

CITY OF FANNING SPRINGS, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2021

CITY OF FANNING SPRINGS, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2021

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INTRODUCTORY SECTION

CITY OF FANNING SPRINGS, FLORIDA

LIST OF PRINCIPAL OFFICIALS

September 30, 2021

MAYOR

Howell E. Lancaster, III

CITY CLERK

Sheila Watson

CITY COUNCIL

Tommy Darus

Ginger Russell

Jane Jones-Redd

Ray Tremblay

John T. McDonald

CITY ATTORNEY

Michael O'Steen of O'Steen Law

FINANCIAL STATEMENTS



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

1359 S.W. Main Blvd.
Lake City, Florida 32025
386 / 755-4200
Fax: 386 / 719-5504
admin@powellandjonescpa.com

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Fanning Springs, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Fanning Springs, Florida, as of September 30, 2021, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Florida Institute of Certified Public Accountants • American Institute of Certified Public Accountants

Other Matters

Required Supplementary Information

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

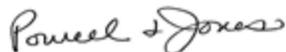
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Fanning Springs, Florida's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis, as required by Chapter 10.550, *Rules of the State of Florida Office of the Auditor General*, and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2022, on our consideration of the City of Fanning Springs, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fanning Springs, Florida's internal control over financial reporting and compliance.



POWELL & JONES
Certified Public Accountants
June 17, 2022

CITY OF FANNING SPRINGS, FLORIDA Management's Discussion and Analysis

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

Report Layout

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

Basic Financial Statements

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

- The MD&A is intended to serve as an introduction to the City's basic financial statements and to explain the significant changes in financial position and differences in operations between the current and prior years.

City as a Whole

Government-wide Financial Statements

Net Position at September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Non-capital assets	\$ 688,246	\$ 448,124	\$ 361,627	\$ 861,389	\$ 1,049,873	\$ 1,309,513
Capital assets	1,380,079	1,049,047	14,816,278	14,307,962	16,196,357	15,357,009
Total assets	<u>2,068,325</u>	<u>1,497,171</u>	<u>15,177,905</u>	<u>15,169,351</u>	<u>17,246,230</u>	<u>16,666,522</u>
Deferred outflows	<u>125,984</u>	<u>186,097</u>	<u>23,998</u>	<u>35,448</u>	<u>149,982</u>	<u>221,545</u>
Liabilities						
Current liabilities	443,469	206,300	225,867	167,383	669,336	373,683
Long term liabilities	148,163	527,645	2,613,200	2,685,184	2,761,363	3,212,829
Total liabilities	<u>591,632</u>	<u>733,945</u>	<u>2,839,067</u>	<u>2,852,567</u>	<u>3,430,699</u>	<u>3,586,512</u>
Deferred inflows	<u>281,758</u>	<u>4,217</u>	<u>53,668</u>	<u>11,077</u>	<u>335,426</u>	<u>15,294</u>
Net position						
Invested in capital assets, net of related debt	1,357,982	1,040,871	12,130,278	11,623,962	13,488,260	12,664,833
Restricted	4,759	4,760	38,858	38,857	43,617	43,617
Unrestricted	(41,849)	(100,525)	916,983	678,337	875,134	577,812
Total net position	<u>\$ 1,320,892</u>	<u>\$ 945,106</u>	<u>\$ 13,086,119</u>	<u>\$ 12,341,156</u>	<u>\$ 14,407,011</u>	<u>\$ 13,286,262</u>

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

The City's net position increased \$1,120,749 over the year. This increase is primarily due to a increase in grant revenues and an decrease in expenditures related to the Fanning Springs Water Quality Improvement Project.

The following schedule provides a summary of the changes in net position. The increase in Governmental Activities net position is due to increased rural infrastructure grant activities. The increase during the year through Business-type Activities net position is primarily due to increased sewer revenue and the grant funds for Fanning Springs Water Quality Improvement Project.

A condensed version of the Statement of Activities follows:

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Charges for services	\$ 122,642	\$ 125,336	\$ 570,110	\$ 542,678	\$ 692,752	\$ 668,014
Operating grants and contributions	385,545	3,000	-	-	385,545	3,000
Capital grants and contributions	-	-	964,147	5,601,353	964,147	5,601,353
General revenues						
Property taxes	238,159	119,741	-	-	238,159	119,741
Other taxes and shared revenues	270,265	336,164	-	-	270,265	336,164
Miscellaneous	13,131	1,291	-	-	13,131	1,291
Total revenues	<u>1,029,742</u>	<u>585,532</u>	<u>1,534,256</u>	<u>6,144,031</u>	<u>2,563,999</u>	<u>6,729,563</u>
Expenses						
General government	373,856	414,985	-	-	373,856	414,985
Public safety	179,773	277,066	-	-	179,773	277,066
Transportation	72,724	49,978	-	-	72,724	49,978
Culture and recreation	47,604	75,392	-	-	47,604	75,392
Interest on long-term debt	-	1,351	73,910	75,103	73,910	76,454
Water	-	-	301,704	270,414	301,704	270,414
Sewer	-	-	393,680	351,757	393,680	351,757
Total expenses	<u>673,956</u>	<u>818,772</u>	<u>769,294</u>	<u>697,274</u>	<u>1,443,250</u>	<u>1,516,046</u>
Grant expense	-	(58,905)	-	-	-	(58,905)
Grant revenue	-	60,277	-	-	-	60,277
Interfund transfers	20,000	-	(20,000)	-	-	-
Change in net position	375,786	(231,868)	744,963	5,446,757	1,120,749	5,214,889
Beginning net position	945,106	1,176,974	12,341,156	6,894,399	13,286,262	8,071,373
Ending net position	<u>\$ 1,320,892</u>	<u>\$ 945,106</u>	<u>\$ 13,086,119</u>	<u>\$ 12,341,156</u>	<u>\$ 14,407,011</u>	<u>\$13,286,262</u>

Governmental activities:

Property taxes provide 23% of the revenues for Governmental Activities, while other taxes provide 26%. Most of the Governmental Activities resources are spent for General Government (55%), Public Safety (27%), and Culture/Recreation (7%).

Business-type activities:

Business-type activities increased the City's net position by 744,963. This increase is primarily due to the Fanning Springs Water Quality Improvement Project grant revenues.

Budgetary Highlights

The City operated substantially within its budgetary appropriations during the current year.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2021, the City had \$16.1 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, roads, bridges and water and sewer facilities. This amount represents a net increase (additions, deductions, and depreciation) of \$839,348 or 5.18% more than last year. This increase was primarily attributable to the new sewer system and transportation grant related activities.

Capital Assets at September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Nondepreciable						
Land	\$ 715,283	\$ 715,283	\$ 340,191	\$ 340,191	\$ 1,055,474	\$ 1,055,474
CIP	376,767	-	8,223,461	7,526,846	8,600,228	7,526,846
Depreciable						
Buildings and improvements	1,022,736	1,018,986	504,938	504,938	1,527,674	1,523,924
Water plant	-	-	2,450,547	2,416,989	2,450,547	2,416,989
Sewer system	-	-	6,600,450	6,600,450	6,600,450	6,600,450
Streets	38,883	38,883	-	-	38,883	38,883
Equipment	815,466	801,936	118,573	77,626	934,039	879,562
Subtotal	2,969,135	2,575,088	18,238,160	17,467,040	21,207,295	20,042,128
Accumulated depreciation	(1,589,056)	(1,526,041)	(3,421,882)	(3,159,078)	(5,010,938)	(4,685,119)
Capital assets, net	<u>\$ 1,380,079</u>	<u>\$ 1,049,047</u>	<u>\$ 14,816,278</u>	<u>\$ 14,307,962</u>	<u>\$ 16,196,357</u>	<u>\$ 15,357,009</u>

Debt Outstanding

At year-end, the City had \$2,850,657 in debt outstanding versus \$3,318,593 last year, a decrease of \$467,936. The decrease is mainly due to a large decrease in net pension liability.

Debt Outstanding at September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenue bonds	\$ -	\$ -	\$ 2,635,000	\$ 2,684,000	\$ 2,635,000	\$ 2,637,000
Loan payable	22,097	31,011	-	-	22,097	31,011
	22,097	31,011	2,635,000	2,684,000	2,657,097	2,668,011
Net pension liability	145,604	576,242	27,737	50,310	173,341	626,552
Compensated absences	13,600	17,652	6,619	6,378	20,219	24,030
Total	<u>\$ 181,301</u>	<u>\$ 624,905</u>	<u>\$ 2,669,356</u>	<u>\$ 2,740,688</u>	<u>\$ 2,850,657</u>	<u>\$ 3,318,593</u>

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

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The current unemployment rate for Gilchrist County is 4.2% and the current unemployment rate for Levy County is 5.0%. These rates remained the same as the prior year.
- The official population for the City in 2021 was 1,009 and is estimated to be approximately the same in 2022.
- The ad valorem tax rate for the City was 3.000 mills in 2021.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers,

investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Clerk at City Hall, 17651 NW 90th Street, Fanning Springs, Florida 32693.

BASIC FINANCIAL STATEMENTS

CITY OF FANNING SPRINGS, FLORIDA
STATEMENT OF NET POSITION
September 30, 2021

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 433,717	\$ 386,379	\$ 820,096
Investments	78,965	-	78,965
Due from state	58,905	-	58,905
Due from other governmental units	29,128	-	29,128
Accounts receivable	9,311	53,469	62,780
Interfund balances	78,221	(78,221)	-
Total current assets	688,246	361,627	1,049,874
Restricted cash:			
Bond interest and sinking	-	123,007	123,007
Renewal and replacement	-	489,733	489,733
Customer deposits	-	113,211	113,211
Total restricted assets	-	725,951	725,951
Capital assets:			
Non depreciable	1,092,050	8,563,652	9,655,702
Depreciable, net	288,029	6,252,626	6,540,655
Total capital assets	1,380,079	14,816,278	16,196,357
Total assets	2,068,325	15,903,855	17,972,181
DEFERRED OUTFLOWS	125,984	23,998	149,982
LIABILITIES			
Current liabilities (payable from current assets):			
Accounts payable	77,757	4,229	81,986
Accrued liabilities	67,059	-	67,059
Accrued compensated absences	2,040	993	3,033
Unearned revenue	264,920	-	264,920
Net pension liability	21,841	4,161	26,002
Notes payable, current	9,257	-	9,257
Total current liabilities (payable from current assets)	442,874	9,383	452,257
Current liabilities (payable from restricted assets):			
Accrued interest payable	-	6,039	6,039
Customer deposits	622	108,445	109,067
Bond payable, current	-	51,000	51,000
Total current liabilities (payable from restricted assets)	622	165,484	166,106
Total current liabilities	443,496	174,867	618,363
Long-term liabilities			
Accrued compensated absences	11,560	5,626	17,186
Bond payable, less current portion	-	2,584,000	2,584,000
Notes payable, less current portion	12,840	-	12,840
Net pension liability	123,763	23,574	147,337
Total long-term liabilities	148,163	2,613,200	2,761,363
Total liabilities	591,659	2,788,067	3,379,725
(continued)			

CITY OF FANNING SPRINGS
STATEMENT OF NET POSITION
September 30, 2021

	Governmental Activities	Business - type Activities	Total
DEFERRED INFLOWS	<u>\$ 281,758</u>	<u>\$ 53,668</u>	<u>\$ 335,426</u>
NET POSITION			
Invested in long-term assets, net of related debt	1,357,982	12,181,278	13,539,260
Restricted for:			
Debt service	-	14,336	14,336
Renewal and replacement	-	24,523	24,523
Historical Park	1,826	-	1,826
Fire protection	2,932	-	2,932
Unrestricted	(41,849)	865,983	824,134
Total net position	<u><u>\$ 1,320,892</u></u>	<u><u>\$ 13,086,119</u></u>	<u><u>\$ 14,407,011</u></u>

See notes to financial statements.

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

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	\$ 373,856	\$ -	\$ -	\$ -	\$ (373,856)	\$ -	\$ (373,856)
Public safety	179,773	122,642	-	-	(57,131)	-	(57,131)
Transportation	72,724	-	-	-	(72,724)	-	(72,724)
Culture and recreation	47,604	-	-	-	(47,604)	-	(47,604)
Total governmental activities	673,956	122,642	-	-	(551,314)	-	(551,314)
Business-type activities							
Water and sewer services	695,384	570,110	-	964,147	-	838,873	838,873
Interest expense	73,910	-	-	-	-	(73,910)	(73,910)
Total business-type activities	769,294	570,110	-	964,147	-	764,963	764,963
Total government	\$ 1,443,250	\$ 692,752	\$ -	\$ 964,147	(551,314)	764,963	213,648
General revenues							
Property taxes					238,159	-	238,159
Other taxes					143,716	-	143,716
Intergovernmental					424,801	-	424,801
Franchise fees					69,032	-	69,032
Licenses and permits					15,676	-	15,676
Fines and forfeitures					2,526	-	2,526
Interest					59	-	59
Other fees and miscellaneous					13,131	-	13,131
Total general revenues					907,100	-	907,100
Interfund transfers					20,000	(20,000)	-
Change in net position					375,786	744,963	1,120,748
Net position - beginning					945,106	12,341,156	13,286,262
Net position - ending					\$ 1,320,892	\$ 13,086,119	\$ 14,407,011

See notes to financial statements

CITY OF FANNING SPRINGS, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2021

	General Fund
ASSETS	
Cash	\$ 433,717
Investments	78,965
Due from state	58,905
Due from other governmental units	29,128
Due from other funds	78,221
Accounts receivable	9,311
Total assets	688,246
LIABILITIES	
Accounts payable	77,757
Accrued liabilities	67,059
Unearned revenue	264,920
Deposits	622
Total liabilities	410,358
FUND BALANCES	
Restricted for:	
Historical Park	1,826
Assigned for:	
Fire protection	2,932
Future expenses	51,606
Unassigned	221,524
Total fund balances	277,888
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	1,380,079
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds	125,984
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds	(281,758)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(181,301)
Net position of governmental activities	\$ 1,320,892

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA

GOVERNMENTAL FUND

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

	<u>General Fund</u>
REVENUES	
Property taxes, levied for general purposes	\$ 238,159
Other taxes	143,716
Intergovernmental	424,801
Franchise fees	69,032
Licenses and permits	15,676
Charges for service	122,642
Fines and forfeitures	2,526
Interest	59
Other fees and miscellaneous	13,131
Total revenues	<u>1,029,742</u>
EXPENDITURES	
Current	
General government	326,459
Public safety	288,722
Transportation	71,941
Culture and recreation	19,706
Capital outlay	
General government	1,816
Public safety	15,464
Transportation	376,767
Debt service	
Principal	8,914
Interest	1,150
Total expenditures	<u>1,110,938</u>
Excess of expenditures over revenues	(81,196)
OTHER FINANCING USES	
Interfund transfers	20,000
Total other financing sources	<u>20,000</u>
Net change in fund balance	(61,196)
Fund balance at beginning of year	339,084
Fund balance at end of year	<u>\$ 277,888</u>

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended September 30, 2021

Net change in fund balance - total governmental funds \$ (61,196)

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

Governmental funds report capital outlay as expenditures
however, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

Expenditures for capital assets	\$ 394,047		
Less current year depreciation	<u>(63,015)</u>		331,032

Some expenses reported in the statement of activities do not
require the use of current financial resources and, therefore,
are not reported as expenditures in governmental funds.
In addition, recognition of certain obligations related to prior
and subsequent periods are not recognized in the
statement of activities.

Compensated absences	4,052		
Net change in pension liability	430,638		
Loan principal payments	<u>8,914</u>		443,604

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

Net decrease in deferred outflows	(68,743)		
Net increase in deferred inflows	<u>(268,911)</u>		<u>(337,654)</u>

Change in net position of governmental activities \$ 375,786

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 September 30, 2021**

	Enterprise Fund
ASSETS	
Current assets	
Cash	\$ 386,379
Accounts receivable, net	53,469
Total current assets	439,848
Restricted cash and cash equivalents	
Bond interest and sinking	123,007
Renewal and replacement	489,733
Customer deposits	113,211
Total restricted cash and cash equivalents	725,951
Capital assets	
Non depreciable:	
Land	340,191
Construction in progress	8,223,461
Depreciable:	
Property, plant and equipment	9,674,508
Allowance for depreciation	(3,421,882)
Total fixed assets	14,816,278
Total assets	15,982,076
DEFERRED OUTFLOWS	23,998
LIABILITIES AND NET POSITION	
LIABILITIES	
Current liabilities	
Accounts payable	4,229
Due to other funds	78,221
Accrued interest payable	6,039
Customer deposits	108,445
Bond payable, current	51,000
Accrued compensated absences	993
Net pension liability	4,161
Total current liabilities	253,088
Long-term liabilities	
Bond payable, less current portion	2,584,000
Accrued compensated absences	5,626
Net pension liability	23,574
Total long-term liabilities	2,613,200
Total liabilities	2,866,288

(continued)

**CITY OF FANNING SPRINGS, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 September 30, 2021**

	<u>Enterprise Fund</u>
DEFERRED INFLOWS	\$ 53,668
NET POSITION	
Invested in capital assets, net of related debt	12,181,278
Restricted for:	
Debt service	14,336
Renewal and replacement	24,523
Unrestricted	865,983
Total net position	<u>\$ 13,086,119</u>

See notes to financial statements.

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

	Enterprise Fund
OPERATING REVENUES	
Water sales	\$ 263,926
Sewer fees	259,694
Other utility charges	45,812
Miscellaneous income	678
Total operating revenues	570,110
 OPERATING EXPENSES	
Water utility	
Personnel services	93,597
Operating expenses	110,911
Sewer utility	
Personnel services	80,038
Operating expenses	148,034
Depreciation expense	
Water utility	97,196
Sewer utility	165,608
Total operating expenses	695,384
 Operating loss	 (125,274)
 NONOPERATING REVENUES (EXPENSES)	
Grant revenue	964,147
Interest expense	(73,910)
Interfund transfers out	(20,000)
Total nonoperating revenues (expenses)	870,237
 Change in net position	 744,963
 Net position, beginning of year	 12,341,156
Net position, end of year	\$ 13,086,119

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended September 30, 2021

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers, including cash deposits	\$ 599,960
Cash paid to suppliers	(248,581)
Cash paid to employees	(142,189)
Net cash provided by operating activities	<u>209,190</u>
Cash flows from non-capital related financing activities:	
Transfers to other funds	<u>(10,291)</u>
Net cash used in non-capital related financing activities	<u>(10,291)</u>
Cash flows from capital and related financing activities:	
Grant receipts	964,147
Principal payments	(49,000)
Interest payments	(74,235)
Acquisition and construction of capital assets	(771,120)
Net cash provided by capital and related financing activities	<u>69,792</u>
Net increase in cash	268,693
Cash, at beginning of year	<u>843,637</u>
Cash, at end of year	<u>\$ 1,112,330</u>
Shown in financial statements as:	
Current assets	
Cash	\$ 386,379
Restricted cash and cash equivalents	
Bond interest and sinking	123,007
Renewal and replacement	489,733
Customer deposits	<u>113,211</u>
	<u>725,951</u>
Total cash as shown in financial statements	<u>\$ 1,112,330</u>

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS**

**RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES
 For the Fiscal Year Ended September 30, 2021**

	<u>Enterprise Fund</u>
Operating loss	\$ (125,274)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	262,804
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	20,388
Inventory	12,407
Accounts payable	(2,043)
Deferred outflows	11,450
Accrued liabilities	(261)
Compensated absences	241
Customer deposits	9,462
Deferred inflows	42,591
Net pension liability	(22,575)
Total adjustments	334,464
 Net cash provided by operating activities	 \$ 209,190

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity - The City of Fanning Springs, Florida is a municipality created under Chapter 5507, *Laws of Florida*, 1905, and is governed by a Mayor and five member City Council, all of whom are individually elected.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, management determined that the following component unit existed which should be included within the reporting entity.

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

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

1. Government-wide Financial Statements

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

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

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

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

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

2. Fund Financial Statements

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

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

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay

liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

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

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

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

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

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

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

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

C. Basis of Accounting - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The City has used GASB 34 minimum criteria for major fund determination. The City has five major funds and four nonmajor funds.

1. Governmental Major Fund:

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

2. Proprietary Major Fund:

Enterprise Fund - The Enterprise Fund accounts for the revenues, expenses, assets, and liabilities associated with the City operated water, sewer, and solid waste disposal services.

3. Non-current Governmental Assets/Liabilities:

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

D. Assets, Liabilities, Deferred Outflows/Inflows and Net Position or Equity

1. Cash and Investments - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit and corporate bonds, are stated at cost which approximates market value or stated market value. All such deposits and investments are insured and collateralized as required by state law except for the corporate bonds which are not collateralized.

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

3. Allowance for Doubtful Accounts - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2021, this allowance account totaled \$28,161 based upon prior collection history. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered to be fully collectible.

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

5. Inventories - The costs of governmental inventories are recorded as expenditures when purchased rather than when consumed. The actual amounts of any such inventory type goods on hand at year end would not be material.

6. Restricted Assets - As applicable, year to year, certain proceeds of enterprise fund debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

7. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.
8. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated acquisition value at the date of donations.

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

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

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

Assets	Years
Building and improvements	40
Machinery and equipment	5 - 10
Street and related infrastructure	25 - 40

9. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the City did not have any capitalized interest.
10. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent unearned revenues. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. During the current period, the City did not have any unearned revenues.
11. **Accrued Compensated Absences** - The City accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
12. **Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-

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

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

13. Fund Balances

A. Governmental Funds

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

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

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

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

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

Unassigned – all other spendable amounts.

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

	<u>General Fund</u>
Restricted, Historical park	\$ 1,826
Assigned, fire protection	2,932
Assigned, future expenses	51,606
Unassigned	221,524
	<u>\$ 277,888</u>

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

B. Proprietary Funds

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

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

	<u>Amount</u>
Invested in capital assets, net of related debt	\$ 12,130,278
Restricted, Debt service	14,336
Restricted, Renewal and replacement	24,523
Unrestricted	916,983
	<u>\$ 13,086,119</u>

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

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

“Total fund balances” of the City’s governmental funds \$277,888 differs from “net position” of governmental activities \$1,320,892 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

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

Cost of capital assets	\$ 2,969,135
Accumulated depreciation	<u>(1,589,056)</u>
Total	<u>\$ 1,380,079</u>

Long-term debt transactions

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

Notes payable	\$ (22,097)
Compensated absences	(13,600)
Net pension liability	(145,604)
Deferred inflows	125,984
Deferred outflows	<u>(281,758)</u>
	<u>\$ (337,075)</u>

CITY OF FANNING SPRINGS, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Statement of Net Position
ASSETS					
Cash	\$ 433,717	\$ -	\$ -	\$ -	\$ 433,717
Investments	78,965	-	-	-	78,965
Due from state	58,905	-	-	-	58,905
Due from other governmental units	29,128	-	-	-	29,128
Due from other funds	78,221	-	-	-	78,221
Accounts receivable	9,311	-	-	-	9,311
Capital asset - net	-	1,380,079	-	-	1,380,079
Total assets	688,246	1,380,079	-	-	2,068,325
DEFERRED OUTFLOWS					
	-	-	125,984	-	125,984
LIABILITIES AND FUND BALANCE/NET POSITION					
LIABILITIES					
Accounts payable	77,757	-	-	-	77,757
Accrued liabilities	67,059	-	-	-	67,059
Notes payable, net	-	-	-	22,097	22,097
Compensated absences	-	-	-	13,600	13,600
Deferred revenue	264,920	-	-	-	264,920
Deposits	622	-	-	-	622
Net pension liability	-	-	-	145,604	145,604
Total liabilities	410,358	-	-	181,301	591,659
DEFERRED INFLOWS					
	-	-	281,758	-	281,758
Fund balance/net position	\$ 277,888	\$ 1,380,079	\$ (155,774)	\$ (181,301)	\$ 1,320,892

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

The “net change in fund balances” for governmental funds \$(61,196) differs from the “change in net position” for governmental activities \$375,786 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	\$ 394,047
Depreciation expense	(63,015)
Difference	<u>\$ 331,032</u>

Long-term debt related items

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

Net decrease in compensated absences	\$ 4,052
Net decrease in net pension liability	430,638
Loan principal payments	8,914
	<u>\$ 443,604</u>

Deferred outflows/inflows of resources

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

Net decrease in deferred outflows	\$ (68,743)
Net increase in deferred inflows	(268,911)
	<u>\$ (337,654)</u>

CITY OF FANNING SPRINGS, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Activities
REVENUES					
Property taxes, levied for general purposes	\$ 238,159	\$ -	\$ -	\$ -	\$ 238,159
Other taxes	143,716	-	-	-	143,716
Intergovernmental	39,256	-	-	-	39,256
Franchise fees	69,032	-	-	-	69,032
Licenses and permits	15,676	-	-	-	15,676
Charges for service	122,642	-	-	-	122,642
Fines and forfeiture	2,526	-	-	-	2,526
Interest	59	-	-	-	59
Grant revenue	385,545	-	-	-	385,545
Other fees and miscellaneous	13,131	-	-	-	13,131
Total revenues	1,029,742	-	-	-	1,029,742
EXPENDITURES					
Current expenditures					
General government	326,459	8,598	242,851	(204,052)	373,856
Public safety	288,722	25,736	94,803	(230,638)	178,623
Transportation	71,941	783	-	-	72,724
Culture and recreation	19,706	27,898	-	-	47,604
Capital outlay					
General government	1,816	(1,816)	-	-	-
Transportation	376,767	(376,767)	-	-	-
Public safety	15,464	(15,464)	-	-	-
Debt Service					
Principal	8,914	-	-	(8,914)	-
Interest	1,150	-	-	-	1,150
Total expenditures	1,110,938	(331,032)	337,654	(443,604)	673,956
Excess of revenues over expenditures	(81,196)	331,032	(337,654)	443,604	355,786
OTHER FINANCING SOURCES (USES)					
Interfund transfers	20,000	-	-	-	20,000
Total other financing sources (uses)	20,000	-	-	-	20,000
Net change in fund balance	(61,196)	331,032	(337,654)	443,604	375,786
Fund balance at beginning of year	339,084	1,049,047	181,880	(624,905)	945,106
Fund balance at end of year	\$ 277,888	\$ 1,380,079	\$ (155,774)	\$ (181,301)	\$ 1,320,892

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the City deposits totaling \$1,546,047 were insured by federal depository insurance or pledged collateral under state law.

At year end the City also had a portfolio of investments which totaled \$78,965 stated at fair market value. Fair value is based on quoted prices. These investments are not authorized by state law, but rather by a City ordinance. These investments are uncollateralized and are classified as Category 1 in accordance with GASB Standard No. 3.

NOTE 5. PROPERTY TAX REVENUES

All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified by the County Property Appraiser. The County Tax Collector mails to each property owner on the assessment roll a notice of taxes levied by the City and other governmental entities in the County. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible personal property become delinquent taxes, including applicable tax certificate sales, tax deed sales, and tangible personal property seizure and sales are provided for by the laws of Florida. Due to those collection procedures, no material amounts of delinquent taxes were due the City at year end. Collections of City taxes and remittances are accounted for in the County Tax Collectors' offices.

NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable				
Land	\$ 715,283	\$ -	\$ -	\$ 715,283
Construction in progress	-	376,767		376,767
Depreciable				
Streets	38,883	-	-	38,883
Buildings and improvements	1,018,986	3,750	-	1,022,736
Equipment and vehicles	801,936	13,530	-	815,466
Total depreciable capital assets	<u>1,859,805</u>	<u>17,280</u>	<u>-</u>	<u>1,877,085</u>
Less accumulated depreciation	<u>(1,526,041)</u>	<u>(63,015)</u>	<u>-</u>	<u>(1,589,056)</u>
Total depreciable capital assets, net	<u>333,764</u>	<u>(45,735)</u>	<u>-</u>	<u>288,029</u>
Total capital assets, net	<u>\$ 1,049,047</u>	<u>\$ 331,032</u>	<u>\$ -</u>	<u>\$ 1,380,079</u>
Business-type activities:				
Nondepreciable				
Land	\$ 340,191	\$ -	\$ -	\$ 340,191
Construction in progress	7,526,846	696,615	-	8,223,461
Total nondepreciable capital assets	<u>7,867,037</u>	<u>696,615</u>	<u>-</u>	<u>8,563,652</u>
Depreciable				
Water plant	2,416,989	33,558	-	2,450,547
Sewer system	6,600,450	-	-	6,600,450
Water/sewer improvements	504,938	-	-	504,938
Equipment	77,626	40,947	-	118,573
Total depreciable capital assets	<u>9,600,003</u>	<u>74,505</u>	<u>-</u>	<u>9,674,508</u>
Less accumulated depreciation	<u>(3,159,078)</u>	<u>(262,804)</u>	<u>-</u>	<u>(3,421,882)</u>
Total capital assets being depreciated, net	<u>6,440,925</u>	<u>(188,299)</u>	<u>-</u>	<u>6,252,626</u>
Total capital assets, net	<u>\$ 14,307,962</u>	<u>\$ 508,316</u>	<u>\$ -</u>	<u>\$ 14,816,278</u>

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

Governmental activities:	
General Government	\$ 8,598
Public Safety	25,736
Transportation	783
Parks and recreation	27,898
Total depreciation expense - governmental entities	<u>\$ 63,015</u>
Business-type activities:	
Water	\$ 97,196
Sewer	165,608
	<u>\$ 262,804</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

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

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 78,221	\$ -
Enterprise	-	78,221
	<u>\$ 78,221</u>	<u>\$ 78,221</u>

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

Receivables at September 30, 2021, were as follows:

	<u>Account</u>	<u>Due from Others/ Governmental Units</u>	<u>Total Receivables</u>
Governmental activities:	\$ 9,311	\$ 88,032	\$ 97,343
Business-type activities:	53,469	-	53,469
	<u>\$ 62,780</u>	<u>\$ 88,032</u>	<u>\$ 150,812</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$20,161.

Payables

Payables at September 30, 2021, were as follows:

	<u>Vendors</u>
Governmental activities:	\$ 77,757
Business-type activities:	4,229
	<u>\$ 81,986</u>

NOTE 9. INTERFUND TRANSFERS

Transfers made during the year were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 20,000	\$ -
Enterprise	-	20,000
	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The purpose of the transfers were to reimburse expenditures made on behalf of the enterprise fund.

NOTE 10. LONG-TERM LIABILITIES

Governmental Activities

Summary of changes in governmental activities long-term liabilities

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

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021	Due Within One Year
Compensated absences	\$ 17,652	\$ 6,779	\$ (10,831)	\$ 13,600	\$ 2,040
Net pension liability	576,242	-	(430,638)	145,604	21,841
New Capital City note	31,011	-	(8,914)	22,097	9,257
	<u>\$ 624,905</u>	<u>\$ 6,779</u>	<u>\$(450,383)</u>	<u>\$ 181,301</u>	<u>\$ 33,138</u>

Loan Payable – In February of 2020, the City closed on a loan agreement with Capital City Bank in the amount of \$47,000. The proceeds of this loan were used to purchase a vehicle to use for general government operations. This loan has no specific identified collateral and is being paid from the General Fund revenues. The City is paying off 48 equal monthly principal and interest payments of \$835, including interest at 4.26%. The loan schedule is as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2022	\$ 9,257	\$ 764	\$ 10,022
2023	9,659	362	10,022
2024	3,180	28	3,208
	<u>\$ 22,097</u>	<u>\$ 1,155</u>	<u>\$ 23,251</u>

Upon default the lender has the right to take all actions necessary to collect the amount due.

Business-type Activities

A summary of proprietary fund debt as of September 30, 2021, follows:

USDA Water and Sewer Revenue Bonds 2012 - Gross revenues of the water and sewer system primarily, and secondarily the City’s proceeds of its utility services taxes are pledged to service this debt. The outstanding balance at September 30, 2021, is \$2,635,000. These funds were used to improve the City’s water infrastructure.

Reserve Funds - The following reserves are required to be maintained for the revenue bonds:

USDA Water and Sewer Revenue Bonds 2012 - A reserve is required by the bond ordinance to accumulate sufficient funds to be used for: (a) bond and interest sinking fund to accumulate a sum equal to 1/12 of the principal and interest of the bond payment due on the next succeeding September 1, (b) to be included in the bond and interest sinking fund, a sum equal to 1/120 of the

maximum bond service requirement over the period of the bond, (c) operation and maintenance fund to pay operating expenses pursuant to the annual budget, and (d) payment of any principal and interest if the funds of the Sinking Fund are insufficient. The reserve is maintained by transferring monthly from the revenue account \$1,130, until a maximum amount of \$135,630 is attained. This reserve was fully funded as of September 30, 2018.

In the event of default, the bond holder has the right to take whatever action necessary to collect the amounts due and may, at their opinion, declare the outstanding principal and accrued interest to be due and payable immediately and may take possession of the water and wastewater system to repair, maintain, operate or rent the facilities as may be necessary to cure the default.

Revenue bond debt service requirements to maturity, including \$1,340,627 of interest, are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2022	\$ 51,000	\$ 72,463	\$ 123,463
2023	52,000	71,060	123,060
2024	54,000	69,630	123,630
2025	56,000	68,145	124,145
2026	57,000	67,423	124,423
2025-2029	177,000	193,573	370,573
2030-2034	337,000	290,785	627,785
2035-2039	395,000	241,340	636,340
2040-2044	465,000	183,288	648,288
2045-2049	544,000	115,143	659,143
2050-2052	447,000	35,200	482,200
	<u>\$ 2,635,000</u>	<u>\$ 1,408,050</u>	<u>\$ 4,043,050</u>

A schedule of changes in proprietary fund debt follows:

	Balance October 1 2020	Increases	Decreases	Balance September 30 2021	Due Within One Year
Bonds payable	\$ 2,684,000	\$ -	\$ (49,000)	\$ 2,635,000	\$ 51,000
Compensated absences	6,378	6,071	(5,830)	6,619	993
Net pension liability	50,310	-	(22,575)	27,735	4,160
	<u>\$ 2,740,688</u>	<u>\$ 6,071</u>	<u>\$ (77,405)</u>	<u>\$ 2,669,354</u>	<u>\$ 56,153</u>

NOTE 11. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREMENT HEALTH INSURANCE SUBSIDY PROGRAM

Florida Retirement System

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

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

Pension Plan

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

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

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

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

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

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

The City's contributions, including employee contributions, to the Pension Plan totaled \$50,191 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2021, the City reported a liability of \$82,076 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2020-21 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the City's proportionate share was 0.001086547% percent, which was an decrease of (10.66%) from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$50,367. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,812	\$ -
Changes in assumptions	56,161	-
Net difference between projected and actual earnings on Pension Plan investments	-	286,344
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	38,333	37,224
City Pension Plan contributions subsequent to the measurement date	11,590	-
Total	\$ 129,896	\$ 323,568

The deferred outflows of resources related to the Pension Plan, totaling \$11,590 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2022	\$ (37,868)
2023	(44,157)
2024	(54,747)
2025	(68,954)
2026	464
Thereafter	-
	\$ (205,262)

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

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation
Discount Rate	6.80%

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

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

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

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

* As outlined in the Pension Plan's investment policy

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

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
City's proportionate share of the net pension liability	\$ 367,049	\$ 82,076	\$ (156,130)

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

Payables to the Pension Plan - At September 30, 2021, the City had \$4,904 payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2021.

HIS Plan

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

Benefits Provided – For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the HIS contribution for the period October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020 was 1.66% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions including employee contributions to the HIS Plan totaled \$5,831 for the fiscal year ended September 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the City reported a liability of \$91,262 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The City's proportionate share of the net pension liability was based on the City's 2019-20 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021, the City's proportionate share was 0.000743994 percent, which was an decrease of 8.67 percent from its proportionate share measured as of June 30, 2020.

For the fiscal year ended September 30, 2021, the City recognized pension expense of \$7,176. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,054	\$ 38
Changes in assumptions	10,171	3,760
Net difference between projected and actual earnings on HIS Plan investments	95	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	5,614	8,060
City HIS Plan contributions subsequent to the measurement date	1,152	-
Total	\$ 20,086	\$ 11,858

The deferred outflows of resources related to the HIS Plan, totaling \$1,152 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2022	\$ 2,123
2023	1,158
2024	738
2025	1,580
2026	1,033
Thereafter	444
	\$ 7,076

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

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.16%

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

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

Discount Rate - The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate

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

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

	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
City's proportionate share of the net pension liability	\$ 105,508	\$ 91,262	\$ 79,591

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

Payables to the Pension Plan - At September 30, 2021, the City had \$570 payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2021.

Investment Plan

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

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

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an

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

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

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

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

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

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

NOTE 13. RISK MANAGEMENT

The City 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 City carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers’ Compensation and Employer’s Liability
- General and Automobile Liability
- Real and Personal Property Damage

- Public Officials' Liability
- Employee Dishonesty Bond

NOTE 14. CONTINGENT LIABILITIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FANNING SPRINGS, FLORIDA
GOVERNMENTAL FUND
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes, levied for general purposes	\$ 217,354	\$ 238,159	\$ 20,805
Other taxes	102,028	143,716	41,688
Intergovernmental	49,452	39,256	(10,196)
Franchise fees	70,000	69,032	(968)
Licenses and permits	13,500	15,676	2,176
Charges for service	128,600	122,642	(5,958)
Fines and forfeitures	1,000	2,526	1,526
Interest	-	59	59
Grant revenue	-	385,545	385,545
Other fees and miscellaneous	1,300	13,131	11,831
Total revenues	583,234	1,029,742	446,508
EXPENDITURES			
Current			
General government			
Personnel	173,021	194,185	(21,163)
Operating	86,268	96,224	(9,957)
Legal council	41,000	36,050	4,950
Public safety			
Personnel	170,521	169,491	1,031
Operating	116,287	119,231	(2,944)
Transportation			
Operating	88,900	71,941	16,959
Culture and recreation			
Operating	18,200	19,706	(1,506)
Capital outlay			
General government	-	1,816	(1,816)
Transportation	1,500	376,767	-
Public safety	46,550	15,464	31,086
Debt service			
Principal	-	8,914	(8,914)
Interest	-	1,150	(1,150)
Total expenditures	742,247	1,110,938	(368,691)
Excess of revenues over (under) expenditures	(159,013)	(81,196)	77,817
OTHER FINANCING SOURCES/(USES)			
Net Interfund transfers	20,000	20,000	-
Total other financing sources/(uses)	20,000	20,000	-
Net change in fund balance	(139,013)	(61,196)	77,817
Fund balance at beginning of year	339,084	339,084	-
Fund balance at end of year	\$ 200,071	\$ 277,888	\$ 77,817

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021**

I. Stewardship, Compliance, and Accountability

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

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

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

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

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the FRS net pension liability (asset)	0.001086547%	0.001216131%	0.001114592%	0.000966014%	0.088628000%	0.000983871%	0.001042617%	0.000903152%
City's proportionate share of the FRS net pension liability (asset)	\$ 82,076	\$ 527,089	\$ 383,850	\$ 290,968	\$ 262,156	\$ 248,427	\$ 134,668	\$ 55,106
City's proportion of the HIS net pension liability (asset)	0.000743994%	0.000814616%	0.000774347%	0.000785405%	0.000746129%	0.000771794%	0.000728194%	0.000705333%
City's proportionate share of the HIS net pension liability (asset)	91,262	99,463	86,642	83,128	79,780	89,949	74,264	65,950
City's proportionate share of the total net pension liability (asset)	<u>\$ 173,338</u>	<u>\$ 626,552</u>	<u>\$ 470,492</u>	<u>\$ 374,096</u>	<u>\$ 341,936</u>	<u>\$ 338,376</u>	<u>\$ 208,932</u>	<u>\$ 121,056</u>
City's covered-employee payroll	\$ 269,430	\$ 274,802	\$ 270,485	\$ 263,747	\$ 291,647	\$ 244,952	\$ 225,725	\$ 207,502
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	64.34%	228.00%	173.94%	141.84%	117.24%	138.14%	92.56%	58.34%
Plan fiduciary net position as a percentage of the total pension liability	91.09%	74.46%	78.22%	79.86%	79.30%	85.85%	92.00%	96.09%

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

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

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

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 50,191	\$ 50,367	\$ 48,517	\$ 38,147	\$ 31,333	\$ 32,803	\$ 26,156	\$ 21,575
Contractually required HIS contribution	5,831	5,851	6,037	5,901	5,363	5,340	3,908	3,224
Total Contractually Required Contributions	<u>56,022</u>	<u>56,218</u>	<u>54,554</u>	<u>44,048</u>	<u>36,696</u>	<u>38,143</u>	<u>30,064</u>	<u>24,799</u>
Contributions in relation to the contractually required contribution	<u>(56,022)</u>	<u>(56,218)</u>	<u>(54,554)</u>	<u>(44,048)</u>	<u>(36,696)</u>	<u>(38,143)</u>	<u>(30,064)</u>	<u>(24,799)</u>
Contribution deficiency (excess)	<u>\$ -</u>							
City's covered-employee payroll	\$ 269,430	\$ 274,802	\$ 270,485	\$ 263,747	\$ 291,647	\$ 244,952	\$ 225,725	\$ 207,502
Contributions as a percentage of covered-employee payroll	20.79%	20.46%	20.17%	16.70%	12.58%	15.57%	13.32%	11.95%

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

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

Net Pension Liability

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

	FRS	HIS
Total pension liability	\$ 209,636,046	\$ 12,719,121
Plan fiduciary net position	(202,082,183)	(452,618)
	\$ 7,553,863	\$ 12,266,503
Plan fiduciary net position as a percentage of the total pension liability	96.40%	3.56%

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

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

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2015, 2016, 2017, 2018, 2019, 2020, and 2021 respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2021, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

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

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

Actuarial Methods and Assumptions

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

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.21%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.80%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on PUB – 2010 base table – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2021:

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

**SINGLE AUDIT AND
COMPLIANCE SECTION**

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

<u>GRANTOR/PROGRAM TITLE</u>	<u>CFDA #/ CFSA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Expenditure Recognized in Current Year</u>	<u>Accrual / (Deferral)</u>
Federal Financial Assistance						
<i>Department of the Treasury passed-through Florida Division of Emergency Management</i>						
Coronavirus Local Fiscal Recovery Grant	21.027	Y5330	\$ 515,879	\$ -	\$ -	\$ 264,920
<i>Florida Department of Environmental Protection</i>						
Rural Infrastructure Grant	40.012	B-11-DC-12-0001	415,700	-	193,294	-
Rural Infrastructure Grant	40.042	D0078	192,251	-	192,251	-
Total federal awards			1,123,830	-	385,545	264,920
State Financial Assistance						
<i>Florida Department of Environmental Protection Agency</i>						
<i>Passed through Suwannee River Water Management District</i>						
Fanning Springs Phase VI	37.052	LPS0019	9,350,000	689,493	800,000	-
Florida Springs Initiative Grant Program	37.052	LP61036	3,355,100	2,323,600	164,147	-
			12,705,100	3,013,093	964,147	-
Total state financial assistance			12,705,100	3,013,093	964,147	-
Total federal awards and state financial assistance			\$ 13,828,930	\$ 3,013,093	\$ 1,349,692	\$ 264,920

See notes to schedule of expenditure of Federal Awards and State Financial Assistance.

CITY OF FANNING SPRINGS, FLORIDA

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

For the Fiscal Year Ended September 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance include the federal and state award activity of the City of Fanning Springs, Florida (the "City"). The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the City have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("OMB Uniform Guidance") and Chapter 10.550, Rules of the State of Florida, Office of the Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

A. Reporting Entity

This reporting entity consists of the City of Fanning Springs, Florida, the City includes a Schedule of Expenditures of Federal Awards and State Financial Assistance in the Compliance Section for the purpose of additional analysis.

B. Basis of Accounting

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

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become 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 City considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

C. Grant Awards

As required by *OMB Uniform Guidance*, federal grant awards drawn and expended during the year are included in the Schedule of Expenditures of Federal Awards and State Financial Assistance.

D. Sub-recipients

Schedule of Expenditures of Federal Awards and State Financial Assistance is required to identify amounts passed through to sub-recipients of grant funding. The City did not have any sub-recipients of grant funding in the current year.

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

To the Mayor and Members
Of the City Council
City of Fanning Springs, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities and the major funds of the City of Fanning Springs, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Fanning Springs, Florida's basic financial statements and have issued our report thereof dated June 17, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fanning Springs, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Fanning Springs, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 of this section 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiency in internal control that we consider to be a significant deficiency.

**2013-1 (Excess of second consecutive year)
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the City does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the City is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

MANAGEMENT'S RESPONSE

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

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

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

Compliance and Other Matters

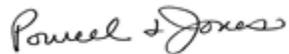
As part of obtaining reasonable assurance about whether the City of Fanning Springs, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the City of Fanning Springs, Florida, in a separate "Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General" dated June 17, 2022.

Purpose of this Report

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

**POWELL & JONES**

Certified Public Accountants

June 17, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.650
RULES OF THE AUDITOR GENERAL**

To the Mayor and Members
Of the City Council
City of Fanning Springs, Florida

Report on Compliance for each Major State Financial Assistance Project

We have audited City of Fanning Springs compliance with the types of compliance requirements described in the Department of Financial Services' *Governor's State Projects Compliance Supplement*, that are applicable to each of its major state financial assistance projects for the year ended September 30, 2021. City of Fanning Springs major state financial assistance projects are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state financial assistance projects.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state financial assistance project. However, our audit does not provide a legal determination of The City of Fanning Springs compliance.

Opinion on Each Major State Financial Assistance Project

In our opinion, The City of Fanning Springs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state financial assistance projects for the year ended September 30, 2021.

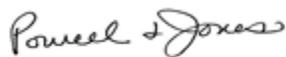
Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



POWELL & JONES
Certified Public Accountants
June 17, 2021

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Rule 10.656, *Rules of the Auditor General*? No

Identification of major programs:

CSFA/Grant Numbers:

37.052

Name of Program of Cluster

Florida Department of Environmental Protection Agency
Florida Springs Initiative Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: 300,000

State Financial Assistance Findings and Questioned Costs None

Other Issues

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal programs or State projects.

MANAGEMENT LETTER

To the Mayor and
Members of the City Council
City of Fanning Springs, Florida

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

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiencies. In addition to furnishing information required by Chapter 10.550, *Rules of the Auditor General*, and other compliance matters, the remaining sections of this report letter discuss these findings.

PRIOR YEAR FINDINGS

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

CURRENT YEAR FINDINGS

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

AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

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

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.554(1)(i)5.a and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

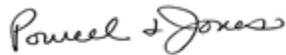
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the City of Fanning Springs, Florida, for the year ended September 30, 2021, as provided in the audit requirements for USDA-Rural Development borrowers.

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

CONCLUSION

We have reviewed each of our specific findings with appropriate officials or employees and have provided them with documentation as requested. We very much enjoyed the challenges and experiences associated with this year's audit of the City. We appreciate the helpful assistance and courtesy afforded us by all City employees and look forward to working with you in the future.



POWELL & JONES
Certified Public Accountants
June 17, 2022

INDEPENDENT ACCOUNTANT'S REPORT

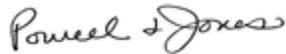
To the Mayor and
Members of the City Council
City of Fanning Springs, Florida

We have examined the City of Fanning Springs' compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2020. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

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



POWELL & JONES
Certified Public Accountants
June 17, 2022

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Mayor and
Members of the City Council
City of Fanning Springs, Florida

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Fanning Springs, Florida are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 17, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

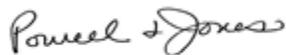
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Information in Documents Containing Audited Financial Statements

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

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

Very truly yours,



POWELL & JONES
Certified Public Accountants
June 14, 2022