

TOWN OF CALLAHAN, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2021

TOWN OF CALLAHAN, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2021

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TOWN OF CALLAHAN, FLORIDA

FINANCIAL REPORT

September 30, 2021

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INTRODUCTORY SECTION



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Callahan, Florida (the Town), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of the Town of Callahan, 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 Town of Callahan, Florida's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, as required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General, 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 federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2021, on our consideration of the Town of Callahan'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 Town of Callahan's internal control over financial reporting and compliance.



POWELL & JONES

Certified Public Accountants

May 20, 2022

FINANCIAL SECTION

TOWN OF CALLAHAN, FLORIDA

Management's Discussion and Analysis

This discussion and analysis are intended to be an easily readable analysis of the Town of Callahan (the "Town") 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 Town 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 Town's finances. Within this view, all Town 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 Town's water and sewer services are 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 Town.

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 Town 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 Town'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 Town'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 Town'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 Town'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.

Town 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	\$ 1,580,083	\$ 1,689,955	\$ 3,270,038	\$ 2,262,294
Other current assets	172,549	216,197	388,746	101,004
Noncurrent assets	-	369,028	369,028	84,457
Capital assets, net	944,613	7,062,649	8,007,262	7,494,893
Deferred outflows	69,483	59,188	128,671	168,134
Total assets	<u>2,766,727</u>	<u>9,397,017</u>	<u>12,163,744</u>	<u>10,110,782</u>
Liabilities				
Current liabilities	56,588	383,069	439,657	105,068
Long term liabilities	117,470	742,512	859,981	1,431,428
Deferred Inflows	163,229	139,047	302,276	38,783
Total liabilities	<u>337,287</u>	<u>1,264,628</u>	<u>1,601,915</u>	<u>1,575,279</u>
Net Position				
Net investments in capital assets	944,613	6,372,441	7,317,054	6,745,458
Restricted	-	369,028	369,028	-
Unrestricted	1,484,828	1,390,920	2,875,748	1,790,045
Total net position	<u>\$ 2,429,441</u>	<u>\$ 8,132,389</u>	<u>\$ 10,561,830</u>	<u>\$ 8,535,503</u>

67.86% of the Town'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 Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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 \$3,394,084 may be used to meet the Town'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 less current year expenditure and increased grant activities.

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	\$ -	\$ 1,398,927	\$ 1,398,927	\$1,086,134
Grants and contributions	-	1,633,552	1,633,552	78,182
General revenues				
Property taxes	249,496	-	249,496	320,205
Nonproperty taxes	344,463	-	344,463	320,154
Licenses and permits	29,105	-	29,105	35,210
Intergovernmental revenues	164,277	-	164,277	17,542
Franchise fees	157,824	-	157,824	200,141
Charges for services	22,255	-	22,255	14,567
Fines and forfeitures	3,900	-	3,900	4,000
Miscellaneous revenues	96,405	-	96,405	42,752
Total revenues	<u>1,067,724</u>	<u>3,032,480</u>	<u>4,100,204</u>	<u>\$2,118,887</u>
Expenses				
General government	307,165	-	307,165	378,417
Public safety	34,665	-	34,665	112,877
Physical environment	-	-	-	-
Transportation	384,117	-	384,117	530,121
Culture/recreation	65,884	-	65,884	61,867
Water/sewer, solid waste	-	1,282,045	1,282,045	1,331,735
Total expenses	<u>791,830</u>	<u>1,282,045</u>	<u>2,073,875</u>	<u>2,415,017</u>
Change in net position	275,894	1,750,435	2,026,329	(296,130)
Beginning net position	<u>2,153,548</u>	<u>6,381,954</u>	<u>8,535,502</u>	<u>8,831,633</u>
Ending net position	<u>\$ 2,429,441</u>	<u>\$ 8,132,389</u>	<u>\$ 10,561,831</u>	<u>\$ 8,535,503</u>

Governmental activities:

Taxes provide 56% of the revenues for Governmental Activities, while franchise fees provide 15%, and intergovernmental revenues provide 15%. Most of the Governmental Activities resources are spent for General Government (38%), Recreation (8%), and Transportation (50%).

Business-type activities:

Business-type activities increased the Town's net position by \$1,750,435. Key element of this increase are as follows:

- Grant revenues awarded for the DEO and SRF water and sewer projects.

Budgetary Highlights

In total, the General Fund's expenditures were \$54,000 less than budgeted, and revenues were \$75,717 less than budgeted.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2021, the Town had \$8,007,262 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 \$512,369 or 6.84% 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	\$ 363,781	\$ 363,781	\$ 85,441	\$ 85,441	\$ 449,222	\$ 449,222
Construction in progress	-	-	1,049,099	221,025	1,049,099	221,025
Buildings and improvements	1,045,223	1,030,223	-	-	1,045,223	1,030,223
Equipment	998,188	902,851	12,434,602	12,434,602	13,432,790	13,337,453
Subtotal	2,407,192	2,296,855	13,569,142	12,741,068	15,976,334	15,037,923
Accumulated depreciation	(1,462,578)	(1,445,593)	(6,506,494)	(6,097,437)	(7,969,072)	(7,543,030)
Capital assets, Net	<u>\$ 944,614</u>	<u>\$ 851,262</u>	<u>\$ 7,062,648</u>	<u>\$ 6,643,631</u>	<u>\$ 8,007,262</u>	<u>\$ 7,494,893</u>

Debt Outstanding

At year-end, the Town had \$939,642 in debt outstanding vs. \$1,434,847 last year, a decrease of \$495,205. This decrease was primarily due to the decrease of the net pension liability and the payment of principal amounts on all debt balances outstanding.

Debt Outstanding at September 30, 2021 and 2020

	Total Government	
	2021	2020
Loans	\$ 690,208	\$ 858,435
Compensated absences	21,101	14,598
Net pension liability	228,333	561,814
Total	<u>\$ 939,642</u>	<u>\$1,434,847</u>

More detailed information on the Town 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 Town was 4.0%, which is relatively unchanged from last year's rate.
- The estimated population for the Town in 2021 was 1,372 and is estimated to be approximately the same in 2022.
- The Town's ad valorem tax rate for 2021 was 2.2799 mills.

Financial Contact

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town Manager at 542300 US-1, Callahan, FL 32011, or may be e-mailed pwd@townofcallahan-fl.gov.

Basic Financial Statements

TOWN OF CALLAHAN, FLORIDA
STATEMENT OF NET POSITION
September 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,580,083	\$ 1,689,955	\$ 3,270,038
Accounts receivable, net	1,395	150,790	152,185
Internal balances	130,550	(130,550)	-
Due from other governmental units	40,604	-	40,604
Inventories	-	65,407	65,407
Total current assets	1,752,631	1,775,603	3,528,234
Noncurrent assets			
Restricted assets			
Cash	-	369,028	369,028
Total restricted assets	-	369,028	369,028
Capital assets			
Land and construction in progress	363,781	1,134,540	1,498,321
Other capital assets, net of depreciation	580,833	5,928,108	6,508,941
Capital assets - net	944,613	7,062,649	8,007,262
Total assets	2,697,244	9,207,279	11,904,523
DEFERRED OUTFLOWS	69,483	59,188	128,671
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	33,122	170,418	203,539
Accrued liabilities	8,732	-	8,732
Compensated absences	2,404	3,293	5,697
Bonds and notes payable, current	-	51,130	51,130
Net pension liability	12,330	10,503	22,833
Total current liabilities (payable from current assets)	56,588	235,344	291,932
Current liabilities (payable from restricted assets)			
Deposits	-	17,175	17,175
Total current liabilities (payable from restricted assets)	-	17,175	17,175
Noncurrent liabilities			
Compensated absences	6,500	8,904	15,404
Bonds and notes payable	-	639,078	639,078
Net pension liability	110,970	94,530	205,500
Total noncurrent liabilities	117,470	742,512	859,981
Total liabilities	174,058	995,031	1,169,089
DEFERRED INFLOWS	163,229	139,047	302,276
NET POSITION			
Net investment in capital assets	944,613	6,372,441	7,317,054
Restricted	-	369,028	369,028
Unrestricted	1,484,828	1,390,920	2,875,748
Total net position	\$ 2,429,441	\$ 8,132,389	\$ 10,561,830

TOWN OF CALLAHAN, 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	\$ 307,165	\$ -	\$ -	\$ -	\$ (307,165)	\$ -	\$ (307,165)
Public safety	34,665	-	-	-	(34,665)	-	(34,665)
Transportation	384,117	-	-	-	(384,117)	-	(384,117)
Culture/recreation	65,883	-	-	-	(65,883)	-	(65,883)
Total governmental activities	791,830	-	-	-	(791,830)	-	(791,830)
Business-type activities							
Water	994,162	1,313,057	-	-	-	318,895	318,895
Sewer	200,669	-	-	1,632,271	-	1,431,602	1,431,602
Garbage and solid waste	87,214	85,870	-	1,281	-	(62)	(62)
Total business-type activities	1,282,045	1,398,927	-	1,633,552	-	1,750,435	1,750,435
Total government	\$ 2,073,875	\$1,398,927	\$ -	\$ 1,633,552	(791,830)	1,750,435	958,605
General revenues							
Property taxes					249,496	-	249,496
Nonproperty taxes					344,463	-	344,463
Licenses and permits					29,105	-	29,105
Intergovernmental revenues					164,277	-	164,277
Franchise fees					157,824	-	157,824
Charges for services					22,255	-	22,255
Fines and forfeitures					3,900	-	3,900
Miscellaneous revenues					96,405	-	96,405
Total general revenues					1,067,724	-	1,067,724
Change in Net position					275,894	1,750,435	2,026,329
Net position, beginning					2,153,547	6,381,954	8,535,501
Net position, ending					\$ 2,429,441	\$ 8,132,389	\$ 10,561,830

TOWN OF CALLAHAN, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2021

	<u>General Fund</u>
ASSETS	
Cash	\$ 1,580,083
Accounts receivable, net	1,395
Due from other funds	130,550
Due from other governments	40,603
Total assets	<u>1,752,630</u>
LIABILITIES	
Accounts payable	\$ 33,121
Accrued liabilities	8,732
Total liabilities	<u>41,853</u>
FUND BALANCE	
Unassigned	<u>1,710,778</u>
Total fund balance	<u>1,710,778</u>
Total liabilities and fund balance	<u>\$ 1,752,631</u>
 Total fund balance reported above	 1,710,778
 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.	944,613
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	69,483
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	(163,229)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(132,203)
Net Position of Governmental Activities	<u>\$ 2,429,441</u>

TOWN OF CALLAHAN, 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	\$ 249,496
Nonproperty taxes	344,463
Licenses and permits	29,105
Intergovernmental revenues	164,277
Franchise fees	157,824
Charges for services	22,255
Fines and forfeitures	3,900
Miscellaneous revenues	96,405
Total revenues	<u>1,067,724</u>
Expenditures	
Current	
General government	265,853
Public safety	50,516
Transportation	368,693
Culture/recreation	53,918
Capital outlay	159,336
Total expenditures	<u>898,316</u>
Excess of revenues over expenditures	169,408
Fund balance, beginning of year	1,541,370
Fund balance, end of year	<u>\$ 1,710,778</u>

TOWN OF CALLAHAN, 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		\$ 169,408
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, net of sales	159,337	
Less current year depreciation, net	<u>(65,986)</u>	93,351
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	(3,349)	
Net change in pension liability	<u>180,080</u>	176,731
Recognition of certain obligations related to prior and future periods are not recognized in governmental funds		
Net decrease in deferred outflows	(21,309)	
Net increase in deferred Inflows	<u>(142,287)</u>	<u>(163,596)</u>
Change in net position of governmental activities		<u><u>\$ 275,894</u></u>

TOWN OF CALLAHAN, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2021

	Water and Sewer Fund
ASSETS	
Current assets	
Cash	\$ 1,689,955
Accounts receivable, net	150,790
Inventory	65,407
Total current assets	<u>1,906,153</u>
Noncurrent assets	
Restricted assets	
Cash	369,028
Total restricted assets	<u>369,028</u>
Capital assets	
Land, improvements, construction in progress	1,134,540
Depreciable capital assets, net of depreciation	5,928,108
Total capital assets	<u>7,062,649</u>
Total assets	<u>9,337,829</u>
DEFERRED OUTFLOWS	<u>59,188</u>
LIABILITIES	
Current liabilities	
Accounts payable	170,419
Notes payable	51,130
Due to other funds	130,550
Compensated absences	3,293
Net pension liability	10,503
Total current liabilities	<u>365,894</u>
Current liabilities payable from restricted assets	
Deposits	17,175
Noncurrent liabilities	
Compensated absences	8,904
Notes payable	639,078
Net pension liability	94,530
Total noncurrent liabilities	<u>742,511</u>
Total liabilities	<u>1,125,581</u>
DEFERRED INFLOWS	<u>139,047</u>
NET POSITION	
Net invested in capital assets	6,372,441
Restricted	369,028
Unrestricted	1,390,920
Total net position	<u>8,132,389</u>
Total liabilities and net position	<u><u>\$ 9,257,970</u></u>

TOWN OF CALLAHAN, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2021

	<u>Water and Sewer Fund</u>
Operating Revenues	
Physical environment	
Water utility revenue	
Water sales	\$ 476,402
Sewer Charges	495,178
Connection fees and penalties	51,646
Electric and propane	289,831
Total water utility revenue	<u>1,313,057</u>
Solid Waste revenue	
Sanitation fees	85,870
Total solid waste revenues	<u>85,870</u>
Total operating revenues	<u><u>1,398,927</u></u>
Operating Expenses	
Water utility services:	
Personnel services	205,340
Operating expenses	379,765
Depreciation expense	409,057
Total water utility services	<u>994,162</u>
Sewer utility services:	
Operating expenses	<u>200,669</u>
Solid waste services:	
Contracted services	87,214
Total operating expenses	<u><u>1,282,045</u></u>
Operating gain	<u>116,883</u>
Non-operating revenues	
Grant revenue	1,632,271
Interest revenue	1,281
Total non-operating revenues	<u>1,633,552</u>
Change in net position	1,750,435
Net position, beginning of year	6,381,954
Net position, end of year	<u><u>\$ 8,132,389</u></u>

TOWN OF CALLAHAN, FLORIDA
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2021

	Business Type Activities Enterprise Fund
	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers, including deposits	\$ 1,309,986
Cash paid to employees	(217,727)
Cash paid to suppliers	(926,700)
Net cash provided by operating activities	<u>165,559</u>
Cash flows from non-capital related financing activities	
Loans from other funds	119,743
Net cash provided by non-capital related financing activities	<u>119,743</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(587,245)
Grant contributions	1,632,271
Net cash used for capital and related financing transfers	<u>1,045,026</u>
Other and Non cash activities	
Cash flows from investing activities:	
Interest revenue	1,281
Net cash provided by investing activities	<u>1,281</u>
Non cash operating activities	
Net increase in cash	1,331,609
Cash, beginning of year	727,376
Cash, end of year	<u>\$ 2,058,983</u>
Reported as:	
Cash	1,689,955
Restricted cash	369,028
	<u>\$ 2,058,983</u>

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

	<u>Business Type Activities Water and Sewer Fund</u>
	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 116,883
and liabilities increase (decrease)	
Accounts receivable	(88,941)
Prepaid expenses	16,494
Accounts payable	133,510
Compensated absences	1,654
Deferred outflows	18,152
Deferred inflows	121,206
Change in net pension liability	(153,399)
	<u> </u>
Net cash provided by operating activities	<u><u>\$ 165,559</u></u>

TOWN OF CALLAHAN, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Callahan (the Town) 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 Town 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 Town has implemented all other applicable provisions of this Statement.

A. Reporting Entity - The Town of Callahan, 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 Town Council, all individually elected. 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 Town, 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 Town, 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 Town 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 Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees 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 Town 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 Town 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 Town's governmental and proprietary fund 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 fund.

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 Town 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 Town.

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 excludes 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 another 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 Fund - The Town's enterprise fund is the proprietary fund. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods and services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. The Town 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 another 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 Town has used GASB 34 minimum criteria for major fund determination. The Town has two major funds as follows:

1. **Governmental Major Funds:**
General Fund - The General Fund is the general operating fund of the Town. 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 Town operated water and sewer 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 Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2021, the Town's cash consisted solely of checking accounts and money market accounts; it has no cash equivalents.
3. **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."
4. **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.
5. **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 Town.
6. **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 Town 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 Town, 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

7. **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.
8. **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.
9. **Accrued Compensated Absences** - The Town 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.
10. **Prepaid Items** - Significant payment made to vendors for goods or services that will benefit periods beyond September 30, 2021, are recorded as prepaid items.
11. **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 Town'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 Town'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.

12. 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 Town for the Town. 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>\$ 1,710,778</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spend 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:

	Amount
Net invested in capital assets	\$ 6,372,441
Restricted	369,028
Unrestricted	1,390,920
	<u>\$ 8,132,389</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 Town's governmental funds \$1,710,778 differs from "net position" of governmental activities \$2,429,441 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 Town as a whole.

Cost of capital assets	\$ 2,407,192
Accumulated depreciation	(1,462,578)
	<u>\$ 944,613</u>

Long-term debt transactions

Long-term liabilities to the Town'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:

Compensated absences	\$ (8,904)
Deferred inflows	(163,229)
Deferred outflows	69,483
Net pension liability	(123,300)
	<u>\$ (225,950)</u>

TOWN OF CALLAHAN, 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	\$ 1,580,083	\$ -	\$ -	\$ -	\$ 1,580,083
Accounts receivable	1,395	-	-	-	1,395
Due from other governments	40,604	-	-	-	40,604
Due from other funds	130,550	-	-	-	130,550
Capital assets - net	-	944,613	-	-	944,613
Total assets	<u>\$ 1,752,631</u>	<u>\$ 944,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,697,244</u>
DEFERRED OUTFLOWS	<u>-</u>	<u>-</u>	<u>69,483</u>	<u>-</u>	<u>69,483</u>
LIABILITIES AND FUND BALANCE/NET POSITION					
Liabilities:					
Accounts payable	\$ 33,122	\$ -	\$ -	\$ -	\$ 33,122
Accrued liabilities	8,732	-	-	-	8,732
Compensated absences	-	-	-	8,904	8,904
Net pension liability	-	-	-	123,300	123,300
Total liabilities	<u>41,854</u>	<u>-</u>	<u>-</u>	<u>132,204</u>	<u>174,058</u>
DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>163,229</u>	<u>-</u>	<u>163,229</u>
Fund balance/net position	<u>1,710,778</u>	<u>944,613</u>	<u>(93,746)</u>	<u>(132,204)</u>	<u>2,429,441</u>
Total liabilities and fund balances/net position	<u>\$ 1,752,632</u>	<u>\$ 944,613</u>	<u>\$ (93,746)</u>	<u>\$ -</u>	<u>\$ 2,603,499</u>

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

The “net change in fund balances” for governmental funds \$169,408 differs from the “change in net position” for governmental activities \$275,894 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	\$ 159,337
Depreciation expense	(65,986)
Difference	<u>\$ 93,351</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 change in deferred inflows	\$ (142,287)
Net change in deferred outflows	(21,309)
Net change in pension liability	180,080
	<u>\$ 16,484</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 change in compensated absences	\$ (3,349)
	<u>\$ (3,349)</u>

TOWN OF CALLAHAN, 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	\$ 593,959	\$ -	\$ -	\$ -	\$ 593,959
Licenses and permits	29,105	-	-	-	29,105
Intergovernmental	164,277	-	-	-	164,277
Franchise fees	157,824	-	-	-	157,824
Charges for services	22,255	-	-	-	22,255
Fines and forfeitures	3,900	-	-	-	3,900
Miscellaneous	96,405	-	-	-	96,405
Total revenues	<u>1,067,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,067,724</u>
EXPENDITURES					
Current expenditures					
General government	265,853	8,796	163,596	(180,080)	258,165
Public safety	50,516	(15,851)		-	34,665
Transportation	368,693	12,075		3,349	384,117
Culture/recreation	53,918	11,965	-	-	65,883
Capital outlay	159,336	(110,336)	-	-	49,000
Total expenditures	<u>898,316</u>	<u>(93,351)</u>	<u>163,596</u>	<u>(176,731)</u>	<u>791,830</u>
Excess of revenues over (under) expenditures	<u>169,408</u>	<u>93,351</u>	<u>(163,596)</u>	<u>176,731</u>	<u>275,894</u>
Net change in fund balance	169,408	93,351	(163,596)	176,731	275,894
Fund balance/net position, beginning of year	<u>1,541,371</u>	<u>851,262</u>	<u>69,850</u>	<u>(308,935)</u>	<u>2,153,548</u>
Fund balance/net position, end of year	<u>\$ 1,710,779</u>	<u>944,613</u>	<u>\$ (93,746)</u>	<u>\$ (132,204)</u>	<u>\$ 2,429,442</u>

3. LEGAL COMPLIANCE–BUDGETS

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

1. Prior to September 1, the Town 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 Town 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 Town Commission.
5. Budgets for all Town funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town 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 Town deposits were fully insured by federal depository insurance or pledged collateral under state law.

Investments. Under state law, the Town 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 Town 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	\$ 363,781	\$ -	\$ -	363,781
Total non-depreciable capital assets	<u>363,781</u>	<u>-</u>	<u>-</u>	<u>363,781</u>
Depreciable capital assets:				\$ -
Building and improvements	1,030,223	15,000	-	1,045,223
Equipment	902,851	144,337	49,000	998,188
Total depreciable capital assets	<u>1,933,074</u>	<u>159,337</u>	<u>49,000</u>	<u>2,043,411</u>
Less accumulated depreciation				-
Building and improvements	(770,422)	(35,165)	-	(805,587)
Improvements other than buildings	-	-	-	-
Equipment	(675,171)	(30,820)	49,000	(656,991)
Total accumulated depreciation	<u>(1,445,593)</u>	<u>(65,985)</u>	<u>49,000</u>	<u>(1,560,578)</u>
Total depreciable capital assets, net	<u>487,481</u>	<u>93,352</u>	<u>-</u>	<u>580,833</u>
Governmental activities capital assets, net	<u>\$ 851,262</u>	<u>\$ 93,352</u>	<u>\$ -</u>	<u>\$ 944,613</u>
Business-type activities:				
Capital assets:				
Non-depreciable capital assets not being depreciated:				
Land	\$ 85,441	\$ -	\$ -	\$ 85,441
Construction in progress	221,025	828,074	-	1,049,099
Total non-depreciable capital assets	<u>306,466</u>	<u>828,074</u>	<u>-</u>	<u>1,134,540</u>
Depreciable capital assets:				\$ -
Buildings improvements and equipment	12,434,602	-	-	12,434,602
Total depreciable capital assets	<u>12,434,602</u>	<u>-</u>	<u>-</u>	<u>12,434,602</u>
Less accumulated depreciation				-
Buildings improvements and equipment	(6,097,437)	(409,057)	-	(6,506,494)
Total accumulated depreciation	<u>(6,097,437)</u>	<u>(409,057)</u>	<u>-</u>	<u>(6,506,494)</u>
Total depreciable capital assets, net	<u>6,337,165</u>	<u>(409,057)</u>	<u>-</u>	<u>5,928,108</u>
Business-type activities capital assets, net	<u>\$ 6,643,631</u>	<u>\$ 419,017</u>	<u>\$ -</u>	<u>\$ 7,062,648</u>

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

Governmental activities:	
General government	\$ 8,796
Public safety	33,149
Highway and street	12,075
Culture/recreation	11,965
Total depreciation expense - governmental activities	<u>\$ 65,985</u>
Business -type activities:	<u>\$ 409,057</u>
Total depreciation expense - business-type activities	<u>\$ 409,057</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>
General	\$ 130,550	\$ -
Water and sewer	-	(130,550)
	<u>\$ 130,550</u>	<u>\$(130,550)</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	1,395	40,604	41,999
Business-type activities :			
Water and sewer	150,790	-	150,790
	<u>152,185</u>	<u>40,604</u>	<u>192,789</u>

Payables

Payables at September 30, 2021, were as follows:

	<u>Vendors</u>
Governmental activities:	
General	<u>\$ 33,122</u>
Business activities:	
Water and sewer	<u>\$ 170,418</u>

NOTE 9. GENERAL LONG-TERM DEBT

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

Summary of changes in governmental activities long-term liabilities:

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

	Balance on 1-Oct-20	Increase	Decrease	Balance on 30-Sep-21	Due within one year
Compensated absences	5,555	14,251	(10,902)	8,904	2,404
Net pension liability	303,380	-	(180,080)	123,300	12,330
	<u>308,935</u>	<u>14,251</u>	<u>(190,982)</u>	<u>132,204</u>	<u>14,734</u>

Business-type Activities

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

Note Payable – FDOT ARI #7129/8665/8666

On May 10th, 2005, the Town incurred debt in the amount of \$320,000. This loan has annual principal payments of \$16,000 with no interest. Payments are being made from Water and Sewer revenues and the Town has no pledge of collateral. In the event of default, the Town of Callahan shall pay all costs, expenses, and attorneys and other fees paid or incurred by the Florida Department of Transportation, or adjudged by a court, as a consequence of such nonpayment. Future payments are as follows:

Fiscal Year Ended September 30	Principal	Total
2022	\$ 16,000	\$ 16,000
2023	5,110	5,110
Total	<u>\$ 21,110</u>	<u>\$ 21,110</u>

Note Payable – FDOT ARI # 10008

On October 8th, 2009, the Town incurred debt in the amount of \$100,000. This loan has annual principal payments of \$5,000 with no interest. Payments are being made from Water and Sewer Fund revenues and Callahan has no pledge of collateral. In the event of default, the Town of Callahan shall pay all costs, expenses, and attorneys and other fees paid or incurred by the Florida Department of Transportation, or adjudged by a court, as a consequence of such nonpayment. Future payments are as follows:

Fiscal Year Ended September 30	Principal	Total
2022	\$ 5,000	\$ 5,000
2023	5,000	5,000
2024	5,000	5,000
2025	5,000	5,000
There-after	10,000	10,000
Total	\$ 30,000	\$ 30,000

Note Payable – Rural Development Bonds Payable

In 2008 the Town of Callahan received a water and sewer bond of \$1,434,000 for the construction of a wastewater treatment facility. The bonds annual installments vary from \$15,000 to \$57,000 plus interest at 4.375% through September 2040. The revenues from the water and sewer system are pledged as collateral. The approximate amount of the pledge is equal to the remaining principal of approximately \$619,791.

Future payments are as follows:

FISCAL YEAR ENDED SEPTEMBER 30	PRINCIPAL	INTEREST	TOTAL
2022	\$ 25,000	\$ 28,594	\$ 53,594
2023	26,000	27,594	53,594
2024	27,000	26,594	53,594
2025	28,000	25,594	53,594
2026	29,000	24,594	53,594
2027-2030	126,000	88,375	214,375
2031-2035	180,000	87,969	267,969
2036-2040	178,791	52,375	231,166
	<u>\$ 619,791</u>	<u>\$ 361,688</u>	<u>\$ 981,479</u>

In the event of default, the bond holder has the right to take whatever action necessary to collect the amount due.

Note Payable – State Revolving Loan Agreement

In 2020 the Town received a loan for the amount of \$49,000 from the Department of Environmental Protection at 1.39% interest. The note is payable in semiannual payments through 2030 from the Water and Sewer fund. The Town is anticipating paying this note early as it has only a remaining balance of \$19,307 principal remaining.

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

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

	Balance on 1-Oct-20	Increase	Decrease	Balance on September 30 2021	Due within one year
Compensated absences	10,543	16,087	(14,433)	12,197	3,293
Net pension liability	258,434	-	(153,401)	105,033	10,503
Rural Development bonds	700,435	-	(80,644)	619,791	25,000
2020 DOT note payable	40,000	-	(10,000)	30,000	5,000
2021 DOT note payable	64,000	-	(42,890)	21,110	16,000
SRF note payable	45,259	-	(25,952)	19,307	5,129
	<u>1,118,671</u>	<u>16,087</u>	<u>(327,320)</u>	<u>807,438</u>	<u>64,926</u>

NOTE 10. RISK MANAGEMENT

The Town 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 11. DEFINED BENEFIT/DEFINED CONTRIBUTION PENSION PLANS AND 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 full-time employees of the Town hired prior to January 1, 1996, 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, Town school board, state university, community college, or a participating Town or special Town 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.

A. 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— 10.01% 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported a liability of \$75,910 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, 2020. The Town’s proportionate share of the net pension liability was based on the Town’s 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the Town’s proportionate share was 0.000027195 percent, which was a decrease of 0.000000450 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized pension expense of \$40,397. In addition, the Town 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	\$ 13,011	\$ -
Changes in assumptions	51,942	-
Net difference between projected and actual earnings on Pension Plan investments	-	264,833
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	24,790	22,099
Town Pension Plan contributions subsequent to the measurement date	10,702	-
Total	<u>\$ 100,445</u>	<u>\$ 286,932</u>

The deferred outflows of resources related to the Pension Plan, totaling \$10,702 resulting from Town 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
2022	\$ (34,730)
2023	(40,498)
2024	(53,615)
2025	(68,742)
2026	426
Thereafter	-
	<u>\$ (197,159)</u>

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

Inflation	2.00 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with projection scale BB tables.

The actuarial assumptions used in the July 1, 2021 valuation were 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	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Assumed Inflation - Mean			2.4%	1.2%

* 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 Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Town'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	\$ 339,475	\$ 75,910	\$ (144,400)

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.

B. 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, 2021, 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 Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the Town reported a liability of \$152,423 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 21, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Town's proportionate share of the net pension liability was based on the Town's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the Town's proportionate share was 0.0000587534 percent, which was a decrease of 23.39 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the Town recognized a reduction in pension expense of \$9,870. In addition, the Town 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	\$ 5,100	\$ 3
Changes in assumptions	11,977	297
Net difference between projected and actual earnings on HIS Plan investments	159	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	9,187	15,044
Town HIS Plan contributions subsequent to the measurement date	1,805	-
Total	<u>\$ 28,228</u>	<u>\$ 15,344</u>

The deferred outflows of resources related to the HIS Plan, totaling \$1,805 resulting from Town 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
2022	\$ 3,052
2023	972
2024	2,006
2025	2,662
2026	1,991
Thereafter	396
	<u>\$ 11,079</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	2.00%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.66%

Mortality rates were based on the Generational RP-2010 based tables 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 Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the Town'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 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
City's proportionate share of the net pension liability	\$ 176,216	\$ 152,423	\$ 132,930

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.

B. 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. Town 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 Town 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 3.30%, Special Risk Administrative Support class 4.95%, Special Risk class 11.00%, Senior Management Service class 4.67% and Town Elected Officers class 10.23%.

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 number of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

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.

NOTE 11. UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) was characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Country. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

NOTE 12. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)

The Town 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 Town 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 Town's younger and statistically healthier active employees. GASB Statements 45 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 Town'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

TOWN OF CALLAHAN, 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	\$ 244,766	244,766	\$ 249,496	\$ 4,730
Non property taxes				
Local option gas tax/alternative fuel	26,268	26,268	31,842	5,574
Franchise fees				
Electricity	130,000	130,000	157,824	27,824
Discretionary sales tax	146,068	146,068	196,440	50,372
Communications service tax	94,722	94,722	116,181	21,459
	<u>397,058</u>	<u>397,058</u>	<u>502,286</u>	<u>105,228</u>
Total taxes	<u>641,824</u>	<u>641,824</u>	<u>751,783</u>	<u>109,959</u>
Licenses and permits				
Business tax receipts	3,000	3,000	1,517	(1,483)
Street impact fees	-	-	200	200
Building and zoning permits	40,000	40,000	27,388	(12,612)
Total licenses and permits	<u>43,000</u>	<u>43,000</u>	<u>29,105</u>	<u>(13,895)</u>
Intergovernmental				
State contracts	23,400	23,400	25,949	2,549
State revenue sharing	38,372	38,372	40,555	2,183
Mobile home licenses	2,400	2,400	2,765	365
Alcoholic beverage licenses	1,300	1,300	1,248	(52)
Local government half-cent sales tax	69,695	69,695	93,759	24,064
Total intergovernmental	<u>135,167</u>	<u>135,167</u>	<u>164,277</u>	<u>29,110</u>
Charges for services				
Physical environment				
Fire safety inspections	1,400	1,400	655	(745)
Recreation/culture				
Rent	25,200	25,200	21,600	(3,600)
Total charges for services	<u>26,600</u>	<u>26,600</u>	<u>22,255</u>	<u>(4,345)</u>
Fines and forfeitures				
Fines and forfeitures	2,000	2,000	3,900	1,900
	<u>2,000</u>	<u>2,000</u>	<u>3,900</u>	<u>1,900</u>

See notes to financial statements

TOWN OF CALLAHAN, 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	10,000	10,000	\$ 5,860	\$ (4,140)
Interest income	16,000	16,000	1,229	(14,771)
Fire department	-	-	9,055	9,055
Rents and royalties	29,850	29,850	32,131	2,281
Grant Revenue	170,000	170,000	-	(170,000)
Transfers	68,000	68,000	-	(68,000)
Sale of equipment	-	-	40,000	40,000
Other miscellaneous revenue	1,000	1,000	8,129	7,129
Total miscellaneous	294,850	294,850	96,405	(198,445)
Total revenues	1,143,441	1,143,441	1,067,724	(75,717)
Expenditures				
General government				
Legislative				
Personnel services	36,000	36,000	39,917	(3,917)
Operating expenses	-	-	3,251	(3,251)
Total legislative	36,000	36,000	43,168	(7,168)
Executive				
Personnel services	9,600	9,600	8,800	800
Total executive	9,600	9,600	8,800	800
Financial and administrative				
Personnel services	104,300	104,300	95,609	8,691
Operating expenses	103,000	103,000	118,277	(15,277)
Total financial and administrative	207,300	207,300	213,885	(6,585)
Total general government	252,900	252,900	265,853	12,953
Public safety				
Fire control				
Operating expenses	88,000	88,000	50,516	37,484
Total fire control	88,000	88,000	50,516	37,484
Total public safety	88,000	88,000	50,516	37,484

See notes to financial statements

TOWN OF CALLAHAN, 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)
Transportation				
Streets				
Personnel services	220,349	220,349	186,393	33,956
Operating expenses	221,967	221,967	182,301	39,666
Capital outlay	140,000	140,000	159,336	(19,336)
Total transportation	<u>582,316</u>	<u>582,316</u>	<u>528,029</u>	<u>54,287</u>
Culture/recreation				
Parks and recreation				
Operating expenses	30,000	30,000	53,918	(23,918)
Total culture/recreation	<u>30,000</u>	<u>30,000</u>	<u>53,918</u>	<u>(23,918)</u>
State grant aids	<u>170,000</u>	<u>170,000</u>	<u>-</u>	<u>170,000</u>
Total expenditures	<u>953,216</u>	<u>953,216</u>	<u>898,316</u>	<u>54,900</u>
Excess of revenues over (under) expenditures	<u>190,225</u>	<u>190,225</u>	<u>169,408</u>	<u>359,633</u>
Net change in fund balance	190,225	190,225	169,408	359,633
Fund balance, beginning of year	<u>1,541,371</u>	<u>1,541,371</u>	<u>1,541,371</u>	<u>1,541,371</u>
Fund balance, end of year	<u>\$ 1,731,596</u>	<u>\$ 1,731,596</u>	<u>\$ 1,710,778</u>	<u>\$ 1,901,004</u>

See notes to financial statements

TOWN OF CALLAHAN, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

I. Stewardship, Compliance, and Accountability

- A. Budgetary information.** The Town, in establishing its budgetary data reflected in the financial statements follows the procedures set out in Chapters 166 and 200, *Florida Statutes*. The Town prepares a tentative budget, which is used by the Town 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 Town'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 Water and Sewer 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 Town Council.

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

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

1. Prior to September 1, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. 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 Town Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.
5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

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

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the FRS net pension liability (asset)	0.001004923%	0.000900000%	0.001100000%	0.001000000%	0.001000000%	0.001000000%	0.001000000%
City's proportionate share of the FRS net pension liability (asset)	\$ 75,910	\$ 405,546	\$ 366,527	\$ 306,312	\$ 292,504	\$ 250,435	\$ 133,103
City's proportion of the HIS net pension liability (asset)	0.001242593%	0.001300000%	0.001200000%	0.001200000%	0.001100000%	0.001100000%	0.001100000%
City's proportionate share of the HIS net pension liability (asset)	152,423	156,268	138,318	123,518	121,608	133,613	114,985
City's proportionate share of the total net pension liability (asset)	<u>\$ 228,333</u>	<u>\$ 561,814</u>	<u>\$ 504,845</u>	<u>\$ 429,830</u>	<u>\$ 414,112</u>	<u>\$ 384,048</u>	<u>\$ 248,088</u>
City's covered-employee payroll	\$ 441,860	\$ 444,199	\$ 413,442	\$ 381,166	\$ 362,837	\$ 353,914	\$ 342,059
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	51.68%	126.48%	122.11%	112.77%	114.14%	108.51%	72.53%
Plan fiduciary net position as a percentage of the total pension liability	91.09%	81.85%	85.24%	86.41%	85.53%	85.85%	92.50%

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 TOWN OF CALLAHAN'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS***

	2021	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 31,612	\$ 33,705	\$ 31,497	\$ 29,967	\$ 25,514	\$ 25,664	\$ 24,667
Contractually required HIS contribution	6,031	7,512	6,889	6,423	6,073	5,931	4,646
Total Contractually Required Contributions	37,643	41,217	38,386	36,390	31,587	31,595	29,313
Contributions in relation to the contractually required contribution	(37,643)	41,217	(38,386)	(36,390)	(31,587)	(31,595)	(29,313)
Contribution deficiency (excess)	-	-	-	-	-	-	-
Administration's covered-employee payroll	441,860	444,199	427,291	386,831	366,080	357,225	342,238
Contributions as a percentage of covered-employee payroll	8.52%	9.28%	8.98%	9.41%	8.63%	8.84%	8.57%

* 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 TOWN OF CALLAHAN'S 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:

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

Plan fiduciary net position as a percentage of the total pension liability	96.40%	3.56%
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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, and update procedures were used to determine liabilities as of July 1, 2020. 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, 2014 through 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 2018 for the period July 1, 2013 through June 30, 2018. 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 2.21% 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 increased from 2.21% to 2.16%

COMPLIANCE SECTION

TOWN OF CALLAHAN, 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	Amount	Reported in Prior Years	Revenues Recognized in Current Year	Current Year Expenditures
State Financial Assistance						
<i>Florida Department of Economic Opportunity</i> Florida Job Growth Infrastructure Grant	40.043	G0064	\$ 5,000,000	\$ -	\$ 1,000,000	\$ 1,000,000
Total state financial assistance			<u>5,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>1,000,000</u>
Federal Awards						
<i>Federal Environmental Protection Agency</i> <i>passed through</i> <i>Florida Department of Environmental Protection</i> Drinking Water State Revolving Fund	66.468	DW450201	840,260	-	632,271	632,271
Total Federal financial assistance			<u>840,260</u>	<u>-</u>	<u>632,271</u>	<u>632,271</u>
Total financial assistance			<u><u>\$ 5,840,260</u></u>	<u><u>-</u></u>	<u><u>\$ 1,632,271</u></u>	<u><u>\$ 1,632,271</u></u>

TOWN OF CALLAHAN, 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 accounting policies and presentation of the Single Audit Report for the Town of Callahan have been designed to conform to generally accepted accounting principles as applicable to voluntary health and welfare agencies, including the reporting and compliance requirements of the *Audits of States, Local Governments, and Non-Profit Organizations and Office of Management and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

A. Reporting Entity

The reporting entity consists of the Town of Callahan. The Town includes a schedule of expenditures of federal awards in the Single Audit and Compliance Section.

B. Basis of Accounting

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

C. Subrecipients

The Town had no subrecipients during the fiscal year.

**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 Town Commission
Town of Callahan, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Town of Callahan, which comprise the statement of financial position as of September 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 20, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Town of Callahan'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 Town of Callahan'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.

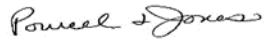
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Town of Callahan'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

May 20, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR
GENERAL**

Independent Auditor's Report

To the Honorable Mayor and
Members of the Town Commission
Town of Callahan, Florida

Report on Compliance for Each Major State Project

We have audited the Town's compliance with the types of compliance requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of Town's major State projects for the fiscal year ended September 30, 2021. The Town's major State Project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The Town of Callahan's management is responsible for compliance with the requirements of State statutes, regulations, and the terms and conditions of its State financial assistance applicable to its major State project.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major State Projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements; Chapter 10.550 , Rules of the Auditor General. Those standards, Chapter 10.550 , Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major State project. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major State Project

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major State projects for the fiscal year ended September 30, 2021.

Other Matters

The results of our audit procedures disclose no instances of noncompliance, which are required to be reported in accordance with Chapter 10.550, Rules of the State of Florida, Office of the Auditor General.

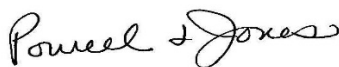
Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Pursuant to Chapter 119, *Florida Statutes*, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Town of Callahan, Florida's Management, State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Powell and Jones, CPA's
Lake City, Florida
May 20, 2022

Section 1. Summary of Auditor's Results

Financial statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted	No

State Financial Assistance

Internal control over major projects:	
Material weakness identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Rule 10.656, <i>Rules of the Auditor General</i>	No
Identification of major programs:	

CSFA Number

Name of Program

40.043

Florida Department of Economic Opportunity
Florida Job Growth Infrastructure Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Financial Statement Findings	None
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State Financial Assistance Findings and Questioned Cost	None
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MANAGEMENT LETTER

To the Honorable Mayor and
Members of the Town Commission
Town of Callahan, Florida

In planning and performing our audit of the financial statements of the Town of Callahan, Florida, for the year ended September 30, 2021, we considered the Town'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

2020-001 Incompatible Duties (Reported in previous audit as items 2019-001 and 2018-001)

In the prior year the prior auditor referenced that the Town had internal control weaknesses due to the situation where the person who billed utilities also collected payments and entered the payments into the accounting system.

The prior auditor recommended that "...steps should be taken to separate duties so that no person has access to both assets and the related accounting records, or to all phases of a transaction."

During the current year we could not find where this situation had been fully addressed, and we also recommend that greater control be implemented on these accounting functions.

2020-002 Financial statements (Reported in previous audit as items 2019-002 and 2018-002)

In the prior year the prior auditor commented that the Town did not have sufficiently skilled employees to perform year end closing procedures and prepare the annual financial statements.

During the current year the Town contracted with an accounting firm to perform these duties which substantially corrected this finding.

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 Town 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.

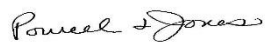
RURAL ECONOMIC AND COMMUNITY DEVELOPMENT REQUIREMENTS

We are providing the following additional information relative to our examination of the financial statements of the Town of Callahan, Florida, for the year ending September 30, 2021 as provided in the audit requirements for USDA-Rural Development borrowers.

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

CONCLUSION

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



POWELL & JONES
Certified Public Accountants
May 20, 2022

INDEPENDENT ACCOUNTANT'S REPORT

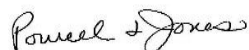
To the Honorable Mayor and
Members of the Town Commission
Town of Callahan, Florida

We have examined the Town of Callahan, 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 Town's compliance with those requirements. Our responsibility is to express an opinion on the Town'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 Town'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 Town's compliance with specified requirements.

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

This report is intended solely for the information and use of the Town of Callahan, 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
May 20, 2022

Communication with Those Charged with Governance

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

We have audited the financial statements of the Town of Callahan, 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 Town of Callahan, 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 Town of Callahan, 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.

Other Audit Findings or Issues

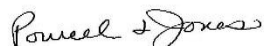
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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 Town Council and management of the Town of Callahan, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



POWELL & JONES
Certified Public Accountants
May 20, 2022



Chartered 1911

TOWN OF CALLAHAN

Post Office Box 5016 • Callahan, Florida 32011

June 28th 2022

RE: Response to Audit Findings from FY 2021-22 Audit

Finding 2020-001 (Incompatible Duties)

Condition: In the prior year the prior auditor referenced that the Town had internal control weakness due to the situation where the person who billed utilities also collected payments and entered the payments into the accounting system.

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

The billing is created thru a cloud-based program and the billing software vendor creates the bills and mails to customers. Majority of payments are made online or by credit/debit cards. Only about 25% of the payments are by check or cash. All cash deposits are verified by a second individual prior to making the deposit. The town has a camera system, of which two monitor the billing desk. The town currently is not able to increase staff due to budget constraints.



Michael A. Williams
Town Manager
Town of Callahan

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