

**TOWN OF CALLAHAN, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
**September 30, 2022**

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September 30, 2022  
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**FINANCIAL REPORT**  
**September 30, 2022**  
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## **INTRODUCTORY SECTION**



## **Powell and Jones CPA**

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### **INDEPENDENT AUDITOR'S REPORT**

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

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Callahan, Florida, (The "Town") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

### **Emphasis of Matter – Prior Period Adjustment**

There has been a restatement of certain balances related to the recognition of proceeds from the State Revolving Fund (SRF) Loan as of the year ending September 30, 2022. This restatement is further discussed in Note 10. Our opinions are not modified with respect to this matter.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

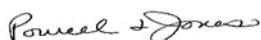
### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the schedule of expenditures of federal awards but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report April 20, 2023, on our consideration of the Town of Callahan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Callahan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in the Town of Callahan's internal control over financial reporting and compliance.



**Powell and Jones CPA**  
Lake City, Florida  
April 20, 2023

## **FINANCIAL SECTION**



## **TOWN OF CALLAHAN, FLORIDA**

### **Management's Discussion and Analysis**

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

#### **Report Layout**

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

#### ***Basic Financial Statements***

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

**Town as a Whole**  
**Government-wide Financial Statements**  
A condensed version of the Statement of Net Position follows:  
Net Position at September 30, 2022 and 2021

	Governmental Activities	Business-type Activities	Total Government	
			2022	2021
<b>Assets</b>				
Cash and investments	\$ 1,677,073	\$ 1,113,327	\$ 2,790,400	\$ 3,270,038
Other current assets	413,106	85,853	498,959	388,746
Noncurrent assets	-	967,803	967,803	369,028
Capital assets, net	1,072,505	7,878,509	8,951,014	8,007,262
Deferred outflows	68,838	58,639	127,477	128,671
Total assets	3,231,522	10,104,131	13,335,653	12,163,744
<b>Liabilities</b>				
Current liabilities	57,480	991,469	1,048,949	439,657
Long term liabilities	264,434	1,103,417	1,367,851	859,982
Deferred Inflows	22,072	18,802	40,874	302,276
Total liabilities	343,985	2,113,688	2,457,673	1,601,915
<b>Net Position</b>				
Net investments in capital assets	1,072,505	7,878,509	8,951,014	7,317,054
Restricted	-	869,258	869,258	369,028
Unrestricted	1,815,032	(576,533)	1,238,499	2,875,748
Prior period adjustment		(180,791)	(180,791)	-
Total net position	\$ 2,887,537	\$ 7,990,443	\$ 10,877,980	\$10,561,830

83% of the Town's net position reflect its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position of \$1,238,499 may be used to meet the Town's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net position. The increase during the year in net position is due primarily to less current year expenditure and increased grant activities.

A condensed version of the Statement of Activities follows:

**Change in Net Position**  
For the Fiscal Years Ended September 30, 2022 and 2021

	Governmental Activities	Business-type Activities	Total Government	
			2022	2021
<b>Revenues</b>				
Program revenues				
Charges for services	\$ -	\$ 1,246,509	\$ 1,246,509	\$1,398,927
Grants and contributions	-	324,749	324,749	1,633,552
General revenues				
Property taxes	273,737	-	273,737	249,496
Nonproperty taxes	405,875	-	405,875	344,463
Licenses and permits	936,416	-	936,416	29,105
Intergovernmental revenues	203,411	-	203,411	164,277
Franchise fees	124,393	-	124,393	157,824
Charges for services	28,565	-	28,565	22,255
Fines and forfeitures	12,900	-	12,900	3,900
Miscellaneous revenues	65,073	-	65,073	96,405
Total revenues	<u>2,050,370</u>	<u>1,571,258</u>	<u>3,621,628</u>	<u>\$4,100,204</u>
<b>Expenses</b>				
General government	509,739	-	509,739	307,165
Public safety	102,416	-	102,416	34,665
Transportation	860,750	-	860,750	384,117
Culture/recreation	119,370	-	119,370	65,883
Water/sewer, solid waste	-	1,532,413	1,532,413	1,282,045
Total expenses	<u>1,592,274</u>	<u>1,532,413</u>	<u>3,124,687</u>	<u>2,073,875</u>
Change in net position	458,096	38,845	496,941	2,026,329
Prior period adjustment		(180,791)	(180,791)	
Beginning net position	<u>2,429,441</u>	<u>8,132,389</u>	<u>10,561,830</u>	<u>8,535,501</u>
Ending net position	<u>\$ 2,887,537</u>	<u>\$ 7,990,443</u>	<u>\$ 10,877,980</u>	<u>\$10,561,830</u>

**Governmental activities:**

Taxes provide 33% of the revenues for Governmental Activities, while franchise fees provide 6%, and intergovernmental revenues provide 10%. Most of the Governmental Activities resources are spent for General Government (32%), Recreation (7%), and Transportation (54%).

**Business-type activities:**

Business-type activities increased the Town's net position by \$38,845. Key element of this increase are as follows:

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

## Budgetary Highlights

In total, the General Fund's expenditures were \$342,201 less than budgeted, and revenues were \$10,230 more than budgeted.

## Capital Assets and Debt Administration

### Capital Assets

At September 30, 2022, the Town had \$8,951,014 invested in capital assets, including buildings, streets, water facilities, and park and recreation facilities. This amount represents a net increase (additions, deductions, and depreciation) of \$943,753 or 11% more than last year.

### Capital Assets at September 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 363,780	\$ 363,780	\$ 85,441	\$ 85,441	\$ 449,221	\$ 449,221
Construction in progress	-	-	2,245,139	1,049,099	2,245,139	1,049,099
Buildings and improvements	1,045,223	1,045,223	-	-	1,045,223	1,045,223
Equipment	1,200,934	998,188	12,462,565	12,434,602	13,663,499	13,432,790
Subtotal	2,609,937	2,407,191	14,793,145	13,569,142	17,403,082	15,976,333
Accumulated depreciation	(1,537,432)	(1,462,578)	(6,914,636)	(6,506,494)	(8,452,068)	(7,969,072)
Capital assets, Net	<u>\$ 1,072,505</u>	<u>\$ 944,613</u>	<u>\$ 7,878,509</u>	<u>\$ 7,062,648</u>	<u>\$ 8,951,014</u>	<u>\$ 8,007,261</u>

### Debt Outstanding

At year-end, the Town had \$1,479,768 in debt outstanding vs. \$939,642 last year, a increase of \$540,126. This decrease was primarily due to the decrease of the net pension liability and the payment of principal amounts on all debt balances outstanding.

### Debt Outstanding at September 30, 2022 and 2021

	Total Government	
	2022	2021
Loans	\$ 937,407	\$ 690,208
Compensated absences	21,888	21,101
Net pension liability	520,473	228,333
Total	<u>\$ 1,479,768</u>	<u>\$ 939,642</u>

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

## OTHER FINANCIAL INFORMATION

### Economic Factors and Rates

- The current estimated unemployment rate for the Town was 4.0%, which is relatively unchanged from last year's rate.
- The estimated population for the Town in 2022 was 1,637 and is estimated to be approximately the same in 2023.
- The Town's ad valorem tax rate for 2022 was 2.0896 mills.

**Financial Contact**

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

## **Basic Financial Statements**

**TOWN OF CALLAHAN, FLORIDA**  
**STATEMENT OF NET POSITION**  
September 30, 2022

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,677,073	\$ 1,113,327	\$ 2,790,400
Accounts receivable, net	104,624	20,445	125,069
Internal balances	308,482	(308,482)	-
Inventories	-	65,408	65,408
Total current assets	2,090,179	890,698	2,980,877
Noncurrent assets			
Restricted assets			
Cash	-	967,803	967,803
Total restricted assets	-	967,803	967,803
Capital assets			
Land and construction in progress	363,780	2,330,580	2,694,360
Other capital assets, net of depreciation	580,833	5,547,929	6,128,762
Capital assets - net	1,072,505	7,878,509	8,951,014
Total assets	3,162,684	9,737,010	12,899,694
<b>DEFERRED OUTFLOWS</b>	68,838	58,639	127,477
<b>LIABILITIES</b>			
Current liabilities (payable from current assets):			
Accounts payable	22,480	103,785	126,265
Accrued liabilities	4,490	-	4,490
Compensated absences	2,404	1,200	3,604
Deferred grant	-	458,214	458,214
Bonds and notes payable, current	-	47,196	47,196
Net pension liability	28,106	26,051	54,157
Total current liabilities (payable from current assets)	57,480	636,446	693,926
Current liabilities (payable from restricted assets)			
Deposits	-	46,541	46,541
Total current liabilities (payable from restricted assets)	-	46,541	46,541
Noncurrent liabilities			
Compensated absences	11,484	6,800	18,284
Bonds and notes payable	-	883,250	883,250
Net pension liability	252,950	213,367	466,317
Total noncurrent liabilities	264,434	1,103,417	1,367,851
Total liabilities	321,913	1,786,404	2,108,317
<b>DEFERRED INFLOWS</b>	22,072	18,802	40,874
<b>NET POSITION</b>			
Net investment in capital assets	1,072,505	7,878,509	8,951,014
Restricted	-	869,258	869,258
Unrestricted	1,815,032	(576,533)	1,238,499
Prior period adjustment	-	(180,791)	(180,791)
Total net position	\$ 2,887,537	\$ 7,990,443	\$ 10,877,980

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2022

		Program Revenues			Net (Expense) Revenue and Changes in Net position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<u>Functions/Programs</u>	<u>Expenses</u>						
<b>Governmental activities</b>							
General government	\$ 509,739	\$ -	\$ -	\$ -	\$ (509,739)	\$ -	\$ (509,739)
Public safety	102,416	-	-	-	(102,416)	-	(102,416)
Transportation	860,750	-	-	-	(860,750)	-	(860,750)
Culture/recreation	119,369	-	-	-	(119,369)	-	(119,369)
Capital outlay	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>1,592,274</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,592,274)</b>	<b>-</b>	<b>(1,592,274)</b>
<b>Business-type activities</b>							
Water	1,277,323	1,161,826	-	-	-	(115,497)	(115,497)
Sewer	163,150	-	-	323,214	-	160,064	160,064
Garbage and solid waste	91,940	84,683	-	1,535	-	(5,722)	(5,722)
<b>Total business-type activities</b>	<b>1,532,413</b>	<b>1,246,509</b>	<b>-</b>	<b>324,749</b>	<b>-</b>	<b>38,845</b>	<b>38,845</b>
<b>Total government</b>	<b>\$ 3,124,687</b>	<b>\$ 1,246,509</b>	<b>\$ -</b>	<b>\$ 324,749</b>	<b>(1,592,274)</b>	<b>38,845</b>	<b>(1,553,429)</b>
<b>General revenues</b>							
Property taxes					273,737	-	273,737
Nonproperty taxes					405,875	-	405,875
Licenses and permits					936,416	-	936,416
Intergovernmental revenues					203,411	-	203,411
Franchise fees					124,393	-	124,393
Charges for services					28,565	-	28,565
Fines and forfeitures					12,900	-	12,900
Miscellaneous revenues					65,073	-	65,073
<b>Total general revenues</b>					<b>2,050,370</b>	<b>-</b>	<b>2,050,370</b>
Change in Net position					458,096	38,845	496,941
Prior period adjustment					-	(180,791)	(180,791)
Net position at beginning					2,429,441	8,132,389	10,561,830
Net position at ending					<b>\$ 2,887,537</b>	<b>\$ 7,990,443</b>	<b>\$ 10,877,980</b>

See notes to financial statements.



**TOWN OF CALLAHAN, FLORIDA**  
**GOVERNMENTAL FUND**  
**BALANCE SHEET**  
September 30, 2022

	General Fund
<b>ASSETS</b>	
Cash	\$ 1,677,073
Accounts receivable, net	104,624
Due from other funds	308,482
Total assets	<u>2,090,179</u>
<b>LIABILITIES</b>	
Accounts payable	22,480
Accrued liabilities	4,490
Total liabilities	<u>26,970</u>
<b>FUND BALANCE</b>	
Unassigned	2,063,209
Total fund balance	<u>2,063,209</u>
Total liabilities and fund balance	<u>\$ 2,090,179</u>
 Total fund balance reported above	 2,063,209
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,072,505
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	68,838
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	(22,072)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(294,943)
Net Position of Governmental Activities	<u>\$ 2,887,537</u>

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**GOVERNMENTAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**For the Fiscal Year Ended September 30, 2022**

	<u>General Fund</u>
<b>Revenues</b>	
Property taxes	\$ 273,737
Nonproperty taxes	405,875
Licenses and permits	936,416
Intergovernmental revenues	203,411
Franchise fees	124,393
Charges for services	28,565
Fines and forfeitures	12,900
Miscellaneous revenues	65,073
Total revenues	<u>2,050,370</u>
<b>Expenditures</b>	
Current	
General government	485,129
Public safety	68,367
Transportation	833,914
Culture/recreation	107,783
Capital outlay	202,746
Total expenditures	<u>1,697,939</u>
Excess of revenues over expenditures	352,431
Fund balance at beginning of year	1,710,778
Fund balance at end of year	<u><u>\$ 2,063,209</u></u>

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended September 30, 2022**

Net change in fund balances - total governmental funds		\$ 352,431
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	\$ 202,746	
Less current year depreciation	<u>(74,854)</u>	127,892
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds		
Net change in pension liability	(157,755)	
Net (increase) in compensated absences	<u>(4,984)</u>	(162,739)
Recognition of certain obligations related to prior and future periods are not recognized in governmental funds.		
Net increase in deferred outflows	(645)	
Net decrease in deferred inflows	<u>141,157</u>	140,512
Change in net position of governmental activities		<u><u>\$ 458,096</u></u>

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF NET POSITION**  
**September 30, 2022**

	Water and Sewer Fund
<b>ASSETS</b>	
Current assets	
Cash	\$ 1,113,327
Accounts receivable, net	20,445
Inventory	65,408
Total current assets	<u>1,199,180</u>
Noncurrent assets	
Restricted assets	
Cash	967,803
Total restricted assets	<u>967,803</u>
Capital assets	
Land, improvements, construction in progress	2,330,580
Depreciable capital assets, net of depreciation	5,547,929
Total capital assets	<u>7,878,509</u>
Total assets	<u>10,045,492</u>
DEFERRED OUTFLOWS	<u>58,639</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	103,785
Notes payable	47,196
Deferred grant	458,214
Due to other funds	308,482
Compensated absences	1,200
Net pension liability	26,051
Total current liabilities	<u>944,928</u>
Current liabilities payable from restricted assets	
Deposits	<u>46,541</u>
Noncurrent liabilities	
Compensated absences	6,800
Notes payable	883,250
Net pension liability	213,367
Total noncurrent liabilities	<u>1,103,417</u>
Total liabilities	<u>2,094,886</u>
DEFERRED INFLOWS	<u>18,802</u>
<b>NET POSITION</b>	
Net invested in capital assets	7,878,509
Restricted	869,258
Unrestricted	(576,533)
Prior period adjustment	(180,791)
Total net position	<u>\$ 7,990,443</u>

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**For the Fiscal Year Ended September 30, 2022**

	<u>Water and Sewer Fund</u>
Operating revenues	
Physical environment	
Water utility revenue	
Water sales	\$ 457,561
Sewer charges	470,611
Connection fees and penalties	28,507
Electric and propane	184,702
Total water utility revenue	<u>1,141,381</u>
Solid waste revenue	
Sanitation fees	84,683
Total solid waste revenues	<u>84,683</u>
Total operating revenues	<u>1,226,064</u>
Operating expenses	
Water utility services:	
Personnel services	158,043
Operating expenses	711,138
Depreciation expense	408,142
Total water utility services	<u>1,277,323</u>
Sewer utility services:	
Operating expenses	163,150
Solid waste services:	
Contracted services	91,940
Total operating expenses	<u>1,532,413</u>
Operating gain (loss)	<u>(306,349)</u>
Non-operating revenues	
Grant revenue	323,214
Interest revenue	1,535
Total non-operating revenues	<u>324,749</u>
Change in net position	18,400
Net position at beginning of year	8,132,389
Prior period adjustment	(180,791)
Net position at end of year	<u><u>\$ 7,969,998</u></u>

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 2022

	Water and Sewer Fund
Cash flows from operating activities:	
Cash received from customers, including deposits	\$ 1,403,980
Cash paid to employees	(147,552)
Cash paid to suppliers	(1,030,619)
Net cash provided by operating activities	<u>225,809</u>
Cash flows from non-capital related financing activities:	
Loans from other funds	<u>177,932</u>
Net cash provided by non-capital related financing activities	<u>177,932</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,164,557)
Grant contributions	<u>781,428</u>
Net cash used for capital and related financing activities	<u>(383,129)</u>
Cash flows from investing activities:	
Interest revenue	<u>1,535</u>
Net cash provided by investing activities	<u>1,535</u>
Net increase in cash	22,147
Cash at beginning of year	<u>2,058,983</u>
Cash at end of year	<u><u>\$ 2,081,130</u></u>
Reported as:	
Cash	1,113,327
Restricted cash	<u>967,803</u>
	<u><u>\$ 2,081,130</u></u>

(continued)

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS (continued)**  
**For the Fiscal Year Ended September 30, 2022**

	<u>Water and Sewer Fund</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ (285,904)
Adjustments to reconcile operating gain (loss) to net cash provided by operating activities:	
Depreciation	408,142
Changes in net assets decrease (increase) and liabilities increase (decrease)	
Accounts receivable	130,343
Customer deposits	29,370
Accounts payable	(66,632)
Compensated absences	(4,197)
Deferred outflows	549
Deferred inflows	(120,245)
Change in net pension liability	<u>134,383</u>
Net cash provided by operating activities	<u>\$ 225,809</u>

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2022

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity** - The Town of Callahan, Florida is a municipality created pursuant to provisions of Chapter 165, *Florida Statutes*, and specifically Chapter 6732, *Laws of Florida*. It is governed by a Town Council, all individually elected. It is controlled by the Florida Constitution and various Florida Statutes, as well as its own local charter, ordinances and policies.

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

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

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



## **1. Government-wide Financial Statements**

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

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

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

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

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

## **2. Fund Financial Statements**

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

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

**Governmental Funds** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the Town.

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

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

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

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

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

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

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

**C. Basis of Accounting** - GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures, expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The Town has used GASB 34 minimum criteria for major fund determination. The Town has two major funds as follows:

- 1. Governmental Major Funds:**  
**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources, except those required to be accounted for in another fund.
- 2. Proprietary Major Funds:**  
**Water Fund** - This enterprise fund accounts for the revenues, expenses, assets, and liabilities associated with the Town operated water and sewer services.
- 3. Non-current Governmental Assets/Liabilities:**  
GASB Statement 34 requires non-current governmental assets, such as land and building, and noncurrent governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activity's column in the government-wide statement of net position.

#### **D. Assets, Liabilities and Net Position or Equity**

- 1. Cash and Investments** - Cash includes amounts in demand deposits as well as short-term money market investment accounts. Investments, consisting of certificates of deposit, are stated at cost which approximates market value. All such deposits and investments are insured and collateralized as required by state law.
- 2. Cash Equivalents** - For purposes of the statement of cash flows, the Town considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2022, the Town's cash consisted solely of checking accounts and money market accounts; it has no cash equivalents.
- 3. Receivables and Payables** - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."
- 4. Inventories** - Inventories are valued at cost, which approximates market, using the "first-in, first-out" method of accounting. Supplies inventories of certain governmental funds are recorded as expenditures when consumed rather than when purchased.
- 5. Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Town.

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

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

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

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

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

7. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments.
8. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent revenues received but not earned. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues.
9. **Accrued Compensated Absences** - The Town accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental and proprietary funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
10. **Prepaid Items** - Significant payment made to vendors for goods or services that will benefit periods beyond September 30, 2022, are recorded as prepaid items.
11. **Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on pensions in the

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

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

## **12. Fund Balances**

### **A. Governmental Funds**

As of September 30, 2022, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

As of September 30, 2022, fund balances are composed of the following:

	<u>General Fund</u>
Unassigned	<u>\$ 2,063,209</u>

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

## B. Proprietary Funds

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

As of September 30, 2022, net position balances are composed of the following:

	<u>Amount</u>
Net invested in capital assets	\$ 7,878,509
Restricted	869,258
Unrestricted	(576,533)
Prior period adjustment	(180,791)
	<u>\$ 7,990,443</u>

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

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

“Total fund balances” of the Town’s governmental funds \$2,063,210 differs from “net position” of governmental activities \$2,482,046 reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

#### Capital related items

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

Cost of capital assets	\$ 2,609,937
Accumulated depreciation	(1,537,432)
	<u>\$ 1,072,505</u>

**Long-term debt transactions**

Long-term liabilities to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2022 were:

Compensated absences	\$	(13,888)
Deferred inflows		(22,072)
Deferred outflows		68,838
Net pension liability		(281,055)
	\$	<u>(248,177)</u>

# TOWN OF CALLAHAN, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Net Position
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,677,073	\$ -	\$ -	\$ -	\$ 1,677,073
Accounts receivable	104,624	-	-	-	104,624
Due from other funds	308,482	-	-	-	308,482
Capital assets - net	-	1,072,505	-	-	1,072,505
Total assets	<u>\$ 2,090,179</u>	<u>\$ 1,072,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,162,684</u>
<b>DEFERRED OUTFLOWS</b>	<u>-</u>	<u>-</u>	<u>68,838</u>	<u>-</u>	<u>68,838</u>
<b>LIABILITIES AND FUND BALANCE/NET POSITION</b>					
Liabilities:					
Accounts payable	\$ 22,480	\$ -	\$ -	\$ -	\$ 22,480
Accrued liabilities	4,490	-	-	-	4,490
Compensated absences	-	-	-	13,888	13,888
Net pension liability	-	-	-	281,055	281,055
Total liabilities	<u>26,970</u>	<u>-</u>	<u>-</u>	<u>294,943</u>	<u>321,913</u>
<b>DEFERRED INFLOWS</b>	<u>-</u>	<u>-</u>	<u>22,072</u>	<u>-</u>	<u>22,072</u>
Fund balance/net position	<u>2,063,209</u>	<u>1,072,505</u>	<u>46,766</u>	<u>(294,943)</u>	<u>2,887,537</u>



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

The “net change in fund balances” for governmental funds \$352,431 differs from the “change in net position” for governmental activities \$615,851 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

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

Capital outlay	\$ 202,746
Depreciation expense	(74,854)
Difference	<u>\$ 127,892</u>

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

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

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

Net change in deferred inflows	141,157
Net change in deferred outflows	(645)
Net change in pension liability	(157,755)
	<u>\$ (17,243)</u>

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

Net change in compensated absences	\$ (4,984)
	<u>\$ (4,984)</u>

## TOWN OF CALLAHAN, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Activities
<b>REVENUES</b>					
Taxes	\$ 679,612	\$ -	\$ -	\$ -	\$ 679,612
Licenses and permits	936,416	-	-	-	936,416
Intergovernmental	203,411	-	-	-	203,411
Franchise fees	124,393	-	-	-	124,393
Charges for services	28,565	-	-	-	28,565
Fines and forfeitures	12,900	-	-	-	12,900
Miscellaneous	65,073	-	-	-	65,073
Total revenues	<u>2,050,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,050,370</u>
<b>EXPENDITURES</b>					
Current expenditures					
General government	485,129	7,367	(140,512)	157,755	509,739
Public safety	68,367	34,049		-	102,416
Transportation	833,914	21,852		4,984	860,750
Culture/recreation	107,783	11,586	-	-	119,369
Capital outlay	202,746	(202,746)	-	-	-
Total expenditures	<u>1,697,939</u>	<u>(127,892)</u>	<u>(140,512)</u>	<u>162,739</u>	<u>1,592,274</u>
Excess of revenues over (under) expenditures	<u>352,431</u>	<u>127,892</u>	<u>140,512</u>	<u>(162,739)</u>	<u>458,096</u>
Net change in fund balance	352,431	127,892	140,512	(162,739)	458,096
Fund balance/net position, beginning of year	<u>1,710,778</u>	<u>944,613</u>	<u>(93,746)</u>	<u>(132,204)</u>	<u>2,429,441</u>
Fund balance/net position, end of year	<u>\$ 2,063,209</u>	<u>\$ 1,072,505</u>	<u>\$ 46,766</u>	<u>\$ (294,943)</u>	<u>\$ 2,887,537</u>

### **3. LEGAL COMPLIANCE–BUDGETS**

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

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

#### **NOTE 4. DEPOSITS AND INVESTMENTS**

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

Investments. Under state law, the Town is allowed to invest surplus funds in guaranteed obligations of the U.S. government, interest bearing accounts of financial institutions which are legally secured, and the Local Government Surplus Funds Trust Fund and other similar funds. The Town had no investments as of September 30, 2022.

#### **NOTE 5. PROPERTY TAX REVENUES**

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2021-2022 fiscal year were levied in October 2021. All taxes are due and payable on November 1 or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year-end.

## NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities</b>				
Capital assets:				
Non-depreciable capital assets not being depreciated:				
Land	363,780	\$ -	\$ -	363,780
Total non-depreciable capital assets	363,780	-	-	363,780
Depreciable capital assets:	\$ -			\$ -
Building and improvements	1,045,223	-	-	1,045,223
Equipment	998,188	202,746	-	1,200,934
Total depreciable capital assets	2,043,411	202,746	-	2,246,157
Less accumulated depreciation	-			-
Building and improvements	(893,166)	(34,625)	-	(927,791)
Improvements other than buildings	-	-	-	-
Equipment	(569,412)	(40,229)	-	(609,641)
Total accumulated depreciation	(1,462,578)	(74,854)	-	(1,537,432)
Total depreciable capital assets, net	580,833	127,892	-	708,725
Governmental activities capital assets, net	<u>\$ 944,613</u>	<u>\$ 127,892</u>	<u>\$ -</u>	<u>\$ 1,072,505</u>
<b>Business-type activities:</b>	-			
Capital assets:				
Non-depreciable capital assets not being depreciated:				
Land	\$ 85,441	\$ -	\$ -	\$ 85,441
Construction in progress	1,049,099	1,196,040	-	2,245,139
Total non-depreciable capital assets	1,134,540	1,196,040	-	2,330,580
Depreciable capital assets:	\$ -			\$ -
Buildings improvements and equipment	12,434,602	27,963	-	12,462,565
Total depreciable capital assets	12,434,602	27,963	-	12,462,565
Less accumulated depreciation	-			-
Buildings improvements and equipment	(6,506,494)	(408,142)	-	(6,914,636)
Total accumulated depreciation	(6,506,494)	(408,142)	-	(6,914,636)
Total depreciable capital assets, net	5,928,108	(380,179)	-	5,547,929
Business-type activities capital assets, net	<u>\$ 7,062,648</u>	<u>\$ 815,861</u>	<u>\$ -</u>	<u>\$ 7,878,509</u>

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

<b>Governmental activities:</b>	
General government	\$ 7,367
Public safety	34,049
Highway and street	21,852
Culture/recreation	11,586
Total depreciation expense - governmental activities	<u>\$ 74,854</u>
<b>Business-type activities:</b>	<u>\$ 408,142</u>
Total depreciation expense - business-type activities	<u>\$ 408,142</u>

**NOTE 7. INTERFUND RECEIVABLES/PAYABLES**

The following is a schedule of interfund receivables and payables at September 30, 2022.

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 308,482	\$ -
Water and sewer	-	308,482
	<u>\$ 308,482</u>	<u>\$ 308,482</u>

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

Receivables at September 30, 2022, were as follows:

	<u>Accounts</u>	<u>Total Receivables</u>
Governmental activities:		
General	\$ 104,624	\$ 104,624
Business-type activities:		
Water and sewer	20,445	20,445
	<u>\$ 125,069</u>	<u>\$ 125,069</u>

**Payables**

Payables at September 30, 2022, were as follows:

	<u>Vendors</u>
Governmental activities:	
General	<u>\$ 22,480</u>
Business activities:	
Water and sewer	<u>\$ 103,785</u>

## NOTE 9. GENERAL LONG-TERM DEBT

A summary of the Town's long-term debt outstanding at September 30, 2022, is as follows:

### Summary of changes in governmental activities long-term liabilities:

The following summarizes the changes in the Town's governmental long-term liabilities during the year ended September 30, 2022:

	Balance September 30, 2021	Increase	Decrease	Balance on September 30, 2022	Due within one year
Compensated absences	8,904	14,251	(9,267)	13,888	2,404
Net pension liability	123,300	157,755	-	281,055	28,106
	<u>132,204</u>	<u>172,006</u>	<u>(9,267)</u>	<u>294,943</u>	<u>30,510</u>

### Business-type Activities

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

##### Note Payable – FDOT ARI #7129/8665/8666

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

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

##### Note Payable – FDOT ARI # 10008

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

Fiscal Year Ended September 30	Principal	Total
2023	\$ 5,000	\$ 5,000
2024	5,000	5,000
2025	5,000	5,000
2026	5,000	5,000
2027	5,000	5,000
2028-2030	10,000	10,000
Total	<u>\$ 35,000</u>	<u>\$ 35,000</u>

#### Note Payable – Rural Development Bonds Payable

In 2008 the Town of Callahan received a water and sewer bond of \$1,434,000 for the construction of a wastewater treatment facility. The bonds annual installments vary from \$15,000 to \$57,000 plus interest at 4.375% through September 2040. The revenues from the water and sewer system are pledged as collateral. The approximate amount of the pledge is equal to the remaining principal of approximately \$615,246.

Future payments are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total
2023	\$ 26,000	\$ 27,594	\$ 53,594
2024	27,000	26,594	53,594
2025	28,000	25,594	53,594
2026	29,000	24,594	53,594
2027	30,000	23,594	53,594
2028 - 2032	165,000	102,969	267,969
2033 - 2037	190,000	77,969	267,969
2038 - 2040	120,246	24,188	144,434
Total	<u>\$ 615,246</u>	<u>\$ 333,095</u>	<u>\$ 948,341</u>

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

#### Note Payable – State Revolving Loan Agreement

In 2020 the Town received a loan for the amount of \$49,000 from the Department of Environmental Protection at 1.39% interest. The note is payable in semiannual payments through 2030 from the Water and Sewer fund. The approximate amount of the pledge is equal to the remaining principal of approximately \$40,779.

Future payments are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total
2023	\$ 4,820	\$ 550	\$ 5,370
2024	4,921	483	5,404
2025	4,990	413	5,403
2026	5,060	344	5,404
2027	5,130	274	5,404
2028 - 2030	15,858	446	16,304
Total	<u>\$ 40,779</u>	<u>\$ 2,510</u>	<u>\$ 43,289</u>

#### Note Payable – State Revolving Loan Agreement

In 2020 the Town received a loan for the amount of \$244,791 from the Department of Environmental Protection at 0.08% interest. The note is payable in semiannual payments through 2042 from the Water and Sewer fund. The approximate amount of the pledge is equal to the remaining principal of approximately \$234,301.

Future payments are as follows:

Fiscal Year Ended September 30	Principal	Interest	Total
2023	\$ 6,086	\$ 96	\$ 6,182
2024	2,404	182	2,586
2025	12,819	178	12,997
2026	12,829	168	12,997
2027	12,839	158	12,997
2028 - 2042	193,410	1,311	194,721
Total	<u>\$ 234,301</u>	<u>\$ 2,093</u>	<u>\$ 236,394</u>

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

The following summarizes the changes in the Town's business activities long-term liabilities during the period ended September 30, 2022:

	Balance on October 31, 2021	Increase	Decrease	Balance on September 30, 2022	Due within one year
Compensated absences	\$ 12,197	\$ 11,890	\$ (16,087)	\$ 8,000	\$ 1,200
Net pension liability	105,033	134,385	-	239,418	26,051
Rural Development bonds	619,791	-	(4,545)	615,246	26,000
2020 DOT note payable	40,000	-	(5,000)	35,000	5,000
2021 DOT note payable	21,110	-	(16,000)	5,110	-
2020 SRF note payable	45,259	-	(4,480)	40,779	4,820
2021 SRF note payable	180,791	64,000	(10,490)	234,301	6,086
	<u>\$ 1,024,181</u>	<u>\$ 210,275</u>	<u>\$ (56,602)</u>	<u>\$ 1,177,854</u>	<u>\$ 69,158</u>



#### NOTE 10. PRIOR PERIOD ADJUSTMENT

The town received an SRF Loan in 2021, part of which was forgiven and part of which remains as a loan. The loan portion was not included in the balance sheet in the prior fiscal year. By adding it to the balance sheet the following changes occurred:

	Original 2021	Restated 2021
Notes payable	\$ 690,208	\$ 870,999
Grant Revenue	1,632,271	1,451,300
Total net position	<u>8,132,389</u>	<u>7,951,598</u>

#### NOTE 11. RISK MANAGEMENT

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

#### NOTE 12. DEFINED BENEFIT/DEFINED CONTRIBUTION PENSION PLANS AND COST SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREMENT HEALTH INSURANCE SUBSIDY PROGRAM

##### Florida Retirement System

**General Information** - All full-time employees of the Town hired prior to January 1, 1996, participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, Town school board, state university, community college, or a participating Town or special 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](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

## **A. Pension Plan**

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

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

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

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

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

**Contributions** – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022, respectively, were as follows:

Class	October 1, 2021 - June 30, 2022	July 1, 2022 - September 2022
Regular Class	10.82%	11.91%
Special Risk Class	25.89%	27.83%
Special Risk Class Administrative Support	37.76%	38.65%
County Elected Officers	51.42%	57.00%
Senior Management class	29.01%	31.57%
Deferred Retirement Option Program (DROP)	18.34%	18.60%

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At September 30, 2022, the Town reported a liability of \$383,796 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Town's proportionate share of the net pension liability was based on the Town's 2022-21 fiscal year contributions relative to the 2021-20 fiscal year contributions of all participating members. At June 30, 2022, the Town's proportionate share was 0.001031486 percent, which was a decrease of 0.001004923 percent from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the Town recognized pension expense of \$50,693. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,228	\$ -
Changes in assumptions	47,266	-
Net difference between projected and actual earnings on Pension Plan investments	-	-
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	24,685	16,134
Town Pension Plan contributions subsequent to the measurement date	11,530	-
Total	\$ 101,709	\$ 16,134

The deferred outflows of resources related to the Pension Plan, totaling \$11,530 resulting from Town contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. 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
2023	\$ 17,906
2024	6,757
2025	(6,047)
2026	52,615
2027	2,814
Thereafter	-
	<u>\$ 74,045</u>

**Actuarial Assumptions** – The total pension liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.00 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

Asset Class	Policy Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Annual Standard Deviation
Cash Equivalents	1.0%	2.1%	2.1%	1.1%
Fixed Income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
	<u>100.0%</u>			
Assumed inflation-mean			2.4%	1.2%

**Discount Rate** - The discount rate used to measure the total pension liability was 6.70%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
City's proportionate share of the net pension liability	\$ 663,749	\$ 383,796	\$ 149,722

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

## B. HIS Plan

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

**Benefits Provided** - For the fiscal year ended September 30, 2022, 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, 2022, the HIS contribution for the period October 1, 2021 through June 30, 2022 and from July 1, 2022 through September 30, 2022 was 1.66% and 1.66%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contribution are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At September 30, 2022, the Town reported a liability of \$136,677 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 21, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The Town's proportionate share of the net pension liability was based on the Town's 2022-21 fiscal year contributions relative to the 2021-20 fiscal year contributions of all participating members. At June 30, 2022, the Town's proportionate share was 0.001290429 percent, which was a decrease of 0.000047% percent from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the Town recognized a reduction in pension expense of \$8,993. In addition, the Town reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,148	\$ 601
Changes in assumptions	7,834	21,144
Net difference between projected and actual earnings on HIS Plan investments	198	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	11,475	2,995
Town HIS Plan contributions subsequent to the measurement date	2,113	-
Total	<u>\$ 25,768</u>	<u>\$ 24,740</u>

The deferred outflows of resources related to the HIS Plan, totaling \$2,113 resulting from Town contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. 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
2023	\$ (270)
2024	(145)
2025	(66)
2026	(106)
2027	(342)
Thereafter	(156)
	<u>\$ (1,085)</u>

**Actuarial Assumptions** – The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary increases	3.54%, average, including inflation
Municipal bond rate	2.66%

Mortality rates were based on the Generational RP-2010 based tables generational mortality using gender specific MP-2018 mortality improvement projection scale.

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

**Sensitivity of the Town's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the Town's proportionate share of the net pension liability calculated using the discount rate of 3.54%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	1% Decrease 2.54%	Current Discount Rate 3.54%	1% Increase 4.54%
City's proportionate share of the net pension liability	<u>\$ 156,370</u>	<u>\$ 136,677</u>	<u>\$ 120,382</u>

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

## **B. Investment Plan**

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

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Town employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by

law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Town Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2021-21 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 Town 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, 2022, the information for the number of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Town.

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

#### **NOTE 13. UNCERTAINTIES**

In March 2021, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) was characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Country. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.



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

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

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF CALLAHAN, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE- BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2022**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Final Budget Positive (Negative)
<b>Revenues</b>				
<b>Taxes</b>				
Ad valorem taxes	\$ 272,980	272,980	273,737	\$ 757
Non property taxes				
Local option gas tax/alternative fuel	26,268	26,268	34,744	8,476
Franchise fees				
Electricity	130,000	130,000	124,393	(5,607)
Discretionary sales tax	298,721	298,721	254,627	(44,094)
Communications service tax	94,722	94,722	116,504	21,782
	<u>549,711</u>	<u>549,711</u>	<u>530,268</u>	<u>(19,443)</u>
<b>Total taxes</b>	<u>822,691</u>	<u>822,691</u>	<u>804,005</u>	<u>(18,686)</u>
<b>Licenses and permits</b>				
Business tax receipts	3,000	3,000	1,126	(1,874)
Building and zoning permits	124,000	124,000	935,290	811,290
<b>Total licenses and permits</b>	<u>127,000</u>	<u>127,000</u>	<u>936,416</u>	<u>809,416</u>
<b>Intergovernmental</b>				
State contracts	25,000	25,000	24,468	(532)
State revenue sharing	57,000	57,000	56,359	(641)
Mobile home licenses	4,000	4,000	3,797	(203)
Alcoholic beverage licenses	2,000	2,000	1,989	(11)
Local government half-cent sales tax	116,149	116,149	116,798	649
<b>Total intergovernmental</b>	<u>204,149</u>	<u>204,149</u>	<u>203,411</u>	<u>(738)</u>
<b>Charges for services</b>				
Physical environment				
Fire safety inspections	3,200	3,200	5,165	1,965
Recreation/culture				
Rent	25,200	25,200	23,400	(1,800)
<b>Total charges for services</b>	<u>28,400</u>	<u>28,400</u>	<u>28,565</u>	<u>165</u>
<b>Fines and forfeitures</b>				
Fines and forfeitures	2,000	2,000	12,900	10,900
	<u>2,000</u>	<u>2,000</u>	<u>12,900</u>	<u>10,900</u>

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE- BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2022**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Miscellaneous				
Donations and contributions	150,000	150,000	3,893	\$ (146,107)
Interest income	65,000	65,000	1,018	(63,982)
Fire department	86,000	86,000	24,960	(61,040)
Rents and royalties	86,000	86,000	32,131	(53,869)
Grant Revenue	170,000	170,000	-	(170,000)
Transfers	125,000	125,000	-	(125,000)
Sale of equipment	-	-	-	-
Other miscellaneous revenue	173,900	173,900	3,071	(170,829)
Total miscellaneous	855,900	855,900	65,073	(790,827)
Total revenues	2,040,140	2,040,140	2,050,370	10,230
Expenditures				
General government				
Legislative				
Personnel services	80,000	80,000	36,000	44,000
Operating expenses	-	-	16,937	(16,937)
Total legislative	80,000	80,000	52,937	27,063
Executive				
Personnel services	18,000	18,000	10,400	7,600
Total executive	18,000	18,000	10,400	7,600
Financial and administrative				
Personnel services	255,500	255,500	183,874	71,626
Operating expenses	285,000	285,000	237,918	47,082
Total financial and administrative	540,500	540,500	421,792	118,708
Total general government	638,500	638,500	485,129	(153,371)
Operating expenses	151,300	151,300	68,367	82,933
Total fire control	151,300	151,300	68,367	82,933
Total public safety	151,300	151,300	68,367	82,933

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE- BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2022**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
Human services				
Cemetery				
Operating expenses	\$ 30,000	30,000	\$ -	30,000
Total physical environment	30,000	30,000	-	30,000
Transportation				
Streets				
Personnel services	220,689	220,689	211,239	9,450
Operating expenses	459,651	459,651	622,675	(163,024)
Capital outlay	140,000	140,000	202,746	(62,746)
Total transportation	820,340	820,340	1,036,660	(216,320)
Economic environment	\$ 45,000	45,000	\$ -	-
Total economic environment	45,000	45,000	-	45,000
Culture/recreation				
Parks and recreation				
Operating expenses	355,000	355,000	107,783	247,217
Total culture/recreation	355,000	355,000	107,783	247,217
State grant aids	170,000	170,000	-	170,000
Total expenditures	2,040,140	2,040,140	1,697,939	342,201
Excess of revenues over (under) expenditures	-	-	352,431	352,431
Net change in fund balance	-	-	352,431	352,431
Fund balance at beginning of year	-	-	1,710,778	1,710,778
Fund balance at end of year	\$ -	\$ -	\$ 2,063,209	\$ 2,063,209

See notes to financial statements.

**TOWN OF CALLAHAN, FLORIDA**  
**NOTES TO STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**SEPTEMBER 30, 2022**

**I. Stewardship, Compliance, and Accountability**

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

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

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

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

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

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

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

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the FRS net pension liability (asset)	0.001031486%	0.001004923%	0.000900000%	0.001100000%	0.001000000%	0.001000000%	0.001000000%	0.001000000%
City's proportionate share of the FRS net pension liability (asset)	\$ 383,796	\$ 75,910	\$ 405,546	\$ 366,527	\$ 306,312	\$ 292,504	\$ 250,435	\$ 133,103
City's proportion of the HIS net pension liability (asset)	0.001290429%	0.001242593%	0.001300000%	0.001200000%	0.001200000%	0.001100000%	0.001100000%	0.001100000%
City's proportionate share of the HIS net pension liability (asset)	136,677	152,423	156,268	138,318	123,518	121,608	133,613	114,985
City's proportionate share of the total net pension liability (asset)	<u>\$ 520,473</u>	<u>\$ 228,333</u>	<u>\$ 561,814</u>	<u>\$ 504,845</u>	<u>\$ 429,830</u>	<u>\$ 414,112</u>	<u>\$ 384,048</u>	<u>\$ 248,088</u>
City's covered-employee payroll	\$ 436,200	\$ 441,860	\$ 444,199	\$ 413,442	\$ 381,166	\$ 362,837	\$ 353,914	\$ 342,059
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	119.32%	51.68%	126.48%	122.11%	112.77%	114.14%	108.51%	72.53%
Plan fiduciary net position as a percentage of the total pension liability	79.09%	91.09%	81.85%	85.24%	86.41%	85.53%	85.85%	92.50%

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

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

**TOWN OF CALLAHAN, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CONTRIBUTIONS**  
**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM**  
**LAST 10 FISCAL YEARS\***

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 50,693	\$ 31,612	\$ 33,705	\$ 31,497	\$ 29,967	\$ 25,514	\$ 25,664	\$ 24,667
Contractually required HIS contribution	8,993	6,031	7,512	6,889	6,423	6,073	5,931	4,646
Total Contractually Required Contributions	59,686	37,643	41,217	38,386	36,390	31,587	31,595	29,313
Contributions in relation to the contractually required contribution	(59,686)	(37,643)	41,217	(38,386)	(36,390)	(31,587)	(31,595)	(29,313)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Administration's covered-employee payroll	488,827	441,860	444,199	427,291	386,831	366,080	357,225	342,238
Contributions as a percentage of covered-employee payroll	12.21%	8.52%	9.28%	8.98%	9.41%	8.63%	8.84%	8.57%

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



**TOWN OF CALLAHAN, FLORIDA**  
**NOTES TO SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION**  
**LIABILITY AND SCHEDULE CONTRIBUTIONS**  
**FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM**  
**For the Fiscal Year End September 30, 2022**

**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, 2022, are shown below:

	FRS	HIS
Total pension liability	\$ 217,434,441,000	\$ 11,126,965,688
Plan fiduciary net position	(180,226,404,807)	(535,368,479)
	<u>\$ 37,208,036,193</u>	<u>\$ 10,591,597,209</u>

Plan fiduciary net position as a percentage of the total pension liability	82.89%	4.81%
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The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2022. 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, 2022, and update procedures were used to determine liabilities 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, 2014 through 2022, respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2022, 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 ACFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts

applicable for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow of resources and associated pension expense.

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

### **Actuarial Methods and Assumptions**

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2018 for the period July 1, 2013 through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 2.40%. Payroll growth, including inflation, for both Plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both Plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2022:

- FRS: Decreasing the maximum amortization period to 20 years for all current and future amortization bases.
- HIS: The municipal rate used to determine total pension liability was increased from 2.16% to 3.54%

## **COMPLIANCE SECTION**

**TOWN OF CALLAHAN, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2022**

GRANTOR/PROGRAM TITLE	CSFA/CFDA #	Contract Award Number	Amount	Reported in Prior Years	Revenues Recognized in Current Year	Current Year Expenditures
<b>Federal Awards</b>						
<i>U.S Department of Housing and Urban Development passed through ther Florida Department of Economic Opportunity</i>	14.228	20DB-00-04-55-02-N06	650,000	-	273,214	273,214
Total Federal financial assistance			650,000	-	273,214	273,214
<b>State Financial Assistance</b>						
<i>Florida Department of Economic Opportunity Florida Job Growth Infrastructure Grant</i>	40.043	G0064	\$ 5,000,000	\$ 1,495	\$ 469,395	\$ 469,395
<i>Florida Division of Emergency Management Coronavirus State and Local Fiscal Recovery Funds</i>	21.027	Y5042	681,160	-	50,000	50,000
Total state financial assistance			5,681,160	1,495	519,395	519,395
Total financial assistance			\$ 6,331,160	\$ 1,495	\$ 792,609	\$ 792,609

**TOWN OF CALLAHAN, FLORIDA**  
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended September 30, 2022

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

**B. Basis of Accounting**

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

**C. Subrecipients**

The Town had no subrecipients during the fiscal year.

**D. Indirect Cost**

The Council did not elect to use the de minimis indirect cost rate the fiscal year ended September 30, 2022.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Callahan (the "Town"), as of September 30, 2022, and, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 20, 2023.

**Internal Control Over Financial Reporting**

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

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

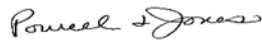
Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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



**Powell and Jones CPA**  
Lake City, Florida  
April 20, 2023

## **MANAGEMENT LETTER**

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

In planning and performing our audit of the financial statements of the Town of Callahan, Florida (the "Town") for the year ended September 30, 2022, we considered the Town's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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

### **PRIOR YEAR FINDINGS**

#### **2020-001 Incompatible Duties (Reported in previous audit as Items 2019-001 and 2018-001)**

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

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

Measures have been taken to substantially correct the findings.

### **CURRENT YEAR FINDINGS**

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

### **AUDITOR GENERAL COMPLIANCE MATTERS**

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

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

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

### **RURAL ECONOMIC AND COMMUNITY DEVELOPMENT REQUIREMENTS**

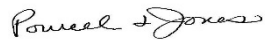
We are providing the following additional information relative to our examination of the financial statements of the Town of Callahan, Florida, for the year ending September 30, 2022 as provided in the audit requirements for USDA-Rural Development borrowers.



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

## **CONCLUSION**

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



**POWELL & JONES**  
Certified Public Accountants  
April 20, 2023

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH  
FLORIDA STATUTES RELATING TO LOCAL GOVERNMENT INVESTMENTS**

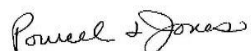
To the Honorable Mayor and  
Members of the Town Commission  
Town of Callahan, Florida

We have examined the Town of Callahan, Florida's (the "Town") compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2022. Management is responsible for the Town's compliance with those requirements. Our responsibility is to express an opinion on the Town's compliance based on our examination.

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

In our opinion, the Town complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

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



**POWELL & JONES**  
Certified Public Accountants  
April 20, 2023

## **Communication with Those Charged with Governance**

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

We have audited the financial statements of the Town of Callahan, Florida (the "Town") for the year ended September 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Callahan, Florida are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

#### ***Difficulties Encountered in Performing the Audit***

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

#### ***Corrected and Uncorrected Misstatements***

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

#### ***Disagreements with Management***

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

### ***Management Representations***

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

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

### ***Other Audit Findings or Issues***

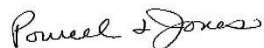
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

### **Other Information in Documents Containing Audited Financial Statements**

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

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

Very truly yours,



**POWELL & JONES**  
Certified Public Accountants  
April 20, 2023