

CITY OF ARCHER, FLORIDA
ANNUAL FINANCIAL REPORT
September 30, 2021

CITY OF ARCHER, FLORIDA
ANNUAL FINANCIAL REPORT

September 30, 2021

TABLE OF CONTENTS

| | PAGE NO. |
|--|-----------------|
| INTRODUCTORY SECTION | |
| List of Principal Officials | 5 |
| FINANCIAL SECTION | |
| Independent Auditor's Report | 7 - 8 |
| Management's Discussion and Analysis | 9 - 13 |
| Basic Financial Statements | |
| Statement of Net Position | 15 |
| Statement of Activities | 16 |
| Governmental Funds | |
| Balance Sheet | 17 |
| Statement of Revenues, Expenditures and Changes in Fund Balance | 18 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 19 |
| Proprietary Funds | |
| Statement of Net Position | 20 |
| Statement of Revenues, Expenses and Changes in Net Position | 21 |
| Statement of Cash Flows | 22 - 23 |
| Notes to Financial Statements | 24 - 45 |
| Required Supplementary Information | |
| General Fund - Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual | 47 - 49 |
| Notes to Required Supplementary Information | 50 |

CITY OF ARCHER, FLORIDA

FINANCIAL REPORT

September 30, 2021

TABLE OF CONTENTS (continued)

| | PAGE NO. |
|---|-----------------|
| Schedule of the City of Archer's Proportionate Share of Net Pension Liability | 51 |
| Schedule of the City of Archer's Contributions | 52 |
| Notes to the Required Supplementary Information | 53-54 |
| COMPLIANCE SECTION | |
| Schedule of Expenditures of Federal Awards and State Financial Assistance | 56 |
| Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance | 57 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 58 - 59 |
| Management Letter | 60 - 62 |
| Independent Accountant's Report | 63 |
| Communication with Those Charged with Governance | 64 -65 |

INTRODUCTORY SECTION

CITY OF ARCHER, FLORIDA
LIST OF PRINCIPAL OFFICIALS
September 30, 2021

MAYOR

Iris Bailey

VICE-MAYOR

Joan White

COMMISSIONERS

Wade Wheeler

Fletcher Hope

Melanie Wells

CITY MANAGER

Charles Hammond

ATTORNEY

S. Scott Walker

DEPUTY CITY CLERK

Deanna Alltop

FINANCIAL SECTION



Powell & Jones
Certified Public Accountants

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

1359 S.W. Main Blvd.
Lake City, Florida 32025
386 / 755-4200
Fax: 386 / 719-5504
powellandjones@bellsouth.net

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
And Members of the City Commission
City of Archer, 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 City of Archer, Florida (the City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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 City of Archer, Florida as of September 30, 2021, 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 schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Archer, Florida's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2022, on our consideration of the City of Archer's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Archer's internal control over financial reporting and compliance.



POWELL & JONES

Certified Public Accountants

June 14, 2022

CITY OF ARCHER, FLORIDA

Management's Discussion and Analysis

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

Report Layout

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

Basic Financial Statements

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

City as a Whole
Government-wide Financial Statements
A condensed version of the Statement of Net Position follows:
Net Position at September 30, 2021 and 2020

| | Governmental | Business-type | Total Government | |
|--------------------------------|--------------|---------------|------------------|--------------|
| | Activities | Activities | 2021 | 2020 |
| Assets | | | | |
| Cash and investments | \$ 464,145 | \$ 268,792 | \$ 732,937 | \$ 607,371 |
| Other current assets | 22,395 | 53,218 | 75,613 | 411,685 |
| Noncurrent assets | - | 54,480 | 54,480 | 54,480 |
| Capital assets, net | 1,585,907 | 2,548,887 | 4,134,794 | 3,877,555 |
| Deferred outflows | 188,538 | 84,706 | 273,244 | 359,186 |
| Total assets | 2,260,985 | 3,010,083 | 5,271,068 | 5,310,277 |
| Liabilities | | | | |
| Current liabilities | 78,404 | 56,695 | 135,100 | 448,106 |
| Long term liabilities | 213,248 | 75,370 | 288,617 | 668,752 |
| Deferred Inflows | 244,506 | 109,850 | 354,356 | 30,547 |
| Total liabilities | 536,158 | 241,915 | 778,073 | 1,147,405 |
| Net Position | | | | |
| Net invested in capital assets | 1,519,717 | 2,548,887 | 4,068,604 | 3,877,555 |
| Unrestricted | 205,110 | 219,282 | 424,392 | 285,316 |
| Total net position | \$ 1,724,827 | \$ 2,768,169 | \$ 4,492,996 | \$ 4,162,871 |

92% of the City's net position reflect its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position of \$362,664 may be used to meet the City's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net position. The increase during the year in net position is due primarily to large grant activities throughout the year.

A condensed version of the Statement of Activities follows:

Change in Net Position
For the Fiscal Years Ended September 30, 2021 and 2020

| | Governmental Activities | Business-type Activities | Total Government | |
|----------------------------|----------------------------|-----------------------------|---------------------|---------------------|
| | | | 2021 | 2020 |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 29,742 | \$ 385,379 | \$ 415,121 | \$386,613 |
| Grants and contributions | 252,872 | 209,766 | 462,638 | 249,997 |
| General revenues | | | | |
| Taxes | 554,689 | - | 554,689 | 510,436 |
| Franchise fees | 96,638 | - | 96,638 | 75,430 |
| Licenses and permits | 4,130 | - | 4,130 | 6,189 |
| Intergovernmental | 496,429 | - | 496,429 | 152,051 |
| Fines and forfeitures | 2,350 | - | 2,350 | 7,919 |
| Interest and other | 1 | - | 1 | 93,076 |
| Total revenues | <u>1,436,851</u> | <u>595,145</u> | <u>2,031,996</u> | <u>\$1,481,711</u> |
| Expenses | | | | |
| General government | 637,154 | - | 637,154 | 689,109 |
| Public safety | 3,507 | - | 3,507 | 1,794 |
| Physical environment | 7,999 | - | 7,999 | 12,273 |
| Transportation | 337,558 | - | 337,558 | 341,903 |
| Culture/recreation | 135,408 | - | 135,408 | 120,547 |
| Interest on long-term debt | 2,757 | - | 2,757 | 231 |
| Water/sewer, solid waste | 120,507 | 456,983 | 577,490 | 479,398 |
| Total expenses | <u>1,244,889</u> | <u>456,983</u> | <u>1,701,872</u> | <u>1,645,255</u> |
| Change in net position | 191,962 | 138,162 | 330,124 | (163,544) |
| Beginning net position | 1,532,865 | 2,630,007 | 4,162,872 | 4,326,414 |
| Ending net position | <u>\$ 1,724,827</u> | <u>\$ 2,768,169</u> | <u>\$ 4,492,996</u> | <u>\$ 4,162,871</u> |

Governmental activities:

Taxes provide 39% of the revenues for Governmental Activities, while franchise fees provide 7%, and intergovernmental revenues provide 35%. Most of the Governmental Activities resources are spent for General Government (51%), Recreation (11%), and Transportation (27%).

Business-type activities:

Business-type activities increased the City's net position by \$138,162. Key elements of this decrease are as follows:

- Accrued grant revenues for the waste water treatment plant and Holly Hills stormwater projects.

Budgetary Highlights

In total, the General Fund's expenditures were \$186,297 more than budgeted, and revenues were \$11,107 less than budgeted.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2021, the City had \$4.1 million invested in capital assets, including buildings, streets, water facilities, and park and recreation facilities. This amount represents a net increase (additions, deductions, and depreciation) of \$257,239 or 6% more than last year.

Capital Assets at September 30, 2021 and 2020

| | Governmental Activities | | Business-type Activities | | Totals | |
|--------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Land | \$ 176,931 | \$ 176,931 | \$ 589,419 | \$ 589,419 | \$ 766,350 | \$ 766,350 |
| Construction in progress | - | - | 1,446,458 | 1,326,815 | 1,446,458 | 1,326,815 |
| Buildings and improvements | 2,219,378 | 2,003,590 | - | - | 2,219,378 | 2,003,590 |
| Improvements other than Buildings | 238,777 | 238,777 | 1,301,468 | 1,301,468 | 1,540,245 | 1,540,245 |
| Equipment | 626,878 | 598,042 | 79,129 | 56,395 | 706,007 | 654,437 |
| Subtotal | 3,261,964 | 3,017,340 | 3,416,474 | 3,274,097 | 6,678,438 | 6,291,437 |
| Accumulated depreciation | (1,676,058) | (1,578,760) | (867,586) | (835,122) | (2,543,644) | (2,413,882) |
| Capital assets, Net | <u>\$ 1,585,906</u> | <u>\$ 1,438,580</u> | <u>\$ 2,548,888</u> | <u>\$ 2,438,975</u> | <u>\$ 4,134,794</u> | <u>\$ 3,877,555</u> |

DEBT OUTSTANDING

At year-end, the City had \$337,083 in debt outstanding vs. \$756,420 last year, a decrease of \$419,337. This decrease was primarily due to the decrease of the net pension liability and the full payment of two of the three outstanding loans.

Debt Outstanding at September 30, 2021 and 2020

| | Total Government | |
|-----------------------|-------------------|-------------------|
| | 2021 | 2020 |
| Loans | \$ 66,190 | \$ 86,908 |
| Compensated absences | 16,758 | 11,177 |
| Net pension liability | 254,135 | 658,335 |
| Total | <u>\$ 337,083</u> | <u>\$ 756,420</u> |

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

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The current estimated unemployment rate for the City was 4.0%, which is equal to the prior year.
- The estimated population for the City in 2021 was 1,104 and is estimated to be approximately the same in 2022.
- The City's ad valorem tax rate for 2021 was 5.5176 mills, which is 4.27% more than the prior year.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Manager at P.O. Box 39, Archer, Florida 32618, or may be e-mailed to: citymanager@cityofarcher.com.

Basic Financial Statements

CITY OF ARCHER, FLORIDA
STATEMENT OF NET POSITION
September 30, 2021

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 464,145 | \$ 268,792 | \$ 732,937 |
| Accounts receivable, net | 16,051 | 39,691 | 55,742 |
| Internal balances | - | - | - |
| Due from other governmental units | 6,344 | - | 6,344 |
| Prepaid insurance | - | 5,067 | 5,067 |
| Inventories | - | 7,960 | 7,960 |
| Other assets | - | 500 | 500 |
| Total current assets | <u>486,540</u> | <u>322,010</u> | <u>808,550</u> |
| Noncurrent assets | | | |
| Restricted assets | | | |
| Cash | - | 54,480 | 54,480 |
| Total restricted assets | <u>-</u> | <u>54,480</u> | <u>54,480</u> |
| Capital Assets | | | |
| Land and construction in progress | 176,931 | 2,035,877 | 2,212,808 |
| Other capital assets, net of depreciation | 1,408,975 | 513,010 | 1,921,985 |
| Capital assets - net | <u>1,585,907</u> | <u>2,548,887</u> | <u>4,134,794</u> |
| Total assets | <u>2,072,447</u> | <u>2,925,377</u> | <u>4,997,824</u> |
| DEFERRED OUTFLOWS | <u>188,538</u> | <u>84,706</u> | <u>273,244</u> |
| LIABILITIES | | | |
| Current liabilities (payable from current assets): | | | |
| Accounts payable | 29,766 | 8,495 | 38,261 |
| Accrued liabilities | 8,543 | 2,404 | 10,947 |
| Compensated absences | 1,180 | 496 | 1,676 |
| Notes payable, current | 21,380 | - | 21,380 |
| Net pension liability | 17,535 | 7,879 | 25,414 |
| Total current liabilities (payable from current assets) | <u>78,404</u> | <u>19,273</u> | <u>97,678</u> |
| Current liabilities (payable from restricted assets) | | | |
| Deposits | - | 37,422 | 37,422 |
| Total current liabilities (payable from restricted assets) | <u>-</u> | <u>37,422</u> | <u>37,422</u> |
| Noncurrent liabilities | | | |
| Compensated absences | 10,620 | 4,463 | 15,083 |
| Notes payable | 44,810 | - | 44,810 |
| Net pension liability | 157,818 | 70,907 | 228,725 |
| Total noncurrent liabilities | <u>213,248</u> | <u>75,370</u> | <u>288,617</u> |
| Total liabilities | <u>291,652</u> | <u>132,065</u> | <u>423,717</u> |
| DEFERRED INFLOWS | <u>244,506</u> | <u>109,850</u> | <u>354,356</u> |
| NET POSITION | | | |
| Net investment in capital assets | 1,519,717 | 2,548,887 | 4,068,604 |
| Unrestricted | 205,110 | 219,282 | 424,392 |
| Total net position | <u>\$ 1,724,827</u> | <u>\$ 2,768,169</u> | <u>\$ 4,492,996</u> |

CITY OF ARCHER, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net position | | |
|---------------------------------------|---------------------|-------------------------|--|--|--|-----------------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Functions/Programs | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 637,154 | \$ - | \$ - | \$243,793 | \$ (393,361) | \$ - | \$ (393,361) |
| Public safety | 3,507 | - | - | - | (3,507) | - | (3,507) |
| Physical environment | 7,999 | - | - | - | (7,999) | - | (7,999) |
| Transportation | 337,558 | 17,045 | - | - | (320,513) | - | (320,513) |
| Water Related | 120,507 | - | - | - | (120,507) | - | (120,507) |
| Culture/recreation | 135,408 | 12,697 | 9,079 | - | (113,632) | - | (113,632) |
| Interest on long-term debt | 2,757 | - | - | - | (2,757) | - | (2,757) |
| Total governmental activities | 1,244,890 | 29,742 | 9,079 | 243,793 | (962,276) | - | (962,276) |
| Business-type activities | | | | | | | |
| Water | 473,629 | 255,063 | - | - | - | (218,566) | (218,566) |
| Sewer | 3,916 | - | - | 209,766 | - | 205,850 | 205,850 |
| Garbage and solid waste | 98,536 | 133,193 | - | - | - | 34,657 | 34,657 |
| Total business-type activities | 456,983 | 385,379 | - | 209,766 | - | 138,162 | 138,162 |
| Total Government | \$ 1,701,873 | \$ 415,121 | \$ 9,079 | \$453,559 | (962,276) | 138,162 | (824,114) |
| General revenues | | | | | | | |
| Property taxes | | | | | 227,706 | - | 227,706 |
| Fuel tax | | | | | 169,133 | - | 169,133 |
| Franchise fees | | | | | 96,638 | - | 96,638 |
| Utility services tax | | | | | 125,176 | - | 125,176 |
| Communications surtax | | | | | 32,674 | - | 32,674 |
| Licenses and permits | | | | | 4,130 | - | 4,130 |
| Intergovernmental | | | | | 496,429 | - | 496,429 |
| Fines and forfeitures | | | | | 2,350 | - | 2,350 |
| Total general revenues | | | | | 1,154,236 | - | 1,154,236 |
| Change in Net position | | | | | 191,960 | 138,162 | 330,122 |
| Net position, beginning | | | | | 1,532,867 | 2,630,007 | 4,162,874 |
| Net position, ending | | | | | \$ 1,724,827 | \$ 2,768,169 | \$ 4,492,996 |

CITY OF ARCHER, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2021

| | <u>General Fund</u> |
|---|---------------------|
| ASSETS | |
| Cash | \$ 464,145 |
| Accounts receivable, net | 16,051 |
| Due from other governments | 6,343 |
| Total assets | <u>486,539</u> |
| LIABILITIES | |
| Accounts payable | 29,765 |
| Accrued liabilities | 8,543 |
| Total liabilities | <u>38,308</u> |
| FUND BALANCE | |
| Unassigned | 448,231 |
| Total fund balance | <u>448,231</u> |
| Total liabilities and fund balance | <u>\$ 486,539</u> |
| Total fund balance reported above | 448,231 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | 1,585,907 |
| Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds | 188,538 |
| Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds | (244,506) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (253,343) |
| Net Position of Governmental Activities | <u>\$ 1,724,827</u> |

CITY OF ARCHER, FLORIDA
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2021

| | <u>General Fund</u> |
|--------------------------------------|--------------------------|
| Revenues | |
| Property taxes | \$ 227,706 |
| Nonproperty taxes | 326,983 |
| Licenses and permits | 4,130 |
| Intergovernmental revenues | 740,222 |
| Franchise fees | 96,638 |
| Charges for services | 29,742 |
| Fines and forfeitures | 2,350 |
| Miscellaneous revenues | 9,079 |
| Total revenues | <u>1,436,850</u> |
| Expenditures | |
| Current | |
| General government | 642,931 |
| Public safety | 3,507 |
| Physical environment | 7,999 |
| Transportation | 286,560 |
| Water coverage | 120,507 |
| Culture/recreation | 329,216 |
| Capital outlay | - |
| Debt service | |
| Principal | 20,717 |
| Interest | 2,757 |
| Total expenditures | <u>1,414,194</u> |
| Excess of revenues over expenditures | <u>22,656</u> |
| Net change in fund balance | 22,656 |
| Fund balance, beginning of year | 425,575 |
| Fund balance, end of year | <u><u>\$ 448,231</u></u> |

CITY OF ARCHER, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021

| | | |
|--|-----------------|-----------------------|
| Net change in fund balances - total governmental funds | | \$ 22,656 |
| Amounts reported for governmental activities in the statement of activities are different because : | | |
| Governmental funds report capital outlay in expenditures However in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation expense | | |
| Expenditures for capital assets | 244,624 | |
| Less current year depreciation | <u>(97,298)</u> | 147,327 |
| Activities related to notes are receipts/expenditures in the governmental funds, but the receipt/repayments change long term liabilities in the statement of net assets | | |
| Note principal payments | <u>20,718</u> | 20,718 |
| Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds | | |
| Net increase in compensated absences | (2,842) | |
| Net change in pension liability | <u>278,897</u> | 276,055 |
| Recognition of certain obligations related to prior and future periods are not recognized in governmental funds | | |
| Net decrease in deferred Inflows | (216,909) | |
| Net increase in deferred outflows | <u>(57,887)</u> | <u>(274,796)</u> |
| Change in net position of governmental activities | | <u><u>191,960</u></u> |

CITY OF ARCHER, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
September 30, 2021

| | Water Fund | Solid Waste Fund | Total Proprietary Funds |
|---|---------------------|---------------------|-------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | \$ 268,792 | \$ - | \$ 268,792 |
| Accounts receivable, net | 23,410 | 16,281 | 39,691 |
| Due from the other funds | - | 228,808 | 228,808 |
| Prepaid expenses | 5,067 | - | 5,067 |
| Inventory | 7,960 | - | 7,960 |
| Security deposits | 500 | - | 500 |
| Total current assets | <u>305,729</u> | <u>245,089</u> | <u>550,818</u> |
| Noncurrent assets | | | |
| Restricted assets | | | |
| Cash | 54,480 | - | 54,480 |
| Total restricted assets | <u>54,480</u> | <u>-</u> | <u>54,480</u> |
| Capital assets | | | |
| Land, improvements, construction in progress | 2,035,877 | - | 2,035,877 |
| Other capital assets, net of depreciation | 513,010 | - | 513,010 |
| Total fixed assets | <u>2,548,887</u> | <u>-</u> | <u>2,548,887</u> |
| Total assets | <u>2,909,096</u> | <u>245,089</u> | <u>3,154,185</u> |
| DEFERRED OUTFLOWS | <u>56,389</u> | <u>28,317</u> | <u>84,706</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | 8,495 | - | 8,495 |
| Accrued liabilities | 2,404 | - | 2,404 |
| Due to other funds | 228,808 | - | 228,808 |
| Compensated absences | 496 | - | 496 |
| Net pension liability | 5,244 | 2,634 | 7,878 |
| Total current liabilities | <u>245,447</u> | <u>2,634</u> | <u>248,081</u> |
| Current liabilities payable from restricted assets | | | |
| Deposits | 37,422 | - | 37,422 |
| Noncurrent liabilities | | | |
| Compensated absences | 4,462 | - | 4,462 |
| Net pension liability | 47,201 | 23,706 | 70,907 |
| Total noncurrent liabilities | <u>51,663</u> | <u>23,706</u> | <u>75,369</u> |
| Total liabilities | <u>334,532</u> | <u>26,340</u> | <u>360,872</u> |
| DEFERRED INFLOWS | <u>73,127</u> | <u>36,723</u> | <u>109,850</u> |
| NET POSITION | | | |
| Net investment in capital assets | 2,548,887 | - | 2,548,887 |
| Unrestricted | 8,938 | 210,344 | 219,282 |
| Total net position | <u>2,557,825</u> | <u>210,344</u> | <u>2,768,169</u> |
| Total liabilities and net position | <u>\$ 2,892,357</u> | <u>\$ 236,684</u> | <u>\$ 3,129,041</u> |

CITY OF ARCHER, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2021

| | Water Fund | Solid Waste Fund | Total Proprietary Funds |
|---|---------------------|---------------------|-------------------------------|
| Operating Revenues | | | |
| Physical environment | | | |
| Water utility revenue | | | |
| Water sales | \$ 251,006 | \$ - | \$ 251,006 |
| Connection fees and penalties | 3,857 | - | 3,857 |
| Miscellaneous revenue | 200 | - | 200 |
| Total water utility revenue | <u>255,063</u> | <u>-</u> | <u>255,063</u> |
| Solid Waste revenue | | | |
| Sanitation fees | - | 133,193 | 133,193 |
| Total solid waste revenues | <u>-</u> | <u>133,193</u> | <u>133,193</u> |
| Total operating revenues | <u>255,063</u> | <u>133,193</u> | <u>388,256</u> |
| Operating Expenses | | | |
| Water utility services: | | | |
| Personnel services | 280,850 | - | 280,850 |
| Operating expenses | 160,314 | - | 160,314 |
| Depreciation expense | 32,465 | - | 32,465 |
| Total water utility services | <u>473,629</u> | <u>-</u> | <u>473,629</u> |
| Sewer utility services: | | | |
| Operating expenses | - | 3,916 | 3,916 |
| Solid waste services: | | | |
| Contracted services | - | 98,536 | 98,536 |
| Total operating expenses | <u>473,629</u> | <u>102,452</u> | <u>576,081</u> |
| Operating gain (loss) | <u>(218,566)</u> | <u>30,741</u> | <u>(187,825)</u> |
| NONOPERATING REVENUES/(EXPENSES) | | | |
| Grant revenue | 209,766 | - | 209,766 |
| Miscellaneous non- operating loss | (2,877) | - | (2,877) |
| Transfers from general fund | 119,098 | - | 119,098 |
| Total nonoperating revenues | <u>325,987</u> | <u>-</u> | <u>325,987</u> |
| Change in net position | 107,421 | 30,741 | 138,162 |
| Net position, beginning of year | 2,450,404 | 179,603 | 2,630,007 |
| Net position, end of year | <u>\$ 2,557,825</u> | <u>\$ 210,344</u> | <u>\$ 2,768,169</u> |

CITY OF ARCHER, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2021

| | Business Type Activities Enterprise Funds | | |
|--|--|------------------------|-------------------|
| | Water Fund | Solid Waste Fund | Totals |
| Cash flows from operating activities: | | | |
| Cash received from customers, including deposits | \$ 235,357 | \$ 133,374 | \$ 368,731 |
| Cash paid to employees | (272,222) | - | (272,222) |
| Cash paid to suppliers | (195,285) | (96,333) | (291,618) |
| Net cash (used for) provided by operating activities | <u>(232,150)</u> | <u>37,041</u> | <u>(195,109)</u> |
| Cash flows from non-capital related financing activities | | | |
| Loans to other funds | (173,428) | - | (173,428) |
| Loans from other funds | - | (37,040) | (37,040) |
| Net cash used for non-capital related financing activities | <u>(173,428)</u> | <u>(37,040)</u> | <u>(210,468)</u> |
| Cash flows from capital and related financing activities: | | | |
| Other miscellaneous expenses | (2,877) | - | (2,877) |
| Acquisition and construction of capital assets | (87,896) | - | (87,896) |
| Grant contributions | 313,242 | - | 313,242 |
| Transfers from general fund | 119,098 | - | 119,098 |
| Net cash provided by capital and related financing transfers | <u>341,567</u> | <u>-</u> | <u>225,346</u> |
| Net decrease in cash | (64,011) | - | (64,011) |
| Cash, beginning of year | <u>387,283</u> | <u>-</u> | <u>387,283</u> |
| Cash, end of year | <u>\$ 323,272</u> | <u>\$ -</u> | <u>\$ 323,272</u> |
| Reported as: | | | |
| Cash | 268,792 | - | 268,792 |
| Restricted cash | 54,480 | - | 54,480 |
| | <u>\$ 323,272</u> | <u>\$ -</u> | <u>\$ 323,272</u> |

CITY OF ARCHER, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2021

| | Business Type Activities Enterprise Funds | | |
|---|--|------------------------|---------------------|
| | Water Fund | Solid Waste Fund | Totals |
| Reconciliation of operating gain (loss) to net cash (used for) provided by operating activities: | | | |
| Operating gain (loss) | \$ (218,566) | \$ 30,741 | \$ (187,825) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | | |
| Depreciation | 32,465 | - | 32,465 |
| Changes in net assets decrease (increase) and liabilities increase (decrease) | | | |
| Accounts receivable | (21,484) | 181 | (21,303) |
| Prepaid expenses | 8,925 | - | 8,925 |
| Accounts payable | (43,896) | (8,628) | (52,524) |
| Accrued liabilities | (538) | - | (538) |
| Compensated absences | 2,739 | - | 2,739 |
| Customer deposits | 1,778 | - | 1,778 |
| Deferred outflows | 67,242 | 18,776 | 86,018 |
| Deferred inflows | 22,599 | 30,510 | 53,109 |
| Change in net pension liability | (83,414) | (34,539) | (117,953) |
| Net cash (used for) provided by operating activities | <u>\$ (232,150)</u> | <u>\$ 37,041</u> | <u>\$ (195,109)</u> |

CITY OF ARCHER, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity - The City of Archer, Florida is a municipality created pursuant to provisions of Chapter 165, *Florida Statutes*, and specifically Chapter 6732, *Laws of Florida*. It is governed by a five member City Commission, all individually elected, who select from among themselves one member to serve as Mayor. It is controlled by the Florida Constitution and various Florida Statutes, as well as its own local charter, ordinances and policies.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that no potential component units existed which should be included within the reporting entity.

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

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

1. Government-wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from any legally separate component unit for which the primary government is financially accountable.

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

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

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

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

2. Fund Financial Statements

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

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

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are

recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

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

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

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

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

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

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

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

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and

enterprise combined) for the determination of major funds. The City has used GASB 34 minimum criteria for major fund determination. The City has three major funds as follows:

1. Governmental Major Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

2. Proprietary Major Funds:

Water Fund - This enterprise fund accounts for the revenues, expenses, assets, and liabilities associated with the City operated water services.

Solid Waste Fund - This enterprise fund accounts for the financial activities of the City's solid waste management services.

3. Non-current Governmental Assets/Liabilities:

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

D. Assets, Liabilities and Net Position or Equity

1. Cash and Investments - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.

2. Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2021, the City's cash consisted solely of checking accounts and money market accounts; it has no cash equivalents.

3. Allowance for Doubtful Accounts - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2021, there were \$40,180 in amounts exceeding 61+ days which was the recorded allowance for doubtful accounts. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectible as reported at September 30, 2021.

4. Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All receivables are shown net of an allowance for doubtful accounts. Any receivables in excess of 180 days would comprise the trade accounts receivable allowance for doubtful accounts.

5. Inventories - Inventories are valued at cost, which approximates market, using the "first-in, first-out" method of accounting. Supplies inventories of certain governmental funds are recorded as expenditures when consumed rather than when purchased.

6. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.

7. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at acquisition value.

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

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

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

| Assets | Years |
|-----------------------------------|---------|
| Building and improvements | 15 - 40 |
| Machinery and equipment | 3 - 20 |
| Street and related infrastructure | 20 - 40 |

8. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the City incurred \$0 in capitalized interest.
9. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent revenues received but not earned. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues.
10. **Accrued Compensated Absences** - The City accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental and proprietary funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
11. **Prepaid Items** - Significant payment made to vendors for goods or services that will benefit periods beyond September 30, 2021, are recorded as prepaid items.
12. **Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which is related to pensions. Deferred inflows on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the City's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

13. Fund Balances

A. Governmental Funds

As of September 30, 2021, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

As of September 30, 2021, fund balances are composed of the following:

| | |
|------------|---------------------|
| | <u>General Fund</u> |
| Unassigned | <u>\$ 448,231</u> |

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

B. Proprietary Funds

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

As of September 30, 2021, net position balances are composed of the following:

| | |
|----------------------------------|---------------------|
| | <u>Amount</u> |
| Net investment in capital assets | \$ 2,544,425 |
| Unrestricted | 223,744 |
| | <u>\$ 2,768,169</u> |

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

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

“Total fund balances” of the City’s governmental funds \$448,231 differs from “net position” of governmental activities \$1,724,827 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

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

| | |
|--------------------------|---------------------|
| Cost of capital assets | \$ 3,261,964 |
| Accumulated depreciation | (1,676,058) |
| | <u>\$ 1,585,907</u> |

Long-term debt transactions

Long-term liabilities to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2021 were:

| | |
|-----------------------|---------------------|
| Notes payable | \$ (66,190) |
| Compensated absences | (11,800) |
| Deferred inflows | (244,506) |
| Deferred outflows | 188,538 |
| Net pension liability | (175,353) |
| | <u>\$ (309,311)</u> |

CITY OF ARCHER, FLORIDA

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

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

| | Total Governmental Funds | Capital Related Items | Deferred Inflows/Outflows | Long-Term Debt Transactions | Statement of Net Position |
|--|--------------------------------|-----------------------------|------------------------------|-----------------------------------|---------------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 464,145 | \$ - | \$ - | \$ - | \$ 464,145 |
| Accounts receivable | 16,051 | - | - | - | 16,051 |
| Due from other governments | 6,344 | - | - | - | 6,344 |
| Capital assets - net | - | 1,585,907 | - | - | 1,585,907 |
| Total assets | <u>\$ 486,540</u> | <u>\$ 1,585,907</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,072,447</u> |
| DEFERRED OUTFLOWS | <u>-</u> | <u>-</u> | <u>188,538</u> | <u>-</u> | <u>188,538</u> |
| LIABILITIES AND FUND BALANCE/NET POSITION | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 29,766 | \$ - | \$ - | \$ - | \$ 29,766 |
| Accrued liabilities | 8,543 | - | - | - | 8,543 |
| Notes payable | - | - | - | 66,190 | 66,190 |
| Compensated absences | - | - | - | 11,800 | 11,800 |
| Net pension liability | - | - | - | 175,353 | 175,353 |
| Total liabilities | <u>38,309</u> | <u>-</u> | <u>-</u> | <u>253,343</u> | <u>291,652</u> |
| DEFERRED INFLOWS | <u>-</u> | <u>-</u> | <u>244,506</u> | <u>-</u> | <u>244,506</u> |
| Fund balance/net position | <u>448,231</u> | <u>1,585,907</u> | <u>(55,968)</u> | <u>(253,343)</u> | <u>1,724,827</u> |
| Total liabilities and fund balances/net position | <u>\$ 486,540</u> | <u>\$ 1,585,907</u> | <u>\$ (55,968)</u> | <u>\$ -</u> | <u>\$ 2,016,479</u> |
| | <u>425,575</u> | <u>1,438,580</u> | <u>218,827</u> | <u>(550,116)</u> | <u>1,532,866</u> |
| | <u>\$ 448,231</u> | <u>1,585,907</u> | <u>\$ (55,968)</u> | <u>\$ (253,343)</u> | <u>\$ 1,724,827</u> |

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

The “net change in fund balances” for governmental funds \$22,656 differs from the “change in net position” for governmental activities \$191,960 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

| | |
|----------------------|-------------------|
| Capital outlay | \$ 244,624 |
| Depreciation expense | (97,297) |
| Difference | <u>\$ 147,327</u> |

Repayment of debt principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing the fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net position and do not result in an expense in the statement of activities.

Taking on long-term notes are recorded as revenues in governmental funds, and thus have the effect of increasing fund balance because financial resources have been received. However, the receipt of funds increases liabilities in the Statement of Activities.

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

| | |
|-----------------------------------|------------------|
| Net decrease in deferred outflows | \$ (216,909) |
| Net increase in deferred inflows | (57,887) |
| | <u>(274,796)</u> |
| Debt principal payments made | \$ 20,718 |
| | <u>\$ 20,718</u> |

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

| | |
|--------------------------------------|-------------------|
| Net increase in compensated absences | \$ (2,842) |
| Net change in pension liabilities | 278,897 |
| | <u>\$ 276,055</u> |

CITY OF ARCHER, FLORIDA

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

B. Explanation of Difference Between Government Fund Operating Statements and the Statement of

Activities

| | Total Governmental Funds | Capital Related Items | Deferred Inflows/Outflows | Long-Term Debt Transactions | Statement of Activities |
|---|--------------------------------|-----------------------------|------------------------------|-----------------------------------|-------------------------------|
| REVENUES | | | | | |
| Taxes | \$ 554,689 | \$ - | \$ - | \$ - | \$ 554,689 |
| Licenses and permits | 4,130 | - | - | - | 4,130 |
| Intergovernmental | 740,222 | - | - | - | 740,222 |
| Franchise fees | 96,638 | - | - | - | 96,638 |
| Charges for services | 29,742 | - | - | - | 29,742 |
| Fines and forfeitures | 2,350 | - | - | - | 2,350 |
| Miscellaneous | 9,079 | - | - | - | 9,079 |
| Total revenues | <u>1,436,850</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,436,850</u> |
| EXPENDITURES | | | | | |
| Current expenditures | | | | | |
| General government | 642,931 | (188,412) | 216,908 | (278,897) | 392,530 |
| Public safety | 3,507 | - | - | - | 3,507 |
| Physical environment | 7,999 | - | - | - | 7,999 |
| Water coverage | 120,507 | - | - | - | 120,507 |
| Transportation | 286,560 | 3,219 | 57,887 | 2,842 | 350,508 |
| Culture/recreation | 329,216 | 37,866 | - | - | 367,082 |
| Capital outlay | - | - | - | - | - |
| Debt service | | | | | |
| Principal | 20,717 | - | - | (20,718) | - |
| Interest | 2,757 | - | - | - | 2,757 |
| Total expenditures | <u>1,414,194</u> | <u>(147,327)</u> | <u>274,795</u> | <u>(296,773)</u> | <u>1,244,890</u> |
| Excess of revenues over (under) expenditures | <u>22,656</u> | <u>147,327</u> | <u>(274,795)</u> | <u>296,773</u> | <u>191,961</u> |
| Net change in fund balance | 22,656 | 147,327 | (274,795) | 296,773 | 191,960 |
| Fund balance/net position, beginning of year | 425,575 | 1,438,580 | 218,827 | (550,116) | 1,532,866 |
| Fund balance/net position, end of year | <u>\$ 448,231</u> | <u>1,585,907</u> | <u>\$ (55,968)</u> | <u>\$ (253,343)</u> | <u>\$ 1,724,827</u> |

3. LEGAL COMPLIANCE–BUDGETS

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the City deposits were fully insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the City is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund and other similar funds. The City had no investments as of September 30, 2021.

NOTE 5. PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2020-2021 fiscal year were levied in October 2020. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year-end.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|----------------------|-------------------|-------------|---------------------|
| Governmental activities | | | | |
| Capital assets: | | | | |
| Non-depreciable capital assets not being depreciated: | | | | |
| Land | \$ 176,931 | \$ - | \$ - | 176,931 |
| Total non-depreciable capital assets | <u>176,931</u> | <u>-</u> | <u>-</u> | <u>176,931</u> |
| Depreciable capital assets: | | | | |
| Building and improvements | 2,003,590 | 215,788 | - | 2,219,378 |
| Improvements other than buildings | 238,777 | - | - | 238,777 |
| Equipment | 598,042 | 28,836 | - | 626,878 |
| Total depreciable capital assets | <u>2,840,409</u> | <u>244,624</u> | <u>-</u> | <u>3,085,033</u> |
| Less accumulated depreciation | | | | |
| Building and improvements | (1,185,116) | (18,489) | - | (1,203,605) |
| Improvements other than buildings | (56,072) | (4,923) | - | (60,995) |
| Equipment | (337,572) | (73,886) | - | (411,458) |
| Total accumulated depreciation | <u>(1,578,760)</u> | <u>(97,297)</u> | <u>-</u> | <u>(1,676,058)</u> |
| Total depreciable capital assets, net | <u>1,261,649</u> | <u>147,327</u> | <u>-</u> | <u>1,408,976</u> |
| Governmental activities capital assets, net | <u>\$ 1,438,580</u> | <u>\$ 147,327</u> | <u>\$ -</u> | <u>\$ 1,585,907</u> |
| Business-type activities: | | | | |
| Capital assets: | | | | |
| Non-depreciable capital assets not being depreciated: | | | | |
| Land | \$ 589,419 | \$ - | \$ - | 589,419 |
| Construction in progress | 1,326,815 | 119,643 | - | 1,446,458 |
| Total non-depreciable capital assets | <u>1,916,234</u> | <u>119,643</u> | <u>-</u> | <u>2,035,877</u> |
| Depreciable capital assets: | | | | |
| Buildings and improvements | 1,301,468 | - | - | 1,301,468 |
| Equipment | 56,395 | 22,734 | - | 79,129 |
| Total depreciable capital assets | <u>1,357,863</u> | <u>22,734</u> | <u>-</u> | <u>1,380,597</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (787,933) | (28,565) | - | (816,498) |
| Equipment | (19,425) | (2,946) | - | (22,371) |
| Vehicles | (27,764) | (953) | - | (28,717) |
| Total accumulated depreciation | <u>(835,122)</u> | <u>(32,464)</u> | <u>-</u> | <u>(867,586)</u> |
| Total depreciable capital assets, net | <u>522,741</u> | <u>(9,730)</u> | <u>-</u> | <u>433,882</u> |
| Business-type activities capital assets, net | <u>\$ 2,438,975</u> | <u>\$ 109,912</u> | <u>\$ -</u> | <u>\$ 2,548,887</u> |

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

| | |
|---|------------------|
| Governmental activities: | |
| General government | \$ 56,212 |
| Public safety | - |
| Highway and street | 3,219 |
| Culture/recreation | 37,866 |
| Total depreciation expense - governmental activities | <u>\$ 97,297</u> |
| Business -type activities: | <u>\$ 32,464</u> |
| Total depreciation expense - business-type activities | <u>\$ 32,464</u> |

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2021.

| <u>Fund</u> | <u>Receivable</u> | <u>Payable</u> |
|-------------|-------------------|-------------------|
| Water | - | 228,808 |
| Solid Waste | 228,808 | - |
| | <u>\$ 228,808</u> | <u>\$ 228,808</u> |

NOTE 8. RECEIVABLE AND PAYABLE BALANCES**Receivables**

Receivables at September 30, 2021, were as follows:

| | <u>Accounts</u> | <u>Due from other governmental units</u> | <u>Total Receivables</u> |
|----------------------------|-----------------|--|------------------------------|
| Governmental activities : | | | |
| General | 16,051 | 6,344 | 22,395 |
| Business-type activities : | | | |
| Water | 26,018 | - | 26,018 |
| Solid waste | 13,673 | - | 13,673 |
| | <u>55,742</u> | <u>6,344</u> | <u>62,086</u> |

Based upon collection history, the City has included a reserve for doubtful accounts for its Water and Solid Waste Fund accounts receivable of \$4,279.

| <u>Fund</u> | <u>Allowance for Doubtful Accounts</u> |
|-------------|--|
| Water | \$ 2,798 |
| Solid waste | 1,481 |
| | <u>\$ 4,279</u> |

Payables

Payables at September 30, 2021, were as follows:

| | <u>Vendors</u> |
|---------------------------|----------------|
| Governmental activities : | |
| General | <u>29,766</u> |
| Business activities : | |
| Water | <u>8,495</u> |
| | <u>8,495</u> |

NOTE 9. GENERAL LONG-TERM DEBT

A summary of the City's long-term debt outstanding at September 30, 2021 is as follows:

Governmental activities

Note Payable – Equipment

On January 14th, 2020, the City incurred debt in the amount of \$86,908 bearing the fixed interest rate of 3.12% for the purpose of acquiring additional capital equipment. This loan has four annual principal payments of \$23,474 including interest. The first payment is due to be paid on January 14th, 2021. Payments are being made from general revenues and Archer has no pledge of collateral. In the event of default, the loan holder has the right to take any actions necessary to collect the amount due.

Debt service requirements to maturity including interest are as follows:

| Fiscal Year Ended September 30, | Principal | Interest | Total |
|---------------------------------------|------------------|-----------------|------------------|
| 2022 | 21,380 | 2,094 | 23,474 |
| 2023 | 22,057 | 1,418 | 23,475 |
| 2024 | 22,754 | 720 | 23,474 |
| Total | <u>\$ 66,190</u> | <u>\$ 4,232</u> | <u>\$ 70,423</u> |

Summary of changes in governmental activities long-term liabilities:

The following summarizes the changes in the City's governmental long-term liabilities during the year ended September 30, 2021:

| | Balance on October 1, 2021 | Increase | Decrease | Balance on September 30 2021 | Due within one year |
|-----------------------|-------------------------------|--------------|----------------|---------------------------------|------------------------|
| Bank loan | 86,908 | | 20,718 | 66,190 | 21,380 |
| Compensated absences | 8,958 | 2,842 | | 11,800 | 1,180 |
| Net pension liability | 454,250 | | 278,897 | 175,353 | 17,535 |
| | <u>550,116</u> | <u>2,842</u> | <u>299,615</u> | <u>253,343</u> | <u>40,095</u> |

Business-type Activities

Summary of Changes in Business-type Activities Long-term Liabilities

The following summarizes the changes in the City's business activities long-term liabilities during the period ended September 30, 2021:

| | Balance on October 1, 2021 | Increase | Decrease | Balance on September 30 2021 | Due within one year |
|-----------------------|-------------------------------|--------------|----------------|---------------------------------|------------------------|
| Compensated absences | 2,219 | 2,739 | - | 4,958 | 496 |
| Net pension liability | 204,084 | - | 125,298 | 78,786 | 7,879 |
| | <u>206,303</u> | <u>2,739</u> | <u>125,298</u> | <u>83,744</u> | <u>8,374</u> |

NOTE 11. CONTINGENT LIABILITIES

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

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus was characterized as a pandemic. As a result, uncertainty's have arisen that may have significant negative impacts on the operating activities and results of the City. 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 effect on the financial markets, and (v) the effects on the economy overall, all of which is uncertain.

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverage for the past three years. There has been no reduction in insurance coverage from the previous year.

NOTE 13. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREMENT HEALTH INSURANCE SUBSIDY PROGRAM

Florida Retirement System

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

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

Pension Plan

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

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

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33

years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

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

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively, were as follows: Regular—10.00% and 10.82%; Special Risk Administrative Support—35.84% and 37.76%; Special Risk—24.45% and 25.89%; Senior Management Service 27.29% and 29.01%; Elected Officers'—39.73% and 40.91%; and DROP participants—16.98% and 18.34. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$61,589 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the City reported a liability of \$95,367 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the City's proportionate share was .001262488 percent, which was an increase of 19.13 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$12,725. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 16,346 | |
| Changes in assumptions | 65,255 | |
| Net difference between projected and actual earnings on Pension Plan investments | - | 332,710 |
| Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions | 100,354 | 15,038 |
| City Pension Plan contributions subsequent to the measurement date | 14,112 | - |
| Total | <u>\$ 196,067</u> | <u>\$ 347,748</u> |

The deferred outflows of resources related to the Pension Plan, totaling \$100,354 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

| Fiscal Year Ending September 30 | Amount |
|------------------------------------|---------------------|
| 2021 | \$ (29,200) |
| 2022 | (34,050) |
| 2023 | (45,103) |
| 2024 | (57,797) |
| 2025 | 357 |
| Thereafter | - |
| | <u>\$ (165,793)</u> |

Actuarial Assumptions – The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

| | |
|---------------------------|-------------------------------------|
| Inflation | 2.40% |
| Salary increases | 3.25%, average, including inflation |
| Discount rate | 6.80% |
| Investment rate of return | 6.80% |

Mortality rates were based on the PUB 2010 base table generational mortality using generational specific MP-2018 mortality impairment projection scale.

The actuarial assumptions used in the July 1, 2021, valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates

of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation * | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|--------------------------|---------------------|--------------------------|------------------------------------|--------------------|
| Cash | 1.00% | 2.10% | 2.10% | 1.10% |
| Fixed income | 20.00% | 3.80% | 3.70% | 3.30% |
| Global equity | 54.20% | 8.20% | 6.70% | 17.80% |
| Real estate (property) | 10.30% | 7.10% | 6.20% | 13.80% |
| Private equity | 10.80% | 11.70% | 8.50% | 26.40% |
| Strategic investments | 3.70% | 5.70% | 5.40% | 8.40% |
| Total | 100.00% | | | |
| Assumed Inflation - Mean | | | 2.40% | 1.20% |

* As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.80%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

| | 1% Decrease 5.80% | Current Discount Rate 6.80% | 1% Increase 7.80% |
|--|----------------------|-----------------------------------|----------------------|
| City's proportionate share of the net pension liability | \$ 426,488 | \$ 95,367 | \$ (181,413) |

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

Payables to the Pension Plan - At September 30, 2021, the City had no payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2021.

HIS Plan

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

Benefits Provided – For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the HIS contribution for the period October 1, 2020 through June 30, 2021 and from July 1, 2021 through September 30, 2021 was 1.66% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$9,743 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the City reported a liability of \$158,772 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2019-20 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the City's proportionate share was .001262488 percent, which was an increase of .00098% percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$22,007. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual experience | \$ 5,313 | \$ 66 |
| Changes in assumptions | 12,476 | 6,542 |
| Net difference between projected and actual earnings on HIS Plan investments | 166 | - |
| Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions | 57,215 | - |
| City HIS Plan contributions subsequent to the measurement date | 2,007 | - |
| Total | <u>\$ 77,177</u> | <u>\$ 6,608</u> |

The deferred outflows of resources related to the HIS Plan, totaling \$2,007 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

| Fiscal Year Ending September 30 | Amount |
|------------------------------------|------------------|
| 2021 | \$ 18,884 |
| 2022 | 6,016 |
| 2023 | 12,413 |
| 2024 | 16,476 |
| 2025 | 12,322 |
| Thereafter | 2,451 |
| | <u>\$ 68,562</u> |

Actuarial Assumptions – The total pension liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|-------------------------------------|
| Inflation | 2.40% |
| Salary increases | 3.25%, average, including inflation |
| Discount rate | Bond Buyer 2.16% |

Mortality rates were based on the PUB 2010 base table generational mortality using gender specific MP-2018 mortality improvement projection scale.

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Discount Rate - The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.16%) or one percentage point higher (3.16%) than the current rate:

| 1% Decrease | Current | 1% Increase |
|-------------|---------------|-------------|
| 1.16% | Discount Rate | 3.16% |
| | 2.16% | |
| \$ 183,551 | \$ 158,772 | \$ 138,464 |

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

Payables to the Pension Plan - At September 30, 2021, the City had no payable outstanding for contributions to the HIS Plan required for the fiscal year ended September 30, 2021.

Investment Plan

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

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2020-21 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

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

The City did not have any participants in the Investment Plan for the fiscal year ended September 30, 2021.

NOTE 14. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Participating retirees are considered to receive a secondary benefit known as an “implicit rate subsidy.” This benefit relates to the assumption that the retirees are receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City’s younger and statistically healthier active employees. GASB Statements 45 and 74 require governments to report this cost and related liability in its financial statements.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ARCHER, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2021

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Final Budget Positive (Negative) |
|---------------------------------------|---------------------------------|------------------------------|-------------------|--|
| Revenues | | | | |
| Taxes | | | | |
| Ad valorem taxes | \$ 224,193 | 224,193 | \$ 227,706 | \$ 3,513 |
| Non property taxes | | | | |
| Local option gas tax/alternative fuel | 183,001 | 183,001 | 169,133 | (13,868) |
| Utility tax | | | | |
| Electricity | 93,198 | 93,198 | 98,295 | 5,097 |
| Water | 21,068 | 21,068 | 22,536 | 1,468 |
| Propane | 4,345 | 4,345 | 4,345 | - |
| Franchise fees | | | | |
| Garbage | 14,985 | 14,985 | 14,985 | - |
| Electricity | 81,653 | 81,653 | 81,653 | - |
| Communications service tax | 35,588 | 35,588 | 32,674 | (2,914) |
| | <u>433,837</u> | <u>433,837</u> | <u>423,621</u> | <u>(10,216)</u> |
| Total taxes | 658,030 | 658,030 | 651,327 | (6,704) |
| Licenses and permits | | | | |
| Occupational licenses | 600 | 600 | 600 | - |
| Building and zoning permits | 3,530 | 3,530 | 3,530 | - |
| Total licenses and permits | 4,130 | 4,130 | 4,130 | - |
| Intergovernmental | | | | |
| Federal shared revenues | | | | |
| General government | | | | |
| Federal grants | 69,974 | 69,974 | 76,317 | 6,343 |
| State shared revenues | | | | |
| General government | | | | |
| State grants | 167,476 | 167,476 | 167,476 | - |
| State revenue sharing | 63,252 | 63,252 | 58,450 | (4,802) |
| Mobile home licenses | 1,459 | 1,459 | 1,459 | - |
| Alcoholic beverage licenses | 965 | 965 | 965 | - |
| Local government half-cent sales tax | 83,774 | 83,774 | 78,098 | (5,676) |
| Local grants | | | | |
| Alachua County interlocal agreement | 357,457 | 357,457 | 357,457 | - |
| Total intergovernmental | 744,356 | 744,356 | 740,222 | (10,478) |
| Charges for services | | | | |
| Transportation | | | | |
| FDOT lighting agreement | 17,045 | 17,045 | 17,045 | - |
| Recreation/culture | | | | |
| Rent | 9,948 | 9,948 | 9,948 | - |
| Other | 2,466 | 2,466 | 2,749 | 283 |
| Total charges for services | 29,458 | 29,458 | 29,742 | 284 |
| Fines and forfeitures | | | | |
| Fines and forfeitures | 2,350 | 2,350 | 2,350 | - |
| | <u>2,350</u> | <u>2,350</u> | <u>2,350</u> | <u>-</u> |

See notes to financial statements

CITY OF ARCHER, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Fiscal Year Ended September 30, 2021

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|------------------------------------|---------------------------------|------------------------------|-------------------|---|
| Miscellaneous | | | | |
| Donations and contributions | \$ 9,079 | \$ 9,079 | \$ 9,079 | \$ - |
| Other miscellaneous revenue | 553 | 553 | - | (553) |
| Total miscellaneous | 9,633 | 9,633 | 9,079 | (554) |
| Total revenues | 1,447,957 | 1,447,957 | 1,436,850 | (11,107) |
| Expenditures | | | | |
| General government | | | | |
| Legislative | | | | |
| Personnel services | 46,048 | 46,048 | 46,222 | (174) |
| Operating expenses | 32,274 | 32,274 | 32,274 | (0) |
| Total legislative | 78,322 | 78,322 | 78,496 | (174) |
| Executive | | | | |
| Personnel services | 75,534 | 75,534 | 75,555 | (21) |
| Total executive | 75,534 | 75,534 | 75,555 | (21) |
| Financial and administrative | | | | |
| Personnel services | 118,721 | 118,721 | 137,371 | (18,650) |
| Operating expenses | 84,791 | 84,791 | 86,096 | (1,305) |
| Capital outlay | - | - | - | - |
| Total financial and administrative | 203,512 | 203,512 | 223,467 | (19,955) |
| Legal counsel | | | | |
| Operating expenses | 44,349 | 44,349 | 47,849 | (3,500) |
| Comprehensive planning | | | | |
| Operating expenses | 7,000 | 7,000 | 7,000 | - |
| Other general government | | | | |
| Operating expenses | 91,466 | 91,466 | 91,466 | - |
| Transfer to water and sewer fund | - | - | 119,098 | (119,098) |
| Total other general government | 91,466 | 91,466 | 210,564 | (119,098) |
| Total general government | 500,183 | 500,183 | 642,931 | 142,748 |
| Public safety | | | | |
| Law enforcement | | | | |
| Operating expenses | 246 | 246 | 246 | - |
| Total law enforcement | 246 | 246 | 246 | - |
| Fire control | | | | |
| Operating expenses | 3,261 | 3,261 | 3,261 | - |
| Total fire control | 3,261 | 3,261 | 3,261 | - |
| Total public safety | 3,507 | 3,507 | 3,507 | - |

See notes to financial statements

CITY OF ARCHER, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021

| | Original Budgeted Amounts | Final Budgeted Amounts | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------------------|------------------------------|-------------------|---|
| Physical environment | | | | |
| Cemetery | | | | |
| Operating expenses | \$ 7,999 | 7,999 | \$ 7,999 | - |
| Total physical environment | 7,999 | 7,999 | 7,999 | - |
| Transportation | | | | |
| Streets | | | | |
| Personnel services | 152,279 | 152,279 | 156,170 | (3,891) |
| Operating expenses | 129,389 | 129,389 | 130,390 | (1,001) |
| Capital outlay | 1,000 | 1,000 | - | 1,000 |
| Debt service | 11,737 | 11,737 | 23,474 | (11,737) |
| Total transportation | 294,405 | 294,405 | 310,034 | (15,629) |
| Special events - Covid-19 | | | | |
| Personnel services | 96,649 | 96,649 | 96,649 | - |
| Operating expenses | 23,858 | 23,858 | 23,858 | - |
| Total water fund related | 120,506 | 120,506 | 120,507 | - |
| Culture/recreation | | | | |
| Parks and recreation | | | | |
| Operating expenses | 301,297 | 301,297 | 329,216 | (27,919) |
| Total culture/recreation | 301,297 | 301,297 | 329,216 | (27,919) |
| State grant aids | - | - | - | - |
| Total expenditures | 1,227,897 | 1,227,897 | 1,414,194 | (186,297) |
| Excess of revenues over (under) expenditures | 220,061 | 220,061 | 22,656 | 242,717 |
| Net change in fund balance | 220,061 | 220,061 | 22,656 | 242,717 |
| Fund balance, beginning of year | 525,370 | 525,370 | 425,575 | 242,717 |
| Fund balance, end of year | \$ 745,431 | 745,431 | \$ 448,231 | \$ 485,433 |

See notes to financial statements

CITY OF ARCHER, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

I. Stewardship, Compliance, and Accountability

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

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

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

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

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

1. Prior to September 1, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted in August and September to obtain taxpayer comments.
3. Prior to November 1, the budget is legally enacted through passage of an ordinance.
4. The legal level of budgetary control is the department level; however, the City Commission may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

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

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the FRS net pension liability (asset) | 0.001262488% | 0.001164217% | 0.001016069% | 0.001156569% | 0.000826829% |
| City's proportionate share of the FRS net pension liability (asset) | \$ 95,367 | \$ 504,589 | \$ 349,920 | \$ 348,365 | \$ 244,570 |
| City's proportion of the HIS net pension liability (asset) | 0.001294319% | 0.001259200% | 0.001018268% | 0.001002534% | 0.000719512% |
| City's proportionate share of the HIS net pension liability (asset) | 158,768 | 153,746 | 113,934 | 106,109 | 76,934 |
| City's proportionate share of the total net pension liability (asset) | \$ 254,135 | \$ 658,335 | \$ 463,854 | \$ 454,474 | \$ 321,504 |
| City's covered-employee payroll | \$ 411,457 | \$ 446,874 | \$ 389,115 | \$ 320,324 | \$ 328,856 |
| City's' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 61.76% | 147.32% | 119.21% | 141.88% | 97.76% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.09% | 74.46% | 78.22% | 79.86% | 79.00% |

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

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

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

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Contractually required FRS contribution | \$ 73,497 | \$ 66,997 | \$ 50,179 | \$ 39,501 | \$ 39,501 |
| Contractually required HIS contribution | <u>11,626</u> | <u>12,567</u> | <u>9,005</u> | <u>6,988</u> | <u>6,988</u> |
| Total Contractually Required Contributions | 85,123 | 79,564 | 59,184 | 46,489 | 46,489 |
| Contributions in relation to the contractually required contribution | (85,123) | (79,564) | (59,184) | (46,489) | (46,489) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered-employee payroll | \$ 411,457 | \$ 446,874 | \$ 389,115 | \$ 328,856 | \$ 328,856 |
| Contributions as a percentage of covered-employee payroll | 20.69% | 17.80% | 15.21% | 14.14% | 14.14% |

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
THE CITY OF FANNING SPRINGS' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
REQUIRED CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
For the Fiscal Year End September 30, 2021

Net Pension Liability

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of September 30, 2021, are shown below (in thousands):

| | FRS | HIS |
|-----------------------------|---------------------|----------------------|
| Total pension liability | \$ 209,636,046 | \$ 12,719,121 |
| Plan fiduciary net position | (202,082,183) | (452,618) |
| | <u>\$ 7,553,863</u> | <u>\$ 12,266,503</u> |

Plan fiduciary net position as a percentage
of the total pension liability

96.40%

3.56%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2021. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2021. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the Plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2017, 2018, 2019, 2020 and 2021 respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2021, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting

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

Actuarial Methods and Assumptions

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

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.40%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2021:

- **FRS:** Decreasing the maximum amortization period to 20 years for all current and future amortization bases.
- **HIS:** The municipal rate used to determine total pension liability was decreased from 2.21% to 2.16%.

COMPLIANCE SECTION

CITY OF ARCHER, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Fiscal Year Ended September 30, 2021

| GRANTOR/PROGRAM TITLE | CSFA/CFDA # | Contract Award Number | Sub Agreement Number | Amount | Reported in Prior Years | Current Year Expenditures |
|---|-------------|-----------------------------|-------------------------|---------------------|-------------------------------|------------------------------|
| State Financial Assistance | | | | | | |
| <i>Florida Department of Environmental Protection</i> | | | | | | |
| Wilson Robinson Park Improvements | 55.215 | A1037 | A21037 | \$ 200,000 | \$ - | \$ 167,476 |
| Holly Hills Water Quality Improvement and Storm Water Mitigation | 37.039 | | LP01031 | 650,000 | 508,744 | 141,256 |
| Total state financial assistance | | | | <u>850,000</u> | <u>508,744</u> | <u>308,732</u> |
| Federal Awards | | | | | | |
| <i>U.S. Housing and Urban Development Agency, passed through</i> | | | | | | |
| Florida Department of Economic Opportunity | | | | | | |
| Unspecified Site Strategy for Housing Related Activity's | 14.228 | H2403 | | 650,000 | 78,763 | 76,317 |
| <i>U.S. Department of Treasury, passed through</i> | | | | | | |
| Florida Division of Emergency Management | | | | | | |
| Coronavirus State and Local Fiscal Recovery Funds | 21.027 | Y5007 | FL0008 | 300,011 | - | 300,011 |
| | 21.019 | Y2273 | | 60,000 | - | 57,590 |
| Total federal financial assistance | | | | <u>1,010,011</u> | <u>78,763</u> | <u>433,918</u> |
| Total financial assistance | | | | <u>\$ 1,860,011</u> | <u>\$ 587,507</u> | <u>\$ 742,650</u> |

See notes to schedule of expenditures of federal awards and state financial assistance.

CITY OF ARCHER, FLORIDA

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

For the Fiscal Year Ended September 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the City of Archer have been designed to conform to generally accepted accounting principles as applicable to governments, including the reporting and compliance requirements of the Audits of States, Local Governments, and Non-Profit Cities and Chapter 10.550, *Rules of the Auditor General of Florida*.

A. Reporting Entity

The reporting entity consists of the City of Archer. The City includes a Schedule of Expenditures of Federal Awards and State Financial Assistance for the purpose of additional analysis.

B. Basis of Accounting

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

The accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the accrual basis, revenues are recognized when they become earned. Expenses generally are recorded when a liability is incurred.

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

To the Honorable Mayor and
Members of the City Commission
City of Archer, 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 City of Archer (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The City of Archer'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The City of Archer's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiency in internal control that we consider to be a significant deficiency.

2012-1

Financial Statement Preparation

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the Organization does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the Organization is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles.

Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

MANAGEMENT'S RESPONSE

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

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

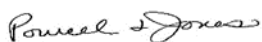
This response was not subjected to the auditing procedures applied in the audit and thus we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The City of Archer'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*.

Purpose of this Report

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



POWELL & JONES
Certified Public Accountants
June 14, 2022

MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Commission
City of Archer, Florida

In planning and performing our audit of the financial statements of the City of Archer, Florida, for the year ended September 30, 2021, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

This letter furnishes the following information required by Chapter 10.550, Rules of the Auditor General, and other compliance matters.

PRIOR YEAR FINDINGS

There were no reportable findings in the prior year applicable to the management letter.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year applicable to the management letter.

AUDITOR GENERAL COMPLIANCE MATTERS

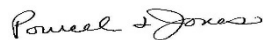
Financial Condition Assessment - As required by the Rules of the Auditor General (Sections 10.554(1)(i)5.a. and 10.556(8), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part in representations made by management and the review of financial information they provided.

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

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

CONCLUSION

Again, we very much enjoyed the challenges and experiences associated with this year's audit of the City. We look forward to working with you to ensure continued fiscal progress of the City's operations.



POWELL & JONES
Certified Public Accountants
June 14, 2022

INDEPENDENT ACCOUNTANT'S REPORT

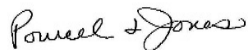
To the Honorable Mayor and
Members of the City Commission
City of Archer, Florida

We have examined the City of Archer, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2021. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

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



POWELL & JONES
Certified Public Accountants
June 14, 2022

Communication with Those Charged with Governance

Honorable Mayor and
Members of the City Commission
City of Archer, Florida

We have audited the financial statements of the City of Archer, Florida for the year ended September 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Archer, Florida are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2021. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 20th, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

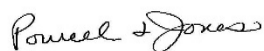
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Information in Documents Containing Audited Financial Statements

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

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

Very truly yours,



POWELL & JONES
Certified Public Accountants
June 14, 2022