

TOWN OF CROSS CITY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

Principal Officials as of the Financial Statement Date

TOWN COUNCIL

Kenneth Lee, Mayor

Jovante Teague, Vice Mayor

Angela Carter

Kirk Marhefka

Ryan Fulford

TOWN CLERK

Brenda Royal

TOWN MANAGER

John Driggers

**TOWN OF CROSS CITY, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2021**

Financial Section

Independent Auditors’ Report.....	1 - 3
Management’s Discussion and Analysis.....	4 - 7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	8
Statement of Activities.....	9
Fund Financial Statements	
Balance Sheet—Governmental Funds	10
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	11
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	13
Statement of Net Position – Proprietary Funds	14
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	15
Statement of Cash Flows – Proprietary Funds	16
Notes to Financial Statements	17 - 31
Required Supplementary Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	32
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	33
Schedule of Proportionate Share of Net Pension Liability – FRS/HIS	34
Schedule of Contributions – FRS/HIS	35

Compliance Section

Independent Auditors’ Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i>	36 - 37
Independent Auditors’ Management Letter Required by Chapter 10.550, Rules of the State of Florida Office of the Auditor General	38 - 40
Independent Accountants’ Examination Report.....	41
Management’s Response to Findings.....	42



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Town Council
Town of Cross City, Florida, 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 Cross City, 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

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 (1) unmodified audit opinion on the General Fund; and (2) qualified audit opinion on the governmental activities and business-type activities and Water & Sewer Fund.

Basis for Qualified Opinion on Governmental Activities, Business-type Activities, and Water & Sewer Fund

As discussed in Note (9) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities, business-type activities, and Water & Sewer Fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities and the business-type activities, and the Water & Sewer Fund has not been determined.

Qualified Opinion on the Governmental Activities, Business-type Activities, and Water & Sewer Fund

In our opinion, except for the effects of not implementing the provisions of GASB Statement No. 75, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the Water & Sewer Fund of the Town 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.

Unmodified Opinion on the General Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Town as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

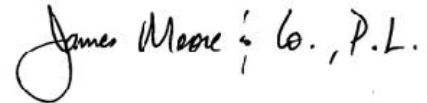
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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.

Management has omitted the schedule of changes in the Town's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements are not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Gainesville, Florida
June 20, 2022

**TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

This discussion and analysis of the Town of Cross City's financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the Town's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2021:

- The Town follows GASB Statement No. 68 and reported a net pension liability of \$448,427 at September 30, 2021.
- The Town's overall net position decreased by \$129,906. Net position of business-type activities decreased by \$247,024, while net position of governmental activities increased by \$117,118.
- Total ending unrestricted net position was \$2,920,523.

Overview of the basic Financial Statements

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

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

- Governmental funds – The General Fund is the Town’s only governmental fund. This fund is accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund’s financial position. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.
- Proprietary funds – The Water & Sewer Fund is the Town’s only proprietary fund. Proprietary funds are reported using the accrual basis of accounting and, accordingly, there is a correlation between the amounts reported in the fund financial statements and the amounts reported in the government-wide financial statements.

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

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Assets:						
Non-capital assets	\$1,367,654	\$1,456,575	\$ 4,019,441	\$ 4,153,918	\$ 5,387,095	\$ 5,610,493
Capital assets	1,308,863	1,266,437	15,725,435	15,197,907	17,034,298	16,464,344
Total assets	2,676,517	2,723,012	19,744,876	19,351,825	22,421,393	22,074,837
Deferred outflows	471,885	273,463	77,046	57,350	548,931	330,813
Liabilities:						
Current liabilities	76,123	104,585	374,259	382,201	450,382	486,786
Long-term liabilities	1,405,836	403,571	3,470,582	3,147,884	4,876,418	3,551,455
Total liabilities	1,481,959	508,156	3,844,841	3,530,085	5,326,800	4,038,241
Deferred inflow of resources:						
Pension related	26,519	731,277	4,330	153,363	30,849	884,640
Total deferred inflows	26,519	731,277	4,330	153,363	30,849	884,640
Net position:						
Net investment in capital assets	1,308,863	1,231,609	12,342,115	11,970,571	13,650,978	13,202,180
Restricted	-	1,275	1,285,123	1,319,933	1,285,123	1,321,208
Unrestricted	331,061	524,158	2,345,513	2,435,223	2,676,574	2,959,381
Total net position	\$1,639,924	\$1,757,042	\$15,972,751	\$15,725,727	\$17,612,675	\$17,482,769

TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2021	2020	2021	2020	2021
Program revenues:						
Charges for services	\$ 317,736	\$ 320,449	\$ 1,288,112	\$ 1,223,649	\$ 1,605,848	\$ 1,544,098
Operating grants & contributions	72,832	74,279	-	-	72,832	74,279
Capital grants & contributions	120,000	-	587,690	168,583	707,690	168,583
General revenues:						
Property taxes	197,586	197,718	-	-	197,586	197,718
Other taxes	625,905	662,691	-	-	625,905	662,691
Investment earnings	419	454	2,494	2,093	2,913	2,547
Miscellaneous	40,430	14,337	-	-	40,430	14,337
Gain (loss) on disposition of capital asset	19,042	-	-	-	19,042	-
Total revenues	1,393,950	1,269,928	1,878,296	1,394,325	3,253,204	2,664,253
Program expenses:						
General government	456,569	365,812	-	-	456,569	365,812
Public safety	498,216	395,833	-	-	498,216	395,833
Physical environment	295,655	270,870	-	-	295,655	270,870
Transportation	250,693	119,827	-	-	250,693	119,827
Human services	-	12,000	-	-	-	12,000
Culture and recreation	33,105	33,468	-	-	33,105	33,468
Water & sewer	-	-	1,557,833	1,596,349	1,557,833	1,596,349
Total expenses	1,534,238	1,197,810	1,557,833	1,596,349	3,092,071	2,794,159
Transfers	-	45,000	-	(45,000)	-	-
Change in net position	(140,288) [█]	117,118	320,463 [█]	(247,024)	180,175	(129,906)
Beginning net position	1,780,212	1,639,924	15,652,288	15,972,751	17,432,500	17,612,675
Ending net position	\$1,639,924	\$1,757,042	\$15,972,751	\$15,725,727	\$17,612,675	\$17,482,769

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$394,728 in program revenues and \$920,200 of general revenues and transfers in, and incurred \$1,197,810 of expenses. This resulted in a \$117,118 increase in net position.

Business-type Activities

Revenues of the Water & Sewer Fund were \$1,394,325 compared to expenses of \$1,596,349 and transfers out of \$45,000. This resulted in a decrease in net position of \$247,024.

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$70,782 from \$1,328,279 to \$1,399,061.

TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021
(Continued)

Water & Sewer Fund

The Water & Sewer Fund's net position decreased by \$247,024, from \$15,972,751 to \$15,725,727.

BUDGETARY HIGHLIGHTS

There was no change between the original and final budgets for the General Fund.

Revenues of the General Fund were less than budgeted amounts by \$2,609,824.

The Town had anticipated receiving various grants totaling \$2,755,000 that were not funded in the current fiscal year.

General Fund expenditures were less than budgeted amounts by \$2,970,014. This was largely a result of the unfunded grants discussed above and \$100,000 of fire department capital outlay which was postponed.

Reference the above comment with regards to budget expenditure variations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town purchased a new vehicle for its police department in the amount of \$42,890. The Town had expended \$591,824, in the prior year, on sewer and water line extension projects that were reported as construction in process. The Town expended \$86,355 to complete the projects in the current fiscal year. The total projects were capitalized at a cost of \$678,179. For further information on smaller purchases, please refer to the note to the accompanying financial statements entitled *Capital Assets*.

Debt Administration

The Town's long-term debt was reduced by \$163,796 during the current year. Please refer to the note to the accompanying financial statement entitled *Long-term Debt* for more detailed information about the Town's debt activity.

ECONOMIC FACTORS

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

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Town Hall at PO Box 417, Cross City, Florida.

TOWN OF CROSS CITY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,243,264	\$ 2,273,216	\$ 3,516,480
Investments	153,558	327,150	480,708
Receivables, net	27,877	180,910	208,787
Internal balances	(29,353)	29,353	-
Due from other governments	56,964	-	56,964
Inventories	-	12,553	12,553
Prepays	4,265	3,057	7,322
Restricted assets:			
Cash and cash equivalents	-	1,327,679	1,327,679
Capital assets:			
Depreciable, net	995,125	13,829,836	14,824,961
Non-depreciable	271,312	1,368,071	1,639,383
Total assets	<u>\$ 2,723,012</u>	<u>\$ 19,351,825</u>	<u>\$ 22,074,837</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 273,463</u>	<u>\$ 57,350</u>	<u>\$ 330,813</u>
LIABILITIES			
Accounts payable	\$ 34,929	\$ 42,563	\$ 77,492
Accrued expenses	22,534	9,874	32,408
Customer deposits	-	133,002	133,002
Unearned revenue	51	13,801	13,852
Accrued interest payable	-	7,746	7,746
Noncurrent liabilities:			
Due within one year:			
Bonds and Notes payable	10,475	160,152	170,627
Compensated absences	36,596	15,063	51,659
Due in more than one year:			
Bonds and Notes payable	24,353	3,067,184	3,091,537
Compensated absences	8,531	2,960	11,491
Net pension liability	370,687	77,740	448,427
Total liabilities	<u>\$ 508,156</u>	<u>\$ 3,530,085</u>	<u>\$ 4,038,241</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 731,277</u>	<u>\$ 153,363</u>	<u>\$ 884,640</u>
Total deferred inflows	<u>\$ 731,277</u>	<u>\$ 153,363</u>	<u>\$ 884,640</u>
NET POSITION			
Net investment in capital assets	\$ 1,231,609	\$ 11,970,571	\$ 13,202,180
Restricted for:			
Debt service	-	332,578	332,578
Construction	-	987,355	987,355
Transportation	40,133	-	40,133
Unrestricted	485,300	2,435,223	2,920,523
Total net position	<u>\$ 1,757,042</u>	<u>\$ 15,725,727</u>	<u>\$ 17,482,769</u>

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

**TOWN OF CROSS CITY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	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
Governmental activities:							
General government	\$ 365,812	\$ -	\$ -	\$ -	\$ (365,812)	\$ -	\$ (365,812)
Public safety	395,833	30,000	-	-	(365,833)	-	(365,833)
Physical environment	270,870	290,449	-	-	19,579	-	19,579
Transportation	119,827	-	74,279	-	(45,548)	-	(45,548)
Human services	12,000	-	-	-	(12,000)	-	(12,000)
Culture and recreation	33,468	-	-	-	(33,468)	-	(33,468)
Total governmental activities	<u>1,197,810</u>	<u>320,449</u>	<u>74,279</u>	<u>-</u>	<u>(803,082)</u>	<u>-</u>	<u>(803,082)</u>
Business-type activities:							
Water and sewer	1,596,349	1,223,649	-	168,583	-	(204,117)	(204,117)
Total business-type activities	<u>1,596,349</u>	<u>1,223,649</u>	<u>-</u>	<u>168,583</u>	<u>-</u>	<u>(204,117)</u>	<u>(204,117)</u>
Total primary government	<u>\$ 2,794,159</u>	<u>\$ 1,544,098</u>	<u>\$ 74,279</u>	<u>\$ 168,583</u>	<u>(803,082)</u>	<u>(204,117)</u>	<u>(1,007,199)</u>
General revenues:							
Property taxes					197,718	-	197,718
Sales and use taxes					135,419	-	135,419
Franchise and utility taxes					120,092	-	120,092
Public service taxes					213,632	-	213,632
Other taxes					1,596	-	1,596
State revenue sharing					159,292	-	159,292
Other intergovernmental revenues					32,660	-	32,660
Investment earnings (loss)					454	2,093	2,547
Miscellaneous revenues					14,337	-	14,337
Transfers					45,000	(45,000)	-
Total general revenues					<u>920,200</u>	<u>(42,907)</u>	<u>877,293</u>
Change in net position					117,118	(247,024)	(129,906)
Net position - beginning					1,639,924	15,972,751	17,612,675
Net position - ending					<u>\$ 1,757,042</u>	<u>\$ 15,725,727</u>	<u>\$ 17,482,769</u>

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

**TOWN OF CROSS CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,243,264
Investments	153,558
Receivables, net	27,877
Due from other governments	56,964
Prepaid items	4,265
Total assets	\$ 1,485,928
LIABILITIES	
Accounts payable	\$ 34,929
Accrued expenses	22,534
Unearned revenue	51
Due to other funds	29,353
Total liabilities	86,867
FUND BALANCES	
Nonspendable:	
Prepaid items	4,265
Restricted for:	
Transportation	40,133
Assigned to:	
Subsequent year's budget	261,650
Unassigned	1,093,013
Total fund balances	1,399,061
Total liabilities and fund balances	\$ 1,485,928

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

**TOWN OF CROSS CITY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

Fund balances - total governmental funds		\$ 1,399,061
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		
Total governmental capital assets	3,476,408	
Less: accumulated depreciation	<u>(2,209,971)</u>	1,266,437
On the governmental fund statements, a net pension liability is not recorded unless an amount is due and payable. On the statement of net position, the Town's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally deferred outflows and deferred inflows related to pensions are also reported		
Net pension liability	(370,687)	
Deferred outflows related to pensions	273,463	
Deferred inflows related to pensions	<u>(731,277)</u>	(828,501)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following		
Bonds and notes payable	(34,828)	
Compensated absences	<u>(45,127)</u>	(79,955)
Net position of governmental activities		<u><u>\$ 1,757,042</u></u>

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

TOWN OF CROSS CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund
Revenues	
Taxes	\$ 622,644
Licenses, permits, and special assessments	120,092
Intergovernmental	191,952
Charges for services	320,449
Miscellaneous	14,791
Total revenues	1,269,928
Expenditures	
Current:	
General government	408,757
Public safety	422,688
Physical environment	289,307
Transportation	80,618
Human services	12,000
Culture and recreation	6,228
Capital outlay	58,576
Debt service	
Principal	7,812
Interest and fiscal charges	800
Total expenditures	1,286,786
Excess (deficiency) of revenues over expenditures	(16,858)
Other financing sources (uses)	
Transfers in	45,000
Issuance of debt	42,640
Total other financing sources (uses)	87,640
Net change in fund balances	70,782
Fund balances, beginning of year	1,328,279
Fund balances, end of year	\$ 1,399,061

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

**TOWN OF CROSS CITY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net change in fund balances - total governmental funds	\$ 70,782
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives:	
Capital outlay expenditures	58,576
Depreciation expense	(101,002)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position:	
Principal repayment of general long-term debt	7,812
Proceeds from debt issuance	(42,640)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plan reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized:	
Change in net pension liability (asset) and deferred inflows/outflows related to pension	127,277
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:	
Change in compensated absences liability	(3,687)
Change in net position of governmental activities	\$ 117,118

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

**TOWN OF CROSS CITY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021**

	Water & Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,273,216
Restricted cash	167,898
Accounts receivable, net	180,910
Inventory	12,553
Prepaid items	3,057
Due from other funds	29,353
Total current assets	2,666,987
Noncurrent assets:	
Restricted cash	1,159,781
Unrestricted investments	327,150
Capital assets:	
Land	1,368,071
Buildings and improvements	538,161
Infrastructure (other than buildings)	24,460,561
Equipment	340,130
Accumulated depreciation	(11,509,016)
Total noncurrent assets	16,684,838
Total assets	\$ 19,351,825
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	\$ 57,350
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 42,563
Accrued expenses	9,874
Deposits	133,002
Unearned revenue	13,801
Compensated absences	15,063
Payable from restricted assets:	
Accrued interest payable	7,746
Current maturities on long-term debt	160,152
Total current liabilities	382,201
Noncurrent liabilities:	
Bonds and notes payable	3,067,184
Compensated absences	2,960
Net pension liability	77,740
Total noncurrent liabilities	3,147,884
Total liabilities	\$ 3,530,085
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	\$ 153,363
Total deferred inflows	\$ 153,363
NET POSITION	
Net investment in capital assets	\$ 11,970,571
Restricted for:	
Debt service	332,578
Construction	987,355
Unrestricted	2,435,223
Total net position	\$ 15,725,727

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

TOWN OF CROSS CITY, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Water & Sewer Fund</u>
Operating revenues	
Charges for services	\$ 1,212,874
Miscellaneous income	10,775
Total operating revenues	<u>1,223,649</u>
Operating expenses	
Personnel services	321,417
Contractual services	570,261
Depreciation	613,883
Total operating expenses	<u>1,505,561</u>
Operating income (loss)	<u>(281,912)</u>
Nonoperating revenues (expenses)	
Interest earnings	2,093
Interest expense	(90,788)
Total nonoperating revenues (expenses)	<u>(88,695)</u>
Income (loss) before capital contributions and transfers	<u>(370,607)</u>
Capital grants	167,183
Capital contributions and impact fees	1,400
Transfers out	(45,000)
Change in net position	<u>(247,024)</u>
Net position , beginning of year	15,972,751
Net position , end of year	<u><u>\$ 15,725,727</u></u>

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

**TOWN OF CROSS CITY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Water & Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 1,364,286
Cash paid to employees	(313,221)
Cash paid to suppliers	(569,788)
Net cash provided by (used in) operating activities	481,277
Cash flows from noncapital financing activities	
Interfund transfers	(45,000)
Interfund loans	(30,755)
Net cash provided by (used in) noncapital financing activities	(75,755)
Cash flows from capital and related financing activities	
Capital contributions and impact fees	1,400
Acquisition and construction of capital assets	(86,355)
Capital grants	167,183
Principal payments of long-term debt	(155,984)
Interest paid	(91,343)
Net cash provided by (used in) capital and related financing activities	(165,099)
Cash flows from investing activities	
Interest received	1,304
Net cash provided by (used in) investing activities	1,304
Net change in cash and cash equivalents	241,727
Cash and cash equivalents, beginning of year	3,359,168
Cash and cash equivalents, end of year	\$ 3,600,895
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (281,912)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	613,883
Changes in assets and liabilities:	
Accounts receivable	(18,970)
Due from other governments	144,532
Inventories and prepaids	9,410
Accounts payable and accrued expenses	(8,937)
Deposits	10,220
Unearned revenue	4,855
Compensated absences	(9,503)
Net pension liability	17,699
Net cash provided by (used in) operating activities	\$ 481,277
Cash and cash equivalents classified as:	
Unrestricted	\$ 2,273,216
Restricted	1,327,679
Total cash and cash equivalents	\$ 3,600,895

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

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) Summary of Significant Accounting Policies:

The financial statements of the Town of Cross City, Florida (the Town), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies:

(a) **Reporting entity**—The Town of Cross City, Florida (the "Town"), was established under Section 10426, Laws of Florida, in 1925.

As required by generally accepted accounting principles, the accompanying financial statements present the Town as a primary government. Component units are entities for which the Town is considered to be financially accountable or entities that would be misleading to exclude. There are no blended or discretely presented component units included in the Town's financial reporting.

(b) **Government-wide and fund financial statements**—The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues.

Generally, internal interfund activity has been eliminated from the government-wide financial statements. However, charges between the Town's water and sewer fund and other governmental functions are not eliminated because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Net Position reports the Town's financial position as of the end of the fiscal year. In this statement, the Town's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The Statement of Activities is displayed using a net cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: charges for services that are directly related to a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and other revenues not properly included among program revenues.

(c) **Measurement focus and basis of accounting**—The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax 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. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, 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 and available only when cash is received by the government.

(d) **Financial statement presentation**—The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Town reports the following major governmental fund:

The **General Fund** accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Town other than proprietary fund activities are financed through revenues received by the General Fund.

The Town reports the following major proprietary fund:

The **Water & Sewer Fund** accounts for the financial activities of the Town's water and sewer system.

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting.

**TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(g) **Deposits and investments**—The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

(h) **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 either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled accounts receivable are accrued by the Town at year-end to recognize the sales revenues earned through the end of the fiscal year. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the Town.

Capital assets are defined by the Town as assets with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings and improvements	30 years
Furniture and equipment	3 – 10 years
Water and sewer system	40 – 50 years

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Compensated absences**—The Town’s personnel policies allow for limited vesting of employee vacation pay and accumulated sick leave. The liability for compensated absences is accrued when incurred in the government-wide financial statements. In the fund financial statements, for the General Fund, a liability for compensated absences is reported to the extent that the liability will be liquidated with expendable available financial resources.

(k) **Property taxes**—The Dixie County Tax Collector bills and collects property taxes for the Town. In governmental funds, property tax revenues are recognized when levied, to the extent that they result in current receivables.

Lien Date	January 1
Levy Date:	October 1
Due Date:	March 31, of the following year
Delinquency Date:	April 1, of the following year

(l) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs are expensed when paid.

(m) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, 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. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (8).

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 or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the one item in this category is deferred inflows of resources related to pensions, as discussed further in Note (8).

(n) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as the fund balance of the permanent fund which was restricted in perpetuity by referendum.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(1) **Summary of Significant Accounting Policies:** (Continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the Town Council are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the Town Council or (b) a body or official to which the Town Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the Town's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(o) **Net position flow assumption**—Sometimes, the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Town's policy to consider restricted net position to have been used before unrestricted net position is applied.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(3) Deposits and Investments:

The Town's cash and cash equivalents and investments consist of legally authorized demand deposits and certificates of deposit. The institutions in which these deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, in addition to applicable Federal Depository Insurance Corporation (FDIC) insurance, these balances on deposit at September 30, 2021, are insured or collateralized through the Bureau of Collateral Management, Florida Department of Financial Services.

State statutes authorize the Town to invest excess funds in time deposits, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

The Town held no assets or investments carried at fair value at September 30, 2021, and subject to the required disclosures of GASB 72. All of the Town's investments were comprised of certificates of deposits, recorded at cost plus accrued interest, which approximates fair value.

(4) Accounts Receivable:

The Town's accounts receivable consists of the following at September 30, 2021:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 27,877	\$ -	\$ 27,877
Totals – Governmental Type Activities	27,877	-	27,877
Business-Type Activities			
Water & Sewer Fund			
Accounts receivable	240,910	(60,000)	180,910
Totals – Business-Type Activities	240,910	(60,000)	180,910
Totals	\$ 268,787	\$ (60,000)	\$ 208,787

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(5) Capital Assets:

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

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 256,951	\$ 5,100	\$ -	\$ 262,051
Construction in progress	9,261	-	-	9,261
Total assets not being depreciated	<u>266,212</u>	<u>5,100</u>	<u>-</u>	<u>271,312</u>
Capital assets being depreciated:				
Building improvements	444,691	-	-	444,691
Land improvements	1,242,145	-	-	1,242,145
Furniture and equipment	1,464,784	53,476	-	1,518,260
Total assets being depreciated	<u>3,151,620</u>	<u>53,476</u>	<u>-</u>	<u>3,205,096</u>
Less: accumulated depreciation	<u>(2,108,969)</u>	<u>(101,002)</u>	<u>-</u>	<u>(2,209,971)</u>
Total capital assets being depreciated, net	<u>1,042,651</u>	<u>(47,526)</u>	<u>-</u>	<u>995,125</u>
Governmental activities capital assets, net	<u>\$ 1,308,863</u>	<u>\$ (42,426)</u>	<u>\$ -</u>	<u>\$ 1,266,437</u>

Business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,368,071	\$ -	\$ -	\$ 1,368,071
Construction in progress	591,824	86,355	(678,179)	-
Total assets not being depreciated	<u>1,959,895</u>	<u>86,355</u>	<u>(678,179)</u>	<u>1,368,071</u>
Capital assets being depreciated:				
Buildings and improvements	538,161	-	-	538,161
Furniture and equipment	340,130	-	-	340,130
Water plant	14,170,209	146,825	-	14,317,034
Sewer plant	9,612,173	531,354	-	10,143,527
Total assets being depreciated	<u>24,660,673</u>	<u>678,179</u>	<u>-</u>	<u>25,338,852</u>
Less: accumulated depreciation	<u>(10,895,133)</u>	<u>(613,883)</u>	<u>-</u>	<u>(11,509,016)</u>
Total capital assets being depreciated, net	<u>13,765,540</u>	<u>64,296</u>	<u>-</u>	<u>13,829,836</u>
Business-type activities capital assets, net	<u>\$ 15,725,435</u>	<u>\$ 150,651</u>	<u>\$ (678,179)</u>	<u>\$ 15,197,907</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 13,413
Public safety	20,605
Public environment	535
Transportation	39,209
Culture and recreation	27,240
Total depreciation expense - governmental activities	<u>\$ 101,002</u>
Business-type activities:	
Water and sewer	\$ 613,883
Total depreciation expense - business-type activities	<u>\$ 613,883</u>

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(6) Long-Term Debt:

For the fiscal year ended September 30, 2021, a summary of the long-term liability transactions for the Town is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ -	\$ 42,640	\$ (7,812)	\$ 34,828	\$ 10,475
Compensated absences	41,440	49,541	(45,854)	45,127	36,596
Governmental activities – Total long-term liabilities	<u>\$ 41,440</u>	<u>\$ 92,181</u>	<u>\$ (53,666)</u>	<u>\$ 79,955</u>	<u>\$ 47,071</u>
Business-type activities:					
Bonds payable	\$ 2,846,000	\$ -	\$ (116,000)	\$ 2,730,000	\$ 119,000
Notes payable	537,320	-	(39,984)	497,336	41,152
Compensated absences	27,526	18,623	(28,126)	18,023	15,063
Business-type activities – Total long-term liabilities	<u>\$ 3,410,846</u>	<u>\$ 18,623</u>	<u>\$ (184,110)</u>	<u>\$ 3,245,359</u>	<u>\$ 175,215</u>

Annual debt service requirements to maturity for the Town’s bonds and notes payable are as follows:

<u>Governmental-type Activities</u>			
<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 10,475	\$ 1,007	\$ 11,482
2023	10,831	651	11,482
2024	11,200	282	11,482
2025	2,322	11	2,333
Total	<u>\$ 34,828</u>	<u>\$ 1,951</u>	<u>\$ 36,779</u>
<u>Business-type Activities</u>			
<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 160,152	\$ 85,529	\$ 245,681
2023	167,368	79,206	246,574
2024	176,605	72,567	249,172
2025	183,879	65,500	249,379
2026	124,190	58,074	182,264
2027-2031	600,994	237,418	838,412
2032-2036	361,148	176,397	537,545
2037-2041	374,000	138,847	512,847
2042-2046	418,000	97,156	515,156
2047-2051	463,000	50,979	513,979
2052-2053	198,000	6,333	204,333
Total	<u>\$ 3,227,336</u>	<u>\$ 1,068,006</u>	<u>\$ 4,295,342</u>

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(6) **Long-Term Debt:** (Continued)

Long-term debt in the Town's governmental-type activities at September 30, 2021, are comprised of the following obligation:

Note payable, dated January 13, 2021, due in monthly payments of \$957, including interest at 3.35% through January 13, 2025.	\$ 34,828
Total notes payable	<u>\$ 34,828</u>

Long-term debt in the Town's business-type activities at September 30, 2021, are comprised of the following obligations:

State Revolving Fund note payable, dated March 24, 1999, due in semiannual payments of \$27,645, including interest at 2.58% to 2.99% through May 15, 2033. Repayment of loan balance is secured by a pledge of water and sewer revenues.	\$ 497,336
Water and Sewer Bonds (1986 Series); Due in installments of \$7,000 to \$62,000, from September 1, 1988 through September 1, 2025; interest at 6.250%; Repayment of loan balance is secured by a pledge of water and sewer revenues.	225,000
Water and Sewer Bonds (1988 Series); Due in installments of \$4,000 to \$24,000, from September 1, 1990 through September 1, 2028; interest at 5.000%; Repayment of loan balance is secured by a pledge of water and sewer revenues.	143,000
Water and Sewer Bonds (2013 Series); Due in installments of \$44,000 to \$65,000, from September 1, 2014 through September 1, 2053; interest at 2.125%. Repayment of loan balance is secured by a pledge of water and sewer revenues.	2,362,000
Total revenue bonds and notes payable	<u>\$ 3,227,336</u>

The Town was in compliance with all applicable debt covenants as of and for the year ended September 30, 2021.

(7) **Interfund Balances and Transfers:**

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2021, are comprised of the following:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Governmental Activities:		
General Fund:		
Water and Sewer Fund:	\$ -	\$ 29,353
Business-Type Activities:		
Water and Sewer Fund:		
General Fund	29,353	-
Total – All Funds	<u>\$ 29,353</u>	<u>\$ 29,353</u>

For the year ended September 30, 2021, the Water and Sewer Fund transferred \$45,000 to the General Fund to subsidize operating costs.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(8) Employees' Retirement Plans:

A. Florida Retirement System

Plan Description and Administration

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined public employee retirement system which covers all of the entity's full-time employees. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(8) Employees' Retirement Plans: (Continued)

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Annual Comprehensive Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
 Division of Retirement
 P.O. Box 9000
 Tallahassee, FL 32315-9000
 850-488-5706 or toll free at 877-377-1737

Contributions

The entity participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at September 30, 2021, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2021	After June 30, 2021
Regular Class	10.00%	10.82%
Special Risk Class	24.45%	25.89%
Senior Management	27.29%	29.01%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, which are included in the above rates.

For the plan year ended June 30, 2021, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	\$ 117,040
Entity Contributions – HIS	10,367
Employee Contributions – FRS	18,736

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(8) **Employees' Retirement Plans:** (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At September 30, 2021, the entity reported a liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ (232,074)
HIS	(216,353)
Total	<u>\$ (448,427)</u>

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 that date. The entity's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2021 and June 30, 2020, the entity's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2021</u>	<u>2020</u>
FRS	0.003072252%	0.003283812%
HIS	0.001763767%	0.001692582%

For the year ended June 30, 2021, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 7,018
HIS	13,508
Total	<u>\$ 20,526</u>

Deferred outflows/inflows related to pensions:

At September 30, 2021, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 39,778	\$ -	\$ 7,240	\$ (91)
Changes of assumptions	158,796	-	17,000	(8,914)
Net difference between projected and actual investment earnings	-	(809,647)	226	-
Change in Town's proportionate share	64,052	(60,734)	7,160	(5,254)
Contributions subsequent to measurement date	33,813	-	2,748	-
	<u>\$ 269,439</u>	<u>\$ (870,381)</u>	<u>\$ 34,374</u>	<u>\$ (14,259)</u>

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(8) Employees' Retirement Plans: (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from entity contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	FRS	HIS	Total
2022	\$ (100,245)	\$ 3,607	\$ (96,638)
2023	(117,184)	1,245	(115,939)
2024	(165,451)	3,007	(162,444)
2025	(218,075)	4,433	(213,642)
2026	(6,800)	4,009	(2,791)
Thereafter	-	1,066	1,066
Total	\$ (607,755)	\$ 17,367	\$ (590,388)

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS 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 was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal 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 investments is 6.80%. This rate did not change from the prior year rate. 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 HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 2.21%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2021, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(8) **Employees' Retirement Plans:** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.1%
Fixed income	20.0%	3.8%
Global equities	54.2%	8.2%
Real estate	10.3%	7.1%
Private equity	10.8%	11.7%
Strategic investments	3.7%	5.7%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the entity calculated using the current discount rates, as well as what the entity's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.80%	\$ 1,037,849	\$ 232,074	\$ (441,464)
HIS	2.16%	250,125	216,353	188,684

(9) **Other Postemployment Benefits:**

The Town provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits. The Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

(10) **Risk Management:**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The Town is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Town's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the Town.

(11) **Contingencies and Uncertainties:**

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

The Town is involved in various legal proceedings incidental to the conduct of its affairs. It is the Town's policy to accrue for amounts related to these legal matters if it is possible that a liability has been incurred and an amount is reasonably estimable. At September 30, 2021, no amounts have been accrued.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

(12) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Town’s financial statements:

- (a) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.

- (b) GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The provisions in GASB 96 are effective for periods beginning after June 15, 2022.

TOWN OF CROSS CITY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget -
				Positive
				(Negative)
Revenues				
Taxes	\$ 548,788	\$ 548,788	\$ 622,644	\$ 73,856
Licenses, permits, and special assessments	100,000	100,000	120,092	20,092
Intergovernmental	2,936,814	2,936,814	191,952	(2,744,862)
Charges for services	285,200	285,200	320,449	35,249
Fines and forfeitures	3,450	3,450	-	(3,450)
Miscellaneous	5,500	5,500	14,791	9,291
Total revenues	<u>3,879,752</u>	<u>3,879,752</u>	<u>1,269,928</u>	<u>(2,609,824)</u>
Expenditures				
Current:				
General government	439,700	439,700	408,757	30,943
Public safety	1,312,000	1,312,000	422,688	889,312
Physical environment	262,500	262,500	289,307	(26,807)
Transportation	2,048,100	2,048,100	80,618	1,967,482
Culture and recreation	11,000	11,000	6,228	4,772
Human services	4,000	4,000	12,000	(8,000)
Contingency	50,000	50,000	-	50,000
Capital outlay	115,500	115,500	58,576	56,924
Debt Service:				
Principal	12,000	12,000	7,812	4,188
Interest and fiscal charges	2,000	2,000	800	1,200
Total expenditures	<u>4,256,800</u>	<u>4,256,800</u>	<u>1,286,786</u>	<u>2,970,014</u>
Excess (deficiency) of revenues over expenditures	<u>(377,048)</u>	<u>(377,048)</u>	<u>(16,858)</u>	<u>360,190</u>
Other financing sources (uses)				
Transfers in	25,000	25,000	45,000	20,000
Issuance of debt	-	-	42,640	42,640
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>87,640</u>	<u>62,640</u>
Net change in fund balances	<u>(352,048)</u>	<u>(352,048)</u>	<u>70,782</u>	<u>422,830</u>
Fund balances, beginning of year	1,328,279	1,328,279	1,328,279	-
Fund balances, end of year	<u>\$ 976,231</u>	<u>\$ 976,231</u>	<u>\$ 1,399,061</u>	<u>\$ 422,830</u>

The accompanying notes to schedule of revenues, expenditures, and changes in fund balance - budget and actual - general fund are an integral part of this schedule.

**TOWN OF CROSS CITY, FLORIDA
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2021**

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

1. Prior to September 1, the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance.
4. Any revision that alters the expenditures of any fund must be approved by the Town Council. The fund is the legal level of control.

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

TOWN OF CROSS CITY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)							
Proportion of the net pension liability	0.003072252%	0.003283812%	0.003105879%	0.003134676%	0.002630915%	0.002723169%	0.002677384%
Proportionate share of the net pension liability	\$ 232,074	\$ 1,423,253	\$ 1,069,622	\$ 944,181	\$ 778,474	\$ 687,602	\$ 345,820
Covered employee payroll	624,545	587,564	564,067	562,184	568,877	551,251	549,337
Proportionate share of the net pension liability as a percentage of covered employee payroll	37.16%	242.23%	189.63%	167.95%	136.84%	124.73%	62.95%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)							
Proportion of the net pension liability	0.001763767%	0.001692582%	0.001686239%	0.001720856%	0.001760723%	0.001783402%	0.001810712%
Proportionate share of the net pension liability	\$ 216,353	\$ 206,661	\$ 188,673	\$ 182,137	\$ 188,265	\$ 207,848	\$ 184,664
Covered employee payroll	624,545	587,564	564,067	562,184	568,877	551,251	549,337
Proportionate share of the net pension liability as a percentage of covered employee payroll	34.64%	35.17%	33.45%	32.40%	33.09%	37.70%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

**TOWN OF CROSS CITY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)**

	As of the Plan Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)							
Contractually required contribution	\$ 119,652	\$ 109,107	\$ 96,305	\$ 89,336	\$ 70,814	\$ 68,753	\$ 64,753
Contributions in relation to the contractually required contribution	(119,652)	(109,107)	(96,305)	(89,336)	(70,814)	(68,753)	(64,753)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 629,692	\$ 587,564	\$ 564,067	\$ 562,184	\$ 568,877	\$ 551,251	\$ 549,337
Contributions as a percentage of covered payroll	19.00%	18.57%	17.07%	15.89%	12.45%	12.47%	11.79%
Health Insurance Subsidy Program (HIS)							
Contractually required contribution	\$ 10,453	\$ 9,754	\$ 9,364	\$ 9,332	\$ 9,094	\$ 9,484	\$ 7,341
Contributions in relation to the contractually required contribution	(10,453)	(9,754)	(9,364)	(9,332)	(9,094)	(9,484)	(7,341)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 629,692	\$ 587,564	\$ 564,067	\$ 562,184	\$ 568,877	\$ 551,251	\$ 549,337
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

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

To the Honorable Mayor and Town Council,
Town of Cross City, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Cross City, 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, and have issued our report thereon dated June 20, 2022.

As discussed in Note (9) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and the water and sewer fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and the water and sewer fund, has not been determined.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

2021-001 – Segregation of Duties (Repeat Comment)

Due to the limited number of people working for the Town, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To mitigate the risk of error and fraud, key financial duties should be segregated to the extent possible.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 financial statements. 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*.

Town's Response to Recommendations

The Town's responses to the recommendations identified in our audit are described in the management's response as listed in the table of contents. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Gainesville, Florida
June 20, 2022



**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor and Town Council,
Town of Cross City, Florida:

Report on the Financial Statements

We have audited the financial statements of the Town of Cross City, Florida (the Town), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 20, 2022.

As discussed in Note (9) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and the water and sewer fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and the water and sewer fund, has not been determined.

Auditors' Responsibility

We conducted our audit 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 20, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Comment 2019-001 remains uncorrected from the second preceding audit report. The following is a summary of all findings and recommendations reported in the preceding annual financial audit report:

2020-001 – Segregation of Duties – Corrective action not taken. See repeat recommendation 2021-001. Previously reported as 2020-001 and 2019-001.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority for the primary government of the reporting entity is disclosed in Note 1 of the basic financial statements.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the following recommendation:

2021-002 – Impact Fee Accounting

At year-end, the Town's impact fees were not being recorded in a separate fund. In fiscal year 2021, the State of Florida adopted a bill modifying Section 163.31801 (4b), Florida Statutes, which requires impact fees to be recorded in a separate accounting fund. We recommend the Town transition its impact fees to a separate fund in fiscal year 2022 and in the fiscal year 2023 budget process.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units; therefore, we noted no special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

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

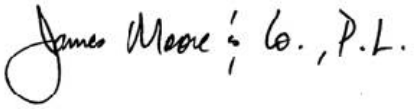
Town's Response to Recommendations

The Town's responses to the recommendations identified in our audit are described in the management's response as listed in the table of contents. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and State granting agencies, the Town Council, management, and others within the Town and is not intended to be and should not be used by anyone other than these specified parties.

Gainesville, Florida
June 20, 2022

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.



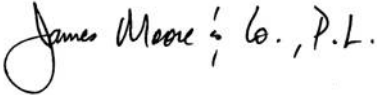
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor and Town Council,
Town of Cross City, Florida

We have examined the Town of Cross City, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Town complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021, in all material respects. An examination involves performing procedures to obtain evidence about the Town's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

James Moore & Co., P.L.

Gainesville, Florida
June 20, 2022

AUDITEE'S RESPONSE TO:
Independent Auditors' Management Letter
June 20, 2022

2021-001 Segregation of Duties (Repeat Comment)

Due to the limited number of people working for the Town, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

RESPONSE to 2021-001: Segregation of Duties. In the future, should the Town budget and practicality provide the opportunity for increased staffing, critical duties relative to accounting functions could be segregated, providing an opportunity for more checks and balances.

2021-002 – Impact Fee Accounting

At year-end, the Town's impact fees were not being recorded in a separate fund. In fiscal year 2021, the State of Florida adopted a bill modifying Section 163.31801 (4b), Florida Statutes, which requires impact fees to be recorded in a separate accounting fund. We recommend the Town transition its impact fees to a separate fund in fiscal year 2022 and in the fiscal year 2023 budget process.

RESPONSE to 2021-002: Impact Fee Accounting. In the future, the Town will transition impact fees to a separate fund in the fiscal year 2022 and in the fiscal year 2023 budget process.