, the accompanying financial statements present the Town as a primary government. Component units are entities for which a primary government is considered to be financially accountable.

A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

There are no component units included in the Town’s financial reporting entity.

The Town did not participate in any joint ventures during the fiscal year.

Basis of Presentation

The financial statements of the Town have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant accounting policies of the Town are described hereafter.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. 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 charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include: charges for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as *general revenues*.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental fund.

The Town reports the following major governmental fund:

General Fund – the primary operating fund, used to account for and report all activities except those accounted for and reported in another fund.

The Town reports the following major enterprise fund:

Water and Sewer Fund – to account for the assets, operation, and maintenance of the Town-owned water and sewer system.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Taxes and intergovernmental revenues constitute the most significant source of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, and expenditures for compensated absences and claims and judgments, are recorded only when payment is due.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Deposits and Investments

The Town's cash and equivalents consist of legally authorized demand deposits. The institutions in which these deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, these balances on deposit at September 30, 2019 are insured or collateralized through the Bureau of Collateral Management, Division of Treasury, State Department of Financial Services.

As its investment policy, the Town follows Section 218.415, Florida Statutes, which authorizes the Town to invest excess public funds in the following:

- ◆ Direct obligations of the U.S. Treasury;
- ◆ Savings accounts and certificates of deposit in qualified public depositories;
- ◆ The Local Government Surplus Funds Trust Fund and authorized intergovernmental pools;
- ◆ Securities and Exchange Commission registered money market funds with the highest credit quality rating.

Accounts Receivable

Receivables are stated at net realizable value. An allowance for uncollectible accounts was not considered necessary.

Inventories

Inventories are stated at cost, under the first-in first-out method.

Prepaid Expenses

Prepaid expenses consist of payments for commercial insurance for a policy with coverage for the next fiscal year.

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets which are recorded at estimated acquisition value at the date of contribution. The Town uses a capitalization threshold of \$1,000 for all classes of capital assets.

In accordance with GASB Statement No. 34, the Town has elected not to report general infrastructure assets acquired prior to October 1, 2003.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Building improvements	10 – 50
Equipment, furniture, fixtures and vehicles	5 – 45

For its business-type activities, the Town’s policy is to capitalize construction period interest costs on projects funded specifically through debt financing. No interest costs were capitalized during 2019.

Compensated Absences

The Town’s policy is to allow limited vesting of employee vacation pay. In the governmental fund financial statements, a liability has not been reported because it will not be liquidated with expendable available financial resources. A liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources, while payments on principal are recognized as expenditures in the year paid.

Property Taxes

Details of the Town’s tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount period	November - February
No discount period	March
Delinquent date	April 1

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The enterprise fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Restricted Net Position

In the accompanying government-wide and proprietary fund statements of net position, *restricted net position* is subject to restrictions beyond the Town's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

As of September 30, 2019, approximately \$78,500 included in restricted net position was restricted by enabling legislation.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

The Town follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

Fund balance classifications are described below:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the Town's highest level of decision-making authority, which is an ordinance of the Town Council. Committed amounts cannot be used for any other purpose unless the Town removes those constraints by taking the same type of action.

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Town Council (b) a body or official to which the Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The Town’s policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan and Health Insurance Subsidy Program and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

A *deferred outflow of resources* is a consumption of net assets that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net assets that is applicable to a future reporting period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

NOTE 2 – INTERFUND BALANCES AND TRANSFERS

Due to and due from other funds are summarized below and represent temporary advances.

	Due from Water and Sewer Fund	Due to General Fund
General Fund	\$ 35,814	\$ -
Water and Sewer Fund	-	35,814
Totals	\$ 35,814	\$ 35,814

Notes to Financial Statements

NOTE 2 – INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Interfund transfers are summarized below. They are consistent with the purpose of the fund making the transfer.

	Transfer In	Transfer Out
General Fund	\$ 67,537	\$ -
Water and Sewer Fund	-	67,537
Totals	\$ 67,537	\$ 67,537

NOTE 3 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2019, the following changes in capital assets occurred:

Governmental Activities	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets not being depreciated:				
Land	\$ 363,781	\$ -	\$ -	\$ 363,781
Capital assets being depreciated:				
Building improvements	942,809	87,414	-	1,030,223
Equipment, furniture, fixtures and vehicles	750,163	88,368	-	838,531
Total capital assets being depreciated	1,692,972	175,782	-	1,868,754
Less accumulated depreciation	1,259,907	97,052	-	1,356,959
Total capital assets being depreciated, net	433,065	78,730	-	511,795
Governmental activities capital assets, net	\$ 796,846	\$ 78,730	\$ -	\$ 875,576

Town of Callahan, Florida

Notes to Financial Statements

NOTE 3 – CAPITAL ASSET ACTIVITY (CONTINUED)

Business-type Activities	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets not being depreciated:				
Land	\$ 85,441	\$ -	\$ -	\$ 85,441
Construction in progress	782,781	-	782,781	-
Total capital assets not being depreciated	868,222	-	-	85,441
Capital assets being depreciated:				
Equipment, building, utility system, and improvements	11,615,296	819,306	-	12,434,602
Less accumulated depreciation	5,278,983	409,397	-	5,688,380
Total capital assets being depreciated, net	6,336,313	409,909	-	6,746,222
Business-type activities capital assets, net	\$ 7,204,535	\$ 409,909	\$ -	\$ 6,831,663

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 14,138
Public safety	57,055
Transportation	7,156
Culture and recreation	18,703
Total depreciation expense – governmental activities	\$ 97,052
Business-type activities:	
Water and sewer	\$ 409,397

Town of Callahan, Florida

Notes to Financial Statements

NOTE 4 – LONG-TERM OBLIGATIONS

Following is a summary of changes in long-term obligations:

Governmental Activities

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019	Due Within One Year
Note payable	\$ 22,586	\$ -	\$ 22,586	\$ -	\$ -
Compensated absences	5,775	9,835	11,634	3,976	2,902
Net pension liability	232,108	40,509	-	272,617	1,242
Total	\$ 260,469	\$ 50,344	\$ 34,220	\$ 276,593	\$ 4,144

Business-type Activities

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019	Due Within One Year
Due to governmental agencies	\$ 55,000	\$ -	\$ 5,000	\$ 50,000	\$ 5,000
Grant repayment agreement	96,000	-	16,000	80,000	16,000
Bond payable-rural development	836,334	-	42,106	794,228	23,000
Compensated absences	12,698	10,221	14,101	8,818	6,437
Net pension liability	197,721	34,507	-	232,228	1,058
Total	\$ 1,197,753	\$ 44,728	\$ 77,207	\$ 1,165,274	\$ 51,495

Due to Governmental Agencies

The Town signed a note payable to repay a portion of the cost of relocating water lines as part of a Florida Department of Transportation (FDOT) road widening project. The note is non-interest bearing and is payable in annual installments of \$5,000 through 2029. At September 30, 2019, the Town had a remaining balance of \$50,000, payable from the Water and Sewer Fund.

Notes to Financial Statements

NOTE 4 – LONG-TERM OBLIGATIONS (CONTINUED)

Grant Repayment Agreement

\$320,000 note, payable to the Florida Department of Transportation at 0% interest. The note is payable in annual installments of \$16,000 through 2024, from the Water and Sewer Fund.

\$ 80,000

Rural Development Bond Payable

\$1,434,000, 2008 Water and Sewer Revenue Bonds for construction of a wastewater treatment facility. Due in annual installments varying from \$15,000 to \$57,000 plus interest at 4.375% through September 1, 2041. The revenues of the water and sewer system are pledged as collateral. The approximate amount of the pledge is equal to the remaining principal and interest of approximately \$1,350,000. During 2019, \$668,870 of water and sewer revenue was recognized and \$78,000 was paid for debt service.

\$ 794,228

Note Payable

\$87,111 Equipment loan, payable in annual installments of \$23,261, including interest at 2.99%, through June 2019. Non-ad valorem revenues are pledged as collateral. This note was satisfied during the year.

Aggregate maturities of long-term debt are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2020	\$ 44,000	\$ 35,556
2021	45,000	34,550
2022	46,000	33,500
2023	47,000	32,406
2024	48,000	31,269
2025-2029	182,000	137,268
2030-2034	194,000	99,774
2035-2039	240,000	53,530
2040-2041	78,228	21,347
Totals	\$ 924,228	\$ 479,200

Notes to Financial Statements

NOTE 5 – STATE OF FLORIDA PENSION PLANS

Defined Benefit Plans

The Town participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees and surviving beneficiaries of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Notes to Financial Statements

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates as of September 30, 2019, were as follows:

	FRS	HIS
Regular class	6.81%	1.66%
Special risk class	23.82%	1.66%
Senior management service class	23.75%	1.66%
Elected officials	47.16%	1.66%
DROP from FRS	12.94%	1.66%

The employer's contributions for the year ended September 30, 2019, were \$35,988 to the FRS Pension Plan and \$7,093 to the HIS Program.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2019, the Town reported a liability for its proportionate shares of the net pension liabilities of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS program. The net pension liabilities were measured as of June 30, 2019. The Town's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 366,527	\$ 138,318
Proportion at:		
Current measurement date	0.0011%	0.0012%
Prior measurement date	0.0010%	0.0012%
Pension expense (benefit)	\$ 97,253	\$ 12,679

Notes to Financial Statements

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,740	\$ (227)	\$ 1,680	\$ (169)
Changes of assumptions	94,140	-	16,016	(11,305)
Net difference between projected and actual earnings on pension plan investments	-	(20,278)	89	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,380	(2,462)	10,346	(1,551)
Employer contributions subsequent to the measurement date	6,452	-	1,612	-
Total	\$ 135,712	\$ (22,967)	\$ 29,743	\$ (13,025)

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2020. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2020	\$ 37,440	\$ 4,784
2021	11,800	3,416
2022	26,659	2,643
2023	21,319	456
2024	6,572	1,516
Thereafter	2,503	2,291
Total	\$ 106,293	\$ 15,106

Notes to Financial Statements

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2019. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2019. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2018 and using standard actuarial roll forward procedures to develop the liability at June 30, 2019. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	6.90%	N/A
Discount rate	6.90%	3.50%

Mortality assumptions for the FRS Pension Plan were based on PUB2010 base tables projected generationally with Scale MP-2018. Mortality assumptions for the HIS Program were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2019:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.00% to 6.90%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.87% to 3.50%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Notes to Financial Statements

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.3%	3.3%
Fixed income	18%	4.1%	4.1%
Global equity	54%	8.0%	6.8%
Real estate	10%	6.7%	6.1%
Private equity	11%	11.2%	8.4%
Strategic investments	6%	5.9%	5.7%
	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.90%. FRS' 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 is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.50% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
	(5.90%)	(6.90%)	(7.90%)	(2.50%)	(3.50%)	(4.50%)
Employer's proportionate share of the net pension liability	\$ 633,603	\$ 366,527	\$ 143,473	\$ 157,898	\$ 138,318	\$ 122,012

Notes to Financial Statements

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2019, totaled \$10,774.

NOTE 6 – RISK MANAGEMENT

The Town is exposed to various risks of loss for which it carries commercial insurance. There have been no insurance settlements in excess of insurance coverage in the last three years.

NOTE 7 – FUTURE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued statements that will become effective in the future. The statements address:

- Fiduciary activities (Statement No. 84); and
- Majority equity interests (Statement No. 90).

The Town is currently evaluating the effects that these statements will have on its 2020 financial statements.

Notes to Financial Statements

NOTE 8 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain. The financial statement impact cannot be reasonably estimated at this time as the duration of the effects of the pandemic is uncertain.

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual – General Fund
Year ended September 30, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget
Revenues				
Taxes	\$ 619,452	\$ 619,452	\$ 738,510	\$ 119,058
Permits, fees and special assessments	186,000	186,000	219,265	33,265
Intergovernmental	195,923	195,923	227,459	31,536
Charges for services	51,500	51,500	62,721	11,221
Fines and forfeitures	1,000	1,000	2,487	1,487
Miscellaneous	11,500	11,500	51,114	39,614
Total revenues	1,065,375	1,065,375	1,301,556	236,181
Expenditures				
Current:				
General government	344,975	344,975	347,153	(2,178)
Public safety	145,900	145,900	105,936	39,964
Transportation	492,500	492,500	535,457	(42,957)
Economic environment	31,000	31,000	27,346	3,654
Human services	27,000	27,000	1,003	25,997
Culture and recreation	80,000	80,000	48,396	31,604
Debt service:				
Principal	-	-	22,586	(22,586)
Interest	-	-	675	(675)
Total expenditures	1,121,375	1,121,375	1,088,552	32,823
Excess of revenues (under) over expenditures	(56,000)	(56,000)	213,004	269,004
Other financing sources				
Transfers in	57,000	57,000	67,537	10,537
Net change in fund balances	1,000	1,000	280,541	279,541
Fund balances – beginning of year	-	-	1,382,110	1,382,110
Fund balances – end of year	\$ 1,000	\$ 1,000	\$ 1,662,651	\$ 1,661,651



Town of Callahan, Florida

Notes to Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund

The Town adopts an annual budget for the General Fund. The Town generally follows these procedures in establishing the budgetary data reflected in the schedule:

1. Prior to September 1, the Town Clerk submits to the Town 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. A public hearing is conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance.
4. Any revision that alters the expenditures of any fund must be approved by the Town Council. The fund is the legal level of control.

The budget amounts presented in the accompanying schedule were prepared on a basis that does not materially differ from the modified accrual basis of accounting.

**Schedules of Proportionate Share of Net Pension Liability
Last 10 Fiscal Years (1)**

Florida Retirement System	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.0010%	0.0010%	0.0010%	0.0010%	0.0011%
Employer's proportionate share of the net pension liability (asset)	\$ 133,103	\$ 250,435	\$ 292,504	\$ 306,312	\$ 366,527
Employer's covered payroll (2)	\$ 342,059	\$ 353,914	\$ 362,837	\$ 381,166	\$ 413,442
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.91%	70.76%	80.62%	80.36%	88.65%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	84.88%	83.89%	84.26%	82.61%

Health Insurance Subsidy Program	2015	2016	2017	2018	2019
Employer's proportion of the net pension liability (asset)	0.0011%	0.0011%	0.0011%	0.0012%	0.0012%
Employer's proportionate share of the net pension liability (asset)	\$ 114,985	\$ 133,613	\$ 121,608	\$ 123,518	\$ 138,318
Employer's covered payroll (2)	\$ 342,059	\$ 353,914	\$ 362,837	\$ 381,166	\$ 413,442
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.62%	37.75%	33.52%	32.41%	33.46%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.97%	1.64%	2.15%	2.63%

Notes to schedules:

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

**Schedules of Employer Contributions
Last 10 Fiscal Years**

Florida Retirement System	2015	2016	2017	2018	2019
Contractually required contribution	\$ 24,667	\$ 25,664	\$ 25,514	\$ 29,967	\$ 31,497
Contributions in relation to the contractually required contribution	24,667	25,664	25,514	29,967	31,497
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 342,238	\$ 357,225	\$ 366,080	\$ 386,831	\$ 427,291
Contributions as a percentage of covered payroll	7.21%	7.18%	6.97%	7.75%	7.37%

Health Insurance Subsidy Program	2015	2016	2017	2018	2019
Contractually required contribution	\$ 4,646	\$ 5,931	\$ 6,073	\$ 6,423	\$ 6,889
Contributions in relation to the contractually required contribution	4,646	5,931	6,073	6,423	6,889
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 342,238	\$ 357,225	\$ 366,080	\$ 386,831	\$ 427,291
Contributions as a percentage of covered payroll	1.36%	1.66%	1.66%	1.66%	1.61%

Notes to schedules:

(1) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Additional Elements Required by the Rules of the Auditor General

MANAGEMENT LETTER

To the Honorable Mayor and
Town Council
Town of Callahan, Florida

Report on the Financial Statements

We have audited the financial statements of the Town of Callahan, Florida (the "Town") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 30, 2020.

Auditors' Responsibility

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.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 30, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. The findings reported as 2018-003 and 2018-004 in the preceding financial audit report were corrected in the current year.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2017-18 FY Finding #	2016-17 FY Finding #
2019-001	2018-001	2017-001
2019-002	2018-002	2017-002

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the members of the governing board of the Town, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.

Cam, Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 30, 2020



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

The Honorable Mayor and Town Council
Town of Callahan, 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, the business-type activities, and each major fund of the Town of Callahan, Florida (the "Town") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 30, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. We consider the deficiencies described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

The Town's Response to Findings

The Town's response to the findings identified in our audit accompanies this report. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Cam, Riggs & Ingram, L.L.C.

St. Augustine, Florida
June 30, 2020



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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

The Honorable Mayor and Town Council
Town of Callahan, Florida

We have examined the Town of Callahan's (the "Town") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management is responsible for the Town's compliance with the specified requirements. Our responsibility is to express an opinion on the Town's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Town complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Town's compliance with specified requirements.

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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

Carr, Riggs & Ingram, LLC

St. Augustine, Florida
June 30, 2020



Town of Callahan, Florida

Schedule of Findings

2019-001 (Reported in previous audit reports as items 2018-001 and 2017-001.)

Criteria: Adequate controls should be in place to allow management or personnel, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. Although the small size of the business office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one individual should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Billing of utilities is performed by the same person that collects payments for utilities and keys into the accounting system.

Cause: Because of a limited number of available personnel, it is not always possible to adequately segregate incompatible duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Incompatible duties are not adequately separated. The result is that intentional or unintentional errors could be made and not detected.

Recommendation: To the extent possible, given available personnel, steps should be taken to separate duties so that no one individual has access to both physical assets and the related accounting records, or to all phases of a transaction.

2019-002 (Reported in previous audit reports as items 2018-002 and 2017-002.)

Criteria: Financial statements must be presented in accordance with generally accepted accounting principles.

Condition: As part of the audit process, we proposed material adjustments to the Town's financial statements for the 2019 balances. It was also necessary for us to assist with the preparation of the Town's financial statements.

Cause: The Town does not perform adequate financial statement closing processes to detect misstatements.

Effect: The Town could have material misstatements in the financial statements.

Recommendation: The Town should consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process.



TOWN OF CALLAHAN

Post Office Box 5016 • Callahan, Florida 32011

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RE: Response to Audit Findings from FY 2019 Audit

Finding 2019-001 (Separation of Duties)

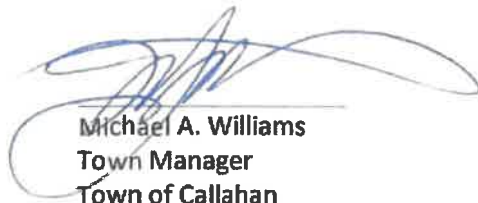
Condition: Billing of utilities is performed by the same person that collects payments for utilities and keys into accounting system.

Response: The Town has only three office personnel, who perform all administrative duties. Town's income currently doesn't support additional personnel.

Finding 2019-002 (Material Adjustments)

Condition: As part of the audit process we proposed material adjustments to the Town's financial statements for the 2019 balances. It was also necessary for us to assist with the preparation of the Town's financial statements.

Response: The Town contracted with a new CPA firm on October 1, 2019. They have cleaned up many past problems. We feel confident moving forward that errors could be eliminated, now that they know what to expect from the auditing firm.



Michael A. Williams
Town Manager
Town of Callahan

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