



Town of Callahan, Florida

Financial Statements

September 30, 2020



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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, 2020, 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, 2020, 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 29, 2021 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.

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

Jacksonville, Florida
June 29, 2021

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, 2020. 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.

Net Position

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Assets						
Non-capital assets	\$ 1,751,633	\$ 1,587,436	\$ 836,863	\$ 860,319	\$ 2,588,496	\$ 2,447,755
Capital assets	875,576	851,262	6,831,663	6,643,631	7,707,239	7,494,893
Total assets	2,627,209	2,438,698	7,668,526	7,503,950	10,295,735	9,942,648
Deferred outflows of resources	89,348	90,794	76,108	77,340	165,456	168,134
Liabilities						
Current liabilities	93,126	50,985	62,717	54,083	155,843	105,068
Long-term liabilities	272,449	304,016	1,165,274	1,127,412	1,437,723	1,431,428
Total liabilities	365,575	355,001	1,227,991	1,181,495	1,593,566	1,536,496
Deferred inflows of resources	19,435	20,942	16,557	17,841	35,992	38,783
Net position						
Net investment in capital assets	875,576	851,262	6,037,435	5,894,196	6,913,011	6,745,458
Restricted	-	-	366,396	395,444	366,396	395,444
Unrestricted	1,455,971	1,302,287	96,255	92,314	1,552,226	1,394,601
Total net position	\$ 2,331,547	\$ 2,153,549	\$ 6,500,086	\$ 6,381,954	\$ 8,831,633	\$ 8,535,503

Town of Callahan, Florida
Management's Discussion and Analysis

CONDENSED FINANCIAL INFORMATION (CONTINUED)

Changes in Net Position

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2019	2020	2019	2020	2019	2020
Program revenues						
Charges for services	\$ 171,216	\$ 123,895	\$ 954,076	\$ 962,239	\$ 1,125,292	\$ 1,086,134
Operating grants and contributions	-	-	25,503	-	25,503	-
Capital grants and contributions	67,376	-	-	78,182	67,376	78,182
General revenues						
Property taxes	268,118	320,205	-	-	268,118	320,205
Intergovernmental and other	743,731	591,614	-	-	743,731	591,614
Miscellaneous	51,114	38,116	-	4,636	51,114	42,752
Total revenues	1,301,555	1,073,830	979,579	1,045,057	2,281,134	2,118,887
Program expenses						
General government	399,162	378,417	-	-	399,162	378,417
Public safety	162,991	112,877	-	-	162,991	112,877
Transportation	365,794	530,121	-	-	365,794	530,121
Economic environment	27,346	10,832	-	-	27,346	10,832
Human services	1,003	12,900	-	-	1,003	12,900
Culture and recreation	67,099	38,135	-	-	67,099	38,135
Interest on long-term debt	675	-	-	-	675	-
Water and sewer	-	-	1,136,229	1,331,735	1,136,229	1,331,735
Total expenses	1,024,070	1,083,282	1,136,229	1,331,735	2,160,299	2,415,017
Transfers	67,537	(168,546)	(67,537)	168,546	-	-
Change in net position	345,022	(177,998)	(224,187)	(118,132)	120,835	(296,130)
Beginning net position	1,986,525	2,331,547	6,724,273	6,500,086	8,710,798	8,831,633
Ending net position	\$ 2,331,547	\$ 2,153,549	\$ 6,500,086	\$ 6,381,954	\$ 8,831,633	\$ 8,535,503

Town of Callahan, Florida Management's Discussion and Analysis

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$123,895 in program revenues and \$949,935 in general revenues, and incurred \$1,083,282 of program expenses, and transfers of \$168,546 to the Water and Sewer Fund. This resulted in a \$177,998 decrease in net position.

Business-type Activities

Revenues of the Water and Sewer Fund were \$1,045,057 compared to expenses of \$1,331,719 and received transfers of \$168,546 from the General fund. This resulted in a \$118,116 decrease in net position.

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance decreased by \$121,281 from \$1,662,651 to \$1,541,370. The decrease was primarily the result of a decrease in utility service taxes, transportation expenditures being above amounts anticipated and budgeted, and transfers to 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 \$118,132 from \$6,500,086 to \$6,381,954. The decrease was primarily the result of lower tap fees and impact fees revenues due in the current year. Additionally, operating expenses increased for the year ended September 30, 2020.

BUDGETARY HIGHLIGHTS

Revenues of the General Fund were more than budgeted amounts. The largest variance between final budget amounts and actual results occurred with tax 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 \$64,320, consisting of equipment and vehicles. The Town also had additions to construction in progress of \$221,025. 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 new long-term debt during the year in the water and sewer fund. It is a state revolving loan agreement with the Florida Department of Environmental Protection. 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

<i>September 30, 2020</i>	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 1,534,918	\$ 314,757	\$ 1,849,675
Accounts receivable	6,503	61,849	68,352
Internal balances	10,807	(10,807)	10,807
Due from other governments	35,208	-	35,208
Inventories	-	65,407	65,407
Prepaid expenses	-	16,494	16,494
Restricted cash and equivalents	-	412,619	412,619
Capital assets:			
Non-depreciable	363,781	306,466	670,247
Depreciable, net	487,481	6,337,165	6,824,646
Total assets	2,438,698	7,503,950	9,953,455
Deferred outflows of resources			
Pension related	90,794	77,340	168,134
Liabilities			
Accounts payable and accrued expenses	46,066	36,908	82,974
Deposits	-	17,175	17,175
Noncurrent liabilities:			
Due within one year	4,919	57,173	62,092
Due in more than one year	304,016	1,070,239	1,374,255
Total liabilities	355,001	1,181,495	1,536,496
Deferred inflows of resources			
Pension related	20,942	17,841	38,783
Net position			
Net investment in capital assets	851,262	5,894,196	6,745,458
Restricted for debt service	-	99,991	99,991
Restricted for renewal and replacement	-	211,950	211,950
Restricted for capital projects	-	83,503	83,503
Unrestricted	1,302,287	92,314	1,394,601
Total net position	\$ 2,153,549	\$ 6,381,954	\$ 8,535,503

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

Town of Callahan, Florida

Statement of Activities

For the year ended September 30, 2020		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 378,417	\$ 46,991	\$ -	\$ -	\$ (331,426)	\$ -	\$ (331,426)
Public safety	112,877	51,666	-	-	(61,211)	-	(61,211)
Transportation	530,121	25,238	-	-	(504,883)	-	(504,883)
Economic environment	10,832	-	-	-	(10,832)	-	(10,832)
Human services	12,900	-	-	-	(12,900)	-	(12,900)
Culture and recreation	38,135	-	-	-	(38,135)	-	(38,135)
Total governmental activities	1,083,282	123,895	-	-	(959,387)	-	(959,387)
Business-type activities							
Water and sewer	1,331,735	962,239	78,182	-	-	(291,314)	(291,314)
Total	\$ 2,415,017	\$ 1,086,134	\$ 78,182	\$ -	(959,387)	(291,314)	(1,250,701)
General revenues:							
Property taxes					320,205	-	320,205
Sales tax and other shared revenues					153,987	-	153,987
Discretionary sales surtaxes					175,690	-	175,690
Franchise fees					132,341	-	132,341
Communications service tax					129,596	-	129,596
Miscellaneous					38,116	4,636	42,752
Transfers					(168,546)	168,546	-
Total general revenues and transfers					781,389	173,182	954,571
Change in net position					(177,998)	(118,132)	(296,130)
Net position – beginning of year					2,331,547	6,500,086	8,831,633
Net position – end of year					\$ 2,153,549	\$ 6,381,954	\$ 8,535,503

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

Town of Callahan, Florida
Balance Sheet
Governmental Fund

September 30, 2020

General Fund

Assets

Cash and equivalents	\$ 1,534,918
Accounts Receivable	6,503
Due from other fund	10,807
Due from other governments	35,208

Total assets	\$ 1,587,436
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Liabilities

Accounts payable and accrued expenses	\$ 46,066
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Fund balance

Unassigned	1,541,370
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Total liabilities and fund balance	\$ 1,587,436
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The accompanying notes are an integral part of this financial statement.

Town of Callahan, Florida
Reconciliation of the Balance Sheet of the Governmental Fund to the
Statement of Net Position

September 30, 2020

Fund balance – governmental fund	\$ 1,541,370
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	851,262
Deferred outflows and inflows of resources associated with pensions are not reported in the governmental fund.	
Deferred outflows of resources	90,794
Deferred inflows of resources	(20,942)
Long-term liabilities are not reported in the governmental fund.	
Compensated absences	(5,555)
Net pension liability	(303,380)
Net position of governmental activities	\$ 2,153,549

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

Town of Callahan, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund

<i>For the year ended September 30, 2020</i>	General Fund
Revenues	
Taxes	\$ 647,424
Permits, fees and special assessments	173,016
Intergovernmental	157,293
Charges for services	55,071
Fines and forfeitures	2,911
Miscellaneous	38,116
Total revenues	1,073,831
Expenditures	
Current:	
General government	335,483
Public safety	61,482
Transportation	581,932
Economic environment	10,832
Human services	12,900
Culture and recreation	23,937
Total expenditures	1,026,566
Excess of revenues over expenditures	47,265
Other financing uses	
Transfers out	(168,546)
Total other financing uses	(168,546)
Net change in fund balance	(121,281)
Fund balance – beginning of year	1,662,651
Fund balance – end of year	\$ 1,541,370

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

Town of Callahan, Florida

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of the Governmental Fund to the Statement of Activities**

For the year ended September 30, 2020

Net change in fund balance – governmental fund	\$ (121,281)
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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	64,320
Current year depreciation expense	(88,634)

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	(30,763)
Change in deferred outflows related to pensions	1,446
Change in deferred inflows related to pensions	(1,507)

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	(1,579)
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Change in net position of governmental activities	\$ (177,998)
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The accompanying notes are an integral part of this financial statement.

Town of Callahan, Florida
Statement of Net Position
Proprietary Fund

<i>September 30, 2020</i>	Water and Sewer Fund
Current assets	
Cash and equivalents	\$ 314,757
Accounts receivable	61,849
Inventories	65,407
Prepaid expenses	16,494
Total current assets	458,507
Noncurrent assets	
Restricted cash and equivalents	412,619
Capital assets, net	6,643,631
Total noncurrent assets	7,056,250
Total assets	7,514,757
Deferred outflows	
Pension related	77,340
Current liabilities	
Accounts payable	36,908
Deposits	17,175
Due to other fund	10,807
Current portion of noncurrent liabilities	57,173
Total current liabilities	122,063
Noncurrent liabilities	1,070,239
Total liabilities	1,192,302
Deferred inflows	
Pension related	17,841
Net position	
Net investment in capital assets	5,894,196
Restricted for debt service	99,991
Restricted for renewal and replacement	211,950
Restricted for capital projects	83,503
Unrestricted	92,314
Total net position	\$ 6,381,954

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

Town of Callahan, Florida
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund

<i>For the year ended September 30, 2020</i>	Water and Sewer Fund
Operating revenues	
User fees - water	\$ 347,387
User fees - sewer	361,567
User fees - garbage	72,932
Utility taxes - water	81,104
Utility taxes - sewer	84,415
Operating grant revenues - water	38,309
Operating grant revenues - sewer	39,873
Other operating revenues - water	7,269
Other operating revenues - sewer	7,565
Total operating revenues	1,040,421
Operating expenses	
Personal services - water	148,718
Personal services - sewer	148,718
Operating expenses - water	264,527
Operating expenses - sewer	249,284
Operating expenses - garbage	78,223
Depreciation - water	81,811
Depreciation - sewer	327,246
Total operating expenses	1,298,527
Operating loss	(258,106)
Nonoperating income	
Interest income - water	2,272
Interest income - sewer	2,364
Nonoperating expenses	
Interest expense - water	(16,604)
Interest expense - sewer	(16,604)
Loss before transfers	(286,678)
Transfers in	168,546
Change in net position	(118,132)
Net position – beginning of year	6,500,086
Net position – end of year	\$ 6,381,954

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

Town of Callahan, Florida
Statement of Cash Flows
Proprietary Fund

<i>For the year ended September 30, 2020</i>	Water and Sewer Fund
Operating activities	
Receipts from customers	\$ 930,198
Operating grants	78,182
Payments to suppliers	(565,043)
Payments to employees	(294,459)
Net cash provided by operating activities	148,878
Noncapital financing activities	
Interest earned	4,636
Net transfers in	168,546
Principal paid on noncapital debt	(21,000)
Net cash provided by noncapital financing activities	152,182
Capital and related financing activities	
Acquisitions of capital assets	(221,025)
Debt issuance	49,000
Principal paid on capital-related debt	(93,793)
Interest paid on capital-related debt	(33,208)
Net cash used by capital and related financing activities	(299,026)
Change in cash and restricted cash and equivalents	2,034
Cash and restricted cash and equivalents – beginning of year	725,342
Cash and restricted cash and equivalents – end of year	\$ 727,376
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (258,106)
Depreciation	409,057
Change in:	
Accounts receivable	514
Inventories	6,586
Prepaid expense	(3,515)
Accounts payable	23,921
Customer deposits	(32,555)
Due to other fund	(25,007)
Deferred outflows of resources for pensions	(1,232)
Compensated absences	1,725
Net pension liability	26,206
Deferred inflows of resources for pensions	1,284
Net cash provided by operating activities	\$ 148,878

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

Town of Callahan, Florida 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*.

Town of Callahan, Florida

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

Town of Callahan, Florida

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand and all highly liquid investments with an original maturity of three months or less from the date of acquisition.

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, 2020 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.

Town of Callahan, Florida

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 2020.

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

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, 2020, approximately \$83,500 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.

Town of Callahan, Florida 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	\$ 10,807	\$ -
Water and Sewer Fund	-	10,807
Totals	\$ 10,807	\$ 10,807

Town of Callahan, Florida
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	\$ -	\$ 168,546
Water and Sewer Fund	168,546	-
Totals	\$ 168,546	\$ 168,546

NOTE 3 – CAPITAL ASSET ACTIVITY

During the year ended September 30, 2020, the following changes in capital assets occurred:

Governmental Activities	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Capital assets not being depreciated:				
Land	\$ 363,781	\$ -	\$ -	\$ 363,781
Capital assets being depreciated:				
Building improvements	1,030,223	-	-	1,030,223
Equipment, furniture, fixtures and vehicles	838,531	64,320	-	902,851
Total capital assets being depreciated	1,868,754	64,320	-	1,933,074
Less accumulated depreciation	1,356,959	88,634	-	1,445,593
Total capital assets being depreciated, net	511,795	(24,314)	-	487,481
Governmental activities capital assets, net	\$ 875,576	\$ (24,314)	\$ -	\$ 851,262

Town of Callahan, Florida
Notes to Financial Statements

NOTE 3 – CAPITAL ASSET ACTIVITY (CONTINUED)

Business-type Activities	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Capital assets not being depreciated:				
Land	\$ 85,441	\$ -	\$ -	\$ 85,441
Construction in progress	-	221,025	-	221,025
Total capital assets not being depreciated	85,441	221,025	-	306,466
Capital assets being depreciated:				
Equipment, building, utility system, and improvements	12,434,602	-	-	12,434,602
Less accumulated depreciation	5,688,380	409,057	-	6,097,437
Total capital assets being depreciated, net	6,746,222	(409,057)	-	6,337,165
Business-type activities capital assets, net	\$ 6,831,663	\$ (188,032)	\$ -	\$ 6,643,631

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 11,462
Public safety	51,395
Transportation	11,579
Culture and recreation	14,198
Total depreciation expense – governmental activities	\$ 88,634
Business-type activities:	
Water and sewer	\$ 409,057

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, 2019	Additions	Deductions	Balance September 30, 2020	Due Within One Year
Compensated absences	\$ 3,976	\$ 14,043	\$ 12,464	\$ 5,555	\$ 4,055
Net pension liability	272,617	30,763	-	303,380	864
Total	\$ 276,593	\$ 44,806	\$ 12,464	\$ 308,935	\$ 4,919

Business-type Activities

	Balance October 1, 2019	Additions	Deductions	Balance September 30, 2020	Due Within One Year
Due to governmental agencies	\$ 50,000	\$ -	\$ 5,000	\$ 45,000	\$ 5,000
Grant repayment agreement	80,000	-	16,000	64,000	16,000
State revolving loan	-	49,000	-	49,000	3,741
Bond payable-rural development	794,228	-	93,793	700,435	24,000
Compensated absences	8,818	12,351	10,626	10,543	7,696
Net pension liability	232,229	26,205	-	258,434	736
Total	\$ 1,165,275	\$ 87,556	\$ 125,419	\$ 1,127,412	\$ 57,173

Due to Governmental Agencies

The Town has 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, 2020, the Town had a remaining balance of \$45,000, payable from the Water and Sewer Fund.

Town of Callahan, Florida
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.

\$ 64,000

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 \$1,122,730. During 2020, \$708,954 of water and sewer revenue was recognized and \$93,793 was paid for debt service.

\$ 700,435

State Revolving Loan Agreement

\$49,000 note, payable to the State of Florida Department of Environmental Protection at 1.39% interest. The note is payable in semiannual payments through 2030, from the Water and Sewer Fund.

\$ 49,000

Aggregate maturities of long-term debt are as follows:

Year Ending September 30,	Business-type Activities	
	Principal	Interest
2021	\$ 48,741	\$ 35,226
2022	50,787	34,117
2023	51,854	32,955
2024	52,921	31,751
2025	38,990	30,501
2026-2030	209,707	131,414
2031-2035	202,000	91,286
2036-2040	203,435	38,799
Totals	\$ 858,435	\$ 426,049

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 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.

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.

Town of Callahan, Florida
Notes to Financial Statements

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

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, 2020, were as follows:

	FRS	HIS
Regular class	8.34%	1.66%
Special risk class	22.79%	1.66%
Senior management service class	25.63%	1.66%
Elected officials	47.52%	1.66%
DROP from FRS	15.32%	1.66%

The employer's contributions for the year ended September 30, 2020, were \$33,705 to the FRS Pension Plan and \$7,512 to the HIS Program.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2020, the Town reported a liability for its proportionate share of the net pension liability 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, 2020. 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	\$ 405,546	\$ 156,268
Proportion at:		
Current measurement date	0.0009%	0.0013%
Prior measurement date	0.0011%	0.0012%
Pension expense (benefit)	\$ 82,708	\$ 15,578

Town of Callahan, Florida
Notes to Financial Statements

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2020, 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	\$ 15,521	\$ -	\$ 6,392	\$ (121)
Changes of assumptions	73,415	-	16,803	(9,086)
Net difference between projected and actual earnings on pension plan investments	24,146	-	125	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,217	(28,616)	11,697	(960)
Employer contributions subsequent to the measurement date	9,069	-	1,749	-
Total	\$ 131,368	\$ (28,616)	\$ 36,766	\$ (10,167)

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, 2021.

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
2021	\$ 19,502	\$ 5,870
2022	32,493	5,055
2023	27,222	2,834
2024	14,342	3,872
2025	124	4,267
Thereafter	-	2,952
Total	\$ 93,683	\$ 24,850

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, 2020. The total pension liability for both the FRS Pension Plan and for the HIS Program were determined by actuarial valuations dated July 1, 2020. The individual entry age actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.80%	N/A
Discount rate	6.80%	2.21%

Mortality assumptions for both plans were based on the PUB-2010 base tables projected generationally with Scale MP-2018.

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 2020:

FRS:

- The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 6.90% to 6.80%.
- The assumed rate of inflation was decreased from 2.60% to 2.40%.

HIS:

- The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.50% to 2.21%.
- The assumed rate of inflation was decreased from 2.60% to 2.40%.
- Mortality assumptions for the HIS Program were changed from the Generational RP-2000 with Projection Scale BB to the PUB-2010 base tables projected generationally with Scale MP-2018.

The long-term expected investment rate of return for the FRS Pension Plan was not based on historical returns, but instead was based on a forward-looking capital market economic model developed during 2020 by an outside investment consultant to the Florida State Board of Administration. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption of 2.40%.

For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation.

Town of Callahan, Florida
Notes to Financial Statements

NOTE 5 – STATE OF FLORIDA PENSION PLANS (CONTINUED)

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	2.2%	2.2%
Fixed income	19.0%	3.0%	2.9%
Global equity	54.2%	8.0%	6.7%
Real estate	10.3%	6.4%	5.8%
Private equity	11.1%	10.8%	8.1%
Strategic investments	4.4%	5.5%	5.3%
	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.80%. The 6.80% reported investment return assumption differs from the 7.00% investment return assumption chosen by the 2020 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards. 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 and the depletion date is considered to be immediate, a municipal bond rate of 2.21% 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 (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Employer's proportionate share of the net pension liability	\$ 647,574	\$ 405,546	\$ 203,386	\$ 180,639	\$ 156,268	\$ 136,321

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, 2020, totaled \$9,802.

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 issued Statement No. 95, Postponement of Effective Dates of Certain Authoritative Guidance due to the COVID-19 pandemic. Some of the statements that will become effective in or after 2021 are:

- Fiduciary activities (Statement No. 84);
- Leases (Statement No. 87);
- Conduit Debt Obligations (Statement No. 91); and
- Replacement of Interbank Offered Rates (Statement No. 93).

The Town is currently evaluating the effects that these statements will have on its 2021 financial statements.

NOTE 8 – UNCERTAINTIES

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

Town of Callahan, Florida

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

<i>For the year ended September 30, 2020</i>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 552,460	\$ 552,460	\$ 647,424	\$ 94,964
Permits, fees and special assessments	194,849	194,849	173,016	(21,833)
Intergovernmental	283,070	283,070	157,293	(125,777)
Charges for services	53,260	53,260	55,071	1,811
Fines and forfeitures	1,000	1,000	2,911	1,911
Miscellaneous	41,979	41,979	38,116	(3,863)
Total revenues	1,126,618	1,126,618	1,073,831	(52,787)
Expenditures				
Current:				
General government	349,100	349,100	335,483	13,617
Public safety	101,550	101,550	61,482	40,068
Transportation	533,849	533,849	581,932	(48,083)
Economic environment	25,000	25,000	10,832	14,168
Human services	29,000	29,000	12,900	16,100
Culture and recreation	40,000	40,000	23,937	16,063
Total expenditures	1,078,499	1,078,499	1,026,566	51,933
Excess of revenues (under) over expenditures	48,119	48,119	47,265	(854)
Other financing sources				
Transfers in	73,880	73,880	-	(73,880)
Transfers out	-	-	(168,546)	(168,546)
Total other financing sources	73,880	73,880	(168,546)	(242,426)
Net change in fund balances	121,999	121,999	(121,281)	(243,280)
Fund balances – beginning of year	-	-	1,662,651	1,662,651
Fund balances – end of year	\$ 121,999	\$ 121,999	\$ 1,541,370	\$ 1,419,371

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.

Town of Callahan, Florida
Schedules of Proportionate Share of Net Pension Liability
Last 10 Fiscal Years (1)

Florida Retirement System	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.0010%	0.0010%	0.0010%	0.0010%	0.0011%	0.0009%
Employer's proportionate share of the net pension liability (asset)	\$ 133,103	\$ 250,435	\$ 292,504	\$ 306,312	\$ 366,527	\$ 405,546
Employer's covered payroll (2)	\$ 342,059	\$ 353,914	\$ 362,837	\$ 381,166	\$ 413,442	\$ 444,199
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%	91.30%
Plan fiduciary net position as a percentage of the total pension liability	92.00%	84.88%	83.89%	84.26%	82.61%	78.85%

Health Insurance Subsidy Program	2015	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.0011%	0.0011%	0.0011%	0.0012%	0.0012%	0.0013%
Employer's proportionate share of the net pension liability (asset)	\$ 114,985	\$ 133,613	\$ 121,608	\$ 123,518	\$ 138,318	\$ 156,268
Employer's covered payroll (2)	\$ 342,059	\$ 353,914	\$ 362,837	\$ 381,166	\$ 413,442	\$ 444,199
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%	35.18%
Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.97%	1.64%	2.15%	2.63%	3.00%

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.

Town of Callahan, Florida
Schedules of Employer Contributions
Last 10 Fiscal Years

Florida Retirement System	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 24,667	\$ 25,664	\$ 25,514	\$ 29,967	\$ 31,497	\$ 33,705
Contributions in relation to the contractually required contribution	24,667	25,664	25,514	29,967	31,497	33,705
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 342,238	\$ 357,225	\$ 366,080	\$ 386,831	\$ 427,291	\$ 409,550
Contributions as a percentage of covered payroll	7.21%	7.18%	6.97%	7.75%	7.37%	8.23%
Health Insurance Subsidy Program	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 4,646	\$ 5,931	\$ 6,073	\$ 6,423	\$ 6,889	\$ 7,512
Contributions in relation to the contractually required contribution	4,646	5,931	6,073	6,423	6,889	7,512
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll (1)	\$ 342,238	\$ 357,225	\$ 366,080	\$ 386,831	\$ 427,291	\$ 409,550
Contributions as a percentage of covered payroll	1.36%	1.66%	1.66%	1.66%	1.61%	1.83%

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, 2020, and have issued our report thereon dated June 29, 2021.

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, and Chapter 10.550, Rules of the Auditor General.

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 29, 2021, 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.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2018-19 FY Finding #	2017-18 FY Finding #
2020-001	2019-001	2018-001
2020-002	2019-002	2018-002

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.

Jacksonville, Florida

June 29, 2021

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, 2020, 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 29, 2021.

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 as items 2020-001 and 2020-002 that we consider 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.

Cau, Riggs & Ingram, L.L.C.

Jacksonville, Florida
June 29, 2021



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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, 2020. 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, 2020.

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

Jacksonville, Florida
June 29, 2021

Town of Callahan, Florida Schedule of Findings

2020-001 (Reported in previous audit reports as items 2019-001 and 2018-001.)

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.

2020-002 (Reported in previous audit reports as items 2019-002 and 2018-002.)

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 2020 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.



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TOWN OF CALLAHAN

Post Office Box 5016 • Callahan, Florida 32011

June 29th, 2021

RE: Response to Audit Findings from FY 2020 Audit

Finding 2020-001 (Separation of Duties)

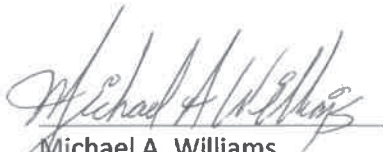
Condition: Billing of utilities is performed by the same person that collects payments for utilities and keys into accounting system.

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

Finding 2020-002 (Material Adjustments)

Condition: As part of the audit process, we proposed material adjustments to the Town's financial statements for the 2020 balances. It was also necessary for us to assist with the preparation of the Town's financial statements.

Response: Town contracted with a new CPA firm due to past deficiencies. The new firm was notified of the prior year's deficiencies in the financial statements. The CPA firm was contacted during the Audit, to correct items and provide addition information. The Town will reiterate the need for accurate financials to be provided to the Auditors.


Michael A. Williams
Town Manager
Town of Callahan