

City of Graceville, Florida

ANNUAL FINANCIAL REPORT

September 30, 2022

CITY OF GRACEVILLE, FLORIDA

MAYOR

Arthur P.W. Obar, Jr.

MAYOR PRO TEM

Walter Olds

COUNCIL MEMBERS

Marshall Davis
Curtis Pinkard
John McClendon

CITY MANAGER

Michelle Watkins

CITY CLERK

Misty Smith

AUDITORS

Grimsley & Associates, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Graceville, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Graceville, Florida'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, each major fund, and the aggregate remaining fund information of the City of Graceville, Florida, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 City of Graceville, Florida 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 City of Graceville, Florida'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 and *Government 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 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 and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 City of Graceville, Florida'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 City of Graceville, Florida'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 44 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 or 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2023, on our consideration of the City of Graceville, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City of Graceville, Florida'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 considering City of Graceville, Florida's internal control over financial reporting and compliance.

Grimsley & Associates

Marianna, Florida
June 26, 2023

Grimsley and Associates, P.A.
Certified Public Accountant

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

The City of Graceville's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City of Graceville's financial activity, (c) identify changes in the City of Graceville's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the annual budget and (e) identify individual fund issues of concern.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on current year activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statement beginning on page 11.

Financial Highlights

The assets of the City exceeded its liabilities at September 30, 2022 \$10,048,157.

The City of Graceville's total net position decreased by \$332,461 during the fiscal year which ended September 30, 2022.

Entity Highlights

The City of Graceville experienced some growth but slower economic development conditions during previous fiscal years. The City experienced some commercial and residential construction and improvements.

The water meter replacement was completed for the entire service area, and well and WWTP electrical upgrades. The 12th Avenue SCOP grant funded through Florida Department of transportation construction work was completed.

Construction work for the CDBG NR upgrade of the Grit Screen/lift station located at the treatment plant was completed and grant close out submitted for approval to Department of Economic Opportunity.

Design work for repaving of Mill Creek Road through the DOT SCOP was completed.

The City received ARPA allocation in the amount of \$1,064,314 with 50% of the funding disbursed from the treasury and placed in a reserve account. The City moved forward with approved project expenditures of ARPA funding focusing primarily on water and sewer system improvements.

Staff anticipated design work to begin in the following fiscal year for the Brown Street SCOP project funded for \$1,231,319.

The City received notification that sidewalk projects funded through other agency's included sidewalk from Prim Avenue to 6th down SR 77 and areas of College, Sanders, and Ezell were to undergo full construction.

An additional Florida DOT SCOP grant application was approved. Cliff street and 2nd Avenue application is in the amount of \$1,059,992 was approved for funding. Design to begin in following fiscal year.

The City made application for three DEO CDBG grant related to hurricane Michael recovery and mitigation totaling \$11,944,179.

The City was approved for funding through Rural Infrastructure Grant Program for replacement of the WWTP Effluent pipe. The funding amount of \$50,000 represents a 50% cost share with the balance being funded from ARPA funds.

In the previous year the Graceville Volunteer Fire Department relocated to the back portions of the Graceville Civic Center as the FEMA accommodations provided by the City's insurance was terminated. The City acquired funding in the amount of \$2,163,500 through the State Fire Marshal and Chief Financial Officers office to rebuild the Graceville Fire Department which was significantly damaged by Hurricane Michael.

Some cleanup work commenced at Graceville Tiger Park to improve existing pavilions and funding will be sought for installation of a splash pad area.

The City of Graceville was sited and placed under a consent order for Inflow and Infiltration which led to exceeding the WWTP permitted limit. Public Works staff completed a comprehensive system wide study to identify areas of concern related to inflow and in filtration. Administrative staff has worked towards acquiring a funding source to pay for the needed improvement through legislative appropriation. Presently it appears that funding has been secured for said system improvements. The City requested \$6,347,800 for Waste Water System hardening and resiliency projects.

The City experienced a complete loss of DOC work crews which greatly handicapped the Parks and Recreation departments from a manpower position. The Commission approved another position in Parks and Recreation in order to attempt to keep the level of services up. Staff continues to work with DOC to gain work crews from Jackson Correctional in Malone.

The City planned for the Harvest Festival to be held in October, 2022. The Harvest Festival had an all-time record high attendance.

Administration implemented an adjustment to the Late Fee structure as it seemed that mail was experiencing delays in delivery. When researching issues surrounding customer issues and complaints, administration determined that adjusting the late due date to the 15th of the month seemed a fair compromise.

The major impact to the annual audit report singularly was the Pension Liability as mandated by Florida State Legislation. While effects of the net change are not anticipated, Legislation mandated that these liabilities be accounted for in the event of Florida Retirement System funding crisis.

The other major impact included the increase of grant funding for capital improvements to the City. Increased inflation greatly affected the cost of supplies for the City.

Using This Annual Report

The financial statement's focus is on both the City as a whole and on the major individual funds. Both perspectives allow the user to address relevant questions, broaden a basis for year to year comparison, and enhance the City of Graceville's accountability.

This discussion and analysis is intended to serve as an introduction to the City of Graceville's basic financial statements, which are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government Wide Financial Statements

The government wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business. The focus is on major funds, rather than fund types. The statement combines and consolidates governmental fund current resources with capital assets and long-term obligations. The statements include a Statement of Net Position and a Statement of Activities that are designed to provide consolidated financial information about the governmental activities of the City of Graceville presented on the accrual basis of accounting.

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, the increases or decreases in the net position may serve as a useful indication of whether the financial position of the City of Graceville is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the 2022 fiscal year. The focus is on both the gross and net costs of various activities both governmental and business-type that are supported by the City's general tax and other revenues. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Examples of such revenues include but are not limited to uncollected taxes earned and accumulated leave. This statement is intended to summarize and simplify the user's analysis of costs of various governmental services. An increase or decrease in net position is an indication of whether the City's financial health is improving or deteriorating.

Both of the financial statements distinguished the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, public safety, streets/transportation and culture/recreation activities.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City can be divided into two categories, governmental and proprietary. Traditional uses of governmental financial statements will find the fund financial statement presentation more familiar.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, unlike the governmental-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near term financing requirements.

Because the focus on governmental funds is narrower than that of the government wide financial statements, readers may better understand the long-term impact of the City's near-term financing decisions.

The City maintains one governmental fund and information on this fund is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget and are presented as required supplemental information. This information may be found on page 44 of this report.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary Funds

The City maintains one proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for Water and Sewer Impact accounting needs. The City further utilized reserve funds for bonded debt service and grant activities. The proprietary statement provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 17-19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found beginning on page 20 of this report.

Infrastructure Assets

The City has implemented the major model portions of GASB Statement 34. Historically, a government's largest group of assets (infrastructure – road, traffic signals, underground pipes not associated with a utility, etc.) have not been reported nor depreciated in governmental financial statements. The statement requires that these assets be valued and reported within the governmental column of government-wide statements.

Government-Wide Financial Analysis

This section is used to present condensed financial information for the government-wide statements that compare the current year to the prior year.

Infrastructure Assets

The City has implemented the major model portions of GASB Statement 34. Historically, a government's largest group of assets (infrastructure – road, traffic signals, underground pipes not associated with a utility, etc.) have not been reported nor depreciated in governmental financial statements. The statement requires that these assets be valued and reported within the governmental column of government-wide statements.

Government-Wide Financial Analysis

This section is used to present condensed financial information for the government-wide statements that compare the current year to the prior year.

Statement of Net Assets

The following schedule reflects the condensed Statement of Net Assets:

| Statement of Net Assets | | | | | | |
|----------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| September 30, 2022 | | | | | | |
| | Governmental | | Business-Type | | Total | |
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| Current and other Assets | \$ 1,565,251 | \$ 1,956,599 | \$ 605,299 | \$ 590,558 | \$ 2,170,550 | \$ 2,547,157 |
| Capital Assets | <u>1,980,754</u> | <u>1,910,181</u> | <u>10,337,260</u> | <u>10,264,981</u> | <u>12,318,014</u> | <u>12,175,162</u> |
| Total Assets | <u>3,546,005</u> | <u>3,866,780</u> | <u>10,942,559</u> | <u>10,855,539</u> | <u>14,488,564</u> | <u>14,722,319</u> |
| Deferred Outflows | <u>286,676</u> | <u>348,462</u> | <u>124,841</u> | <u>132,957</u> | <u>411,517</u> | <u>481,419</u> |
| Current Liabilities | 101,765 | 302,351 | 168,536 | 222,813 | 270,301 | 525,164 |
| Non Current Liabilities | <u>735,942</u> | <u>1,700,149</u> | <u>1,727,780</u> | <u>1,718,588</u> | <u>2,463,722</u> | <u>3,418,737</u> |
| Total Liabilities | <u>837,707</u> | <u>2,002,500</u> | <u>1,896,316</u> | <u>1,941,401</u> | <u>1,937,545</u> | <u>3,943,901</u> |
| Deferreed Inflows | <u>1,647,289</u> | <u>1,191,341</u> | <u>138,151</u> | <u>20,339</u> | <u>1,785,440</u> | <u>1,211,680</u> |
| NET ASSETS | | | | | | |
| Invested in Capital Assets | | | | | | |
| net of related debt | 1,980,754 | 1,910,181 | 9,032,989 | 9,026,651 | 11,013,743 | 10,936,832 |
| Restricted for: | - | | | | | |
| Debt Service | - | - | 341,052 | 353,227 | 341,052 | 353,227 |
| Law Enforcement | 1,438 | 1,439 | - | - | 1,438 | 1,439 |
| Other Purposes | 84,558 | 84,559 | 16,493 | 23,146 | 101,051 | 107,705 |
| Unrestricted | <u>(719,065)</u> | <u>(974,778)</u> | <u>(357,601)</u> | <u>(376,268)</u> | <u>(1,076,666)</u> | <u>(1,351,046)</u> |
| Total Net Assets | <u>\$ 1,347,685</u> | <u>\$ 1,021,401</u> | <u>\$ 9,032,933</u> | <u>\$ 9,026,756</u> | <u>\$ 10,380,618</u> | <u>\$ 10,048,157</u> |

Statement of Activities

The following schedule reflects the condensed Statement of Activities:

| | Statement of Activities | | | | | |
|--|--|---------------------|-----------------------------|---------------------|----------------------|----------------------|
| | For the Fiscal Year Ended September 30, 2022 | | | | | |
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 |
| REVENUES | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 463,729 | \$ 462,681 | \$ 1,362,612 | \$ 1,386,912 | \$ 1,826,341 | \$ 1,849,593 |
| Operating Grants & Contributions | 30,259 | 30,241 | - | - | 30,259 | 30,241 |
| Capital Grants & Contributions | <u>1,017,200</u> | <u>330,384</u> | - | <u>496,500</u> | <u>1,017,200</u> | <u>826,884</u> |
| Total Program Revenues | <u>1,511,188</u> | <u>823,306</u> | <u>1,362,612</u> | <u>1,883,412</u> | <u>2,873,800</u> | <u>2,706,718</u> |
| General Revenues, Special Items, & Transfers | | | | | | |
| Taxes - Other | 336,354 | 353,860 | - | - | 336,354 | 353,860 |
| Property Taxes | 744,249 | 727,466 | - | - | 744,249 | 727,466 |
| Transfers | 490,000 | 209,642 | (490,000) | (209,642) | - | - |
| Miscellaneous | 284,043 | 327,774 | 11,839 | 22,788 | 295,882 | 350,562 |
| Insurance Proceeds | - | - | - | - | - | - |
| Total General Revenues | <u>1,854,646</u> | <u>1,618,742</u> | <u>(478,161)</u> | <u>(186,854)</u> | <u>1,376,485</u> | <u>1,431,888</u> |
| Total Revenues | <u>3,365,834</u> | <u>2,442,048</u> | <u>884,451</u> | <u>1,696,558</u> | <u>4,250,285</u> | <u>4,138,606</u> |
| EXPENSES | | | | | | |
| Governmental Activities | | | | | | |
| General Government | 716,444 | 644,460 | - | - | 716,444 | 644,460 |
| Public Safety | 651,699 | 797,608 | - | - | 651,699 | 797,608 |
| Transportation | 1,066,723 | 838,195 | - | - | 1,066,723 | 838,195 |
| Health and Sanitation | 180,588 | 172,386 | - | - | 180,588 | 172,386 |
| Culture/Recreation | 241,162 | 315,683 | - | - | 241,162 | 315,683 |
| Interest on Long Term Debt | - | - | - | - | - | - |
| Business Type Activities | | | | | | |
| Water and Sewer | - | - | <u>947,858</u> | <u>1,702,735</u> | <u>947,858</u> | <u>1,702,735</u> |
| Total Expenses | <u>2,856,616</u> | <u>2,768,332</u> | <u>947,858</u> | <u>1,702,735</u> | <u>3,804,474</u> | <u>4,471,067</u> |
| Change in Net Assets | <u>509,218</u> | <u>(326,284)</u> | <u>(63,407)</u> | <u>(6,177)</u> | <u>445,811</u> | <u>(332,461)</u> |
| Net Assets-Beginning | <u>838,467</u> | <u>1,347,685</u> | <u>9,096,340</u> | <u>9,032,933</u> | <u>9,934,807</u> | <u>10,380,618</u> |
| Net Assets - Ending | <u>\$ 1,347,685</u> | <u>\$ 1,021,401</u> | <u>\$ 9,032,933</u> | <u>\$ 9,026,756</u> | <u>\$ 10,380,618</u> | <u>\$ 10,048,157</u> |

Governmental Funds

The focus of the City's governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unassigned fund balance may serve as a useful measure of governments net resources available for spending at the end of the fiscal year.

As of September 30, 2022, the City's governmental funds reported combined ending fund balances of \$ 681,112. Of this amount \$ 464,413 was unassigned.

Proprietary Funds

The City's proprietary funds provided the same type of information found in the government-wide financial statements, but in more detail.

General Funds Budgetary Highlights

The budget was amended on November 10, 2022 to show changes in line items as well as changes to income. The budget was amended to reflect actual spending to projected budgeted spending.

Capital Assets and Long-Term Debt

Detailed information about the City's capital assets and long-term debt can be obtained in footnotes to the financial statements.

Request for Information

The City's financial statements are designed to present users, to include but not limited to citizens, taxpayers, customers, and creditors, with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about this report or need additional financial information, you may contact Michelle C. Watkins, City Manager.

FINANCIAL STATEMENTS

City of Graceville, Florida
Statement of Net Position
September 30, 2022

| | Primary Government | | |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 1,640,200 | \$ 30,071 | \$ 1,670,271 |
| Restricted Assets | 87,934 | 447,728 | 535,662 |
| Accounts Receivable - net | 20,683 | 129,503 | 150,186 |
| Due from other Governments | 259,364 | - | 259,364 |
| Inventories | - | 4,981 | 4,981 |
| Other Assets | - | 9,853 | 9,853 |
| Internal Balances | 31,578 | (31,578) | - |
| Capital Assets: | | | |
| Nondepreciable capital assets | 623,755 | 499,060 | 1,122,815 |
| Depreciable capital assets, net | <u>1,286,426</u> | <u>9,765,921</u> | <u>11,052,347</u> |
| Total Capital Assets | <u>1,910,181</u> | <u>10,264,981</u> | <u>12,175,162</u> |
| Total Assets | <u>3,949,940</u> | <u>10,855,539</u> | <u>14,805,479</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to pension | <u>348,462</u> | <u>132,957</u> | <u>481,419</u> |
| LIABILITIES | | | |
| Accounts Payable and Accrued Expenses | 274,482 | 70,912 | 345,394 |
| Liabilities payable from restricted assets | - | 70,905 | 70,905 |
| Long Term Liabilities: | | | |
| Due within one year | | | |
| Bonds and Notes payable | - | 67,941 | 67,941 |
| Compensated absences payable | 27,869 | 13,055 | 40,924 |
| Due in more than one year | | | |
| Bonds and Notes payable | - | 1,170,389 | 1,170,389 |
| Compensated absences payable | 83,608 | 39,167 | 122,775 |
| OPEB Liability | 196,292 | 23,268 | 219,560 |
| Net Pension Liability | <u>1,420,249</u> | <u>485,764</u> | <u>1,906,013</u> |
| Total Liabilities | <u>2,002,500</u> | <u>1,941,401</u> | <u>3,943,901</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to pension | 137,202 | 10,195 | 147,397 |
| Deferred inflows related to OPEB | 81,003 | 10,144 | 91,147 |
| Unavailable Revenue | <u>973,136</u> | <u>-</u> | <u>973,136</u> |
| Total Deferred Inflows of Resources | <u>1,191,341</u> | <u>20,339</u> | <u>1,211,680</u> |
| NET POSITION | | | |
| Invested in Capital Assets, Net of Related Debt | 1,910,181 | 9,026,651 | 10,936,832 |
| Restricted for: | | | |
| Debt Service | - | 353,227 | 353,227 |
| Law Enforcement | 1,439 | | 1,439 |
| Other Purposes | 84,559 | 23,146 | 107,705 |
| Unrestricted | <u>(891,618)</u> | <u>(376,268)</u> | <u>(1,267,886)</u> |
| Total Net Position | <u>\$ 1,104,561</u> | <u>\$ 9,026,756</u> | <u>\$ 10,131,317</u> |

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

City of Graceville, Florida
Statement of Activities
For the Year Ended September 30, 2022

| <u>Expenses</u> | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------------|---|---|---|--|---------------------|
| | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Primary Government Business-type Activities</u> | <u>Total</u> |
| Functions/Programs | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | \$ 644,460 | \$ 147,379 | \$ - | \$ 330,384 | \$ (166,697) | \$ (166,697) |
| Public Safety | 797,608 | 51,937 | 20,000 | - | (725,671) | (725,671) |
| Transportation | 838,195 | 7,696 | - | - | (830,499) | (830,499) |
| Health and Sanitation | 172,386 | 234,633 | - | - | 62,247 | 62,247 |
| Culture/Recreation | 315,683 | 32,618 | 10,241 | - | (272,824) | (272,824) |
| Total governmental activities | <u>2,768,332</u> | <u>474,263</u> | <u>30,241</u> | <u>330,384</u> | <u>(1,933,444)</u> | <u>(1,933,444)</u> |
| Business-type Activities: | | | | | | |
| Water & Sewer | <u>1,702,735</u> | <u>1,386,912</u> | - | 496,500 | - | 180,677 |
| Total primary government | <u>\$ 4,471,067</u> | <u>\$ 1,861,175</u> | <u>\$ 30,241</u> | <u>\$ 826,884</u> | <u>(1,933,444)</u> | <u>180,677</u> |
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property taxes, levied for general purposes | | | | | 353,860 | - |
| Taxes - Other | | | | | 786,204 | - |
| Miscellaneous | | | | | 340,614 | 22,788 |
| Insurance Proceeds | | | | | - | - |
| Transfers | | | | | 209,642 | (209,642) |
| Total General Revenues and Transfers | | | | | <u>1,690,320</u> | <u>(186,854)</u> |
| Change in Net Position | | | | | (243,124) | (6,177) |
| Net Position - beginning | | | | | <u>1,347,685</u> | <u>9,032,933</u> |
| Net Position - ending | | | | | <u>\$ 1,104,561</u> | <u>\$ 9,026,756</u> |

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

City of Graceville, Florida
Balance Sheet
Governmental Funds
September 30, 2022

| | <u>General Fund</u> | <u>Other</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|------------------|---|
| ASSETS | | | |
| Cash | \$ 1,640,201 | \$ - | \$ 1,640,201 |
| Restricted Assets: | | | |
| Cash | 3,374 | 84,559 | 87,933 |
| Accounts Receivable, net | 20,683 | - | 20,683 |
| Due from other Governments | 259,364 | - | 259,364 |
| Due from other Funds | 33,512 | - | 33,512 |
| Total Assets | <u>\$ 1,957,134</u> | <u>\$ 84,559</u> | <u>\$ 2,041,693</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts Payable | \$ 233,177 | \$ - | \$ 233,177 |
| Accrued Expenses | 69,174 | - | 69,174 |
| Due to other Funds | 1,934 | - | 1,934 |
| Total Liabilities | <u>304,285</u> | <u>-</u> | <u>304,285</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | <u>973,136</u> | <u>-</u> | <u>973,136</u> |
| Fund Balances: | | | |
| Restricted for: | | | |
| Law Enforcement | 1,439 | - | 1,439 |
| Utility Account | 1,935 | - | 1,935 |
| Damage Recovery | - | 84,559 | 84,559 |
| Assigned to: | | | |
| Cemetery | - | - | - |
| Law Enforcement | 58,927 | - | 58,927 |
| Fire Department | 69,838 | - | 69,838 |
| Unassigned | 547,574 | - | 547,574 |
| Total Fund Balances | <u>679,713</u> | <u>84,559</u> | <u>764,272</u> |
| Total Liabilities, Deferred Inflows of Resources & Fund Balances | <u>\$ 1,957,134</u> | <u>\$ 84,559</u> | <u>\$ 2,041,693</u> |

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

City of Graceville, Florida
Reconciliation of the Balance Sheet
To the Statement of Net Position
September 30, 2022

| | | |
|--|----|------------------|
| Total Fund Balances - Total Governmental Fund | \$ | 764,272 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets used in governmental activities that are not financial resources and, therefore, are not reported in the funds.</p> | | 1,910,181 |
| <p>Some liabilities, including bonds payable and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.</p> | | (83,608) |
| <p>Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds.</p> | | (1,616,541) |
| <p>Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p> | | |
| Deferred outflows of resources related to pensions | | 348,462 |
| Deferred inflows of resources related to pensions | | <u>(218,205)</u> |
| Total Net Position | \$ | <u>1,104,561</u> |

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

City of Graceville, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2022

| | General <u>Fund</u> | Other <u>Fund</u> | Total Governmental <u>Funds</u> |
|--|------------------------|----------------------|---------------------------------------|
| REVENUES | | | |
| Taxes | \$ 1,140,064 | \$ - | \$ 1,140,064 |
| Licenses & Permits | 144,202 | - | 144,202 |
| Intergovernmental Revenues | 631,956 | - | 631,956 |
| Contributions and Donations | - | - | - |
| Charges for Services | 326,873 | - | 326,873 |
| Fines and Forfeitures | 3,188 | - | 3,188 |
| Miscellaneous Revenues | 69,352 | 1 | 69,353 |
| Total Revenues | 2,315,635 | 1 | 2,315,636 |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | 624,347 | - | 624,347 |
| Public Safety | 732,910 | - | 732,910 |
| Health and Sanitation | 172,386 | - | 172,386 |
| Transportation | 804,249 | - | 804,249 |
| Culture/Recreation | 273,844 | - | 273,844 |
| Capital Outlay | 54,913 | - | 54,913 |
| Total Expenditures | 2,662,649 | - | 2,662,649 |
| Excess (deficiency) of revenues over expenditures | (347,014) | 1 | (347,013) |
| OTHER FINANCING | | | |
| SOURCES (USES) | | | |
| Transfers In | 305,000 | - | 305,000 |
| Transfer Out | (95,358) | - | (95,358) |
| Total Other Financing Sources (Uses) | 209,642 | - | 209,642 |
| Net Change in Fund Balances | (137,372) | 1 | (137,371) |
| Fund Balances - beginning | 817,085 | 84,558 | 901,643 |
| Fund Balances - ending | \$ 679,713 | \$ 84,559 | \$ 764,272 |

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

City of Graceville, Florida
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ended September 30, 2022

| | | |
|--|----|-----------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | (137,371) |
|--|----|-----------|

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

| | | |
|--|--|----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation \$125,486 exceeded capital outlay \$54,913, in the current period. | | (70,573) |
|--|--|----------|

| | | |
|--|--|----------|
| Accrued other post-employment benefits do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | | (24,403) |
|--|--|----------|

| | | |
|---|--|----------|
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These expenses include: | | |
| Pension expenses | | (16,226) |
| Compensated absences | | 5,449 |
| | | 5,449 |

| | | |
|---|----|------------------|
| Change in Net Position of Governmental Activities | \$ | <u>(243,124)</u> |
|---|----|------------------|

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

City of Graceville, Florida
Statement of Net Position – Proprietary Fund
September 30, 2022

| | Water & Sewer | Total Proprietary Funds |
|---|---------------------|-------------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 30,071 | \$ 30,071 |
| Accounts Receivable-net | 129,503 | 129,503 |
| Inventory | 4,981 | 4,981 |
| Due From Other Funds | 1,934 | 1,934 |
| Other Assets | 9,853 | 9,853 |
| Total Current Assets | <u>176,342</u> | <u>176,342</u> |
| Noncurrent Assets: | | |
| Restricted Assets: | | |
| Cash and cash equivalents | 447,728 | 447,728 |
| Capital Assets: | | |
| Nondepreciable | 499,060 | 499,060 |
| Depreciable, net | <u>9,765,921</u> | <u>9,765,921</u> |
| Total Noncurrent Assets | <u>10,712,709</u> | <u>10,712,709</u> |
| Total Assets | <u>10,889,051</u> | <u>10,889,051</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred outflows related to pension | <u>132,957</u> | <u>132,957</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Bonds and Notes Payable | 67,941 | 67,941 |
| Accounts Payable | 38,286 | 38,286 |
| Due to other funds | 33,512 | 33,512 |
| Liabilities payable from restricted assets | 70,905 | 70,905 |
| Accrued Expenses | 32,626 | 32,626 |
| Compensated absences payable | <u>13,055</u> | <u>13,055</u> |
| Total Current Liabilities | <u>256,325</u> | <u>256,325</u> |
| Noncurrent Liabilities: | | |
| Bonds and Notes Payable after One Year | 1,170,389 | 1,170,389 |
| Compensated absences payable after one year | 39,167 | 39,167 |
| OPEB Liability | 23,268 | 23,268 |
| Net Pension Liability | <u>485,764</u> | <u>485,764</u> |
| Total Noncurrent Liabilities | <u>1,718,588</u> | <u>1,718,588</u> |
| Total Liabilities | <u>1,974,913</u> | <u>1,974,913</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred inflows related to OPEB | 10,144 | 10,144 |
| Deferred inflows related to pension | <u>10,195</u> | <u>10,195</u> |
| Total Deferred Inflows | <u>20,339</u> | <u>20,339</u> |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 9,026,651 | 9,026,651 |
| Restricted: | | |
| Debt Service | 353,227 | 353,227 |
| Other Purposes | 23,146 | 23,146 |
| Unrestricted | <u>(376,268)</u> | <u>(376,268)</u> |
| Total Net Position | <u>\$ 9,026,756</u> | <u>\$ 9,026,756</u> |

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

City of Graceville, Florida
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended September 30, 2022

| | <u>Water & Sewer</u> | <u>Total Proprietary Funds</u> |
|---|------------------------------|--|
| OPERATING REVENUES: | | |
| Charges for services | \$ 1,386,912 | \$ 1,386,912 |
| Miscellaneous | <u>22,744</u> | <u>22,744</u> |
| Total operating revenue | <u>1,409,656</u> | <u>1,409,656</u> |
| OPERATING EXPENSES: | | |
| Salaries and benefits | 390,279 | 390,279 |
| Legal and professional | 109,493 | 109,493 |
| Insurance | 39,036 | 39,036 |
| Utility service | 198,835 | 198,835 |
| Repairs and maintenance | 44,566 | 44,566 |
| Operating supplies and miscellaneous | 303,523 | 303,523 |
| Depreciation and amortization | <u>569,485</u> | <u>569,485</u> |
| Total operating expenditures | <u>1,655,217</u> | <u>1,655,217</u> |
| Operating gain | <u>(245,561)</u> | <u>(245,561)</u> |
| NONOPERATING REVENUES(EXPENSES): | | |
| Interest income | 44 | 44 |
| Interest expense | <u>(47,518)</u> | <u>(47,518)</u> |
| Total nonoperating revenue (expenses) | <u>(47,474)</u> | <u>(47,474)</u> |
| Income (loss) before contributions and transfers | (293,035) | (293,035) |
| Contributed Capital | 496,500 | 496,500 |
| Transfer In | 95,358 | 95,358 |
| Transfer out | <u>(305,000)</u> | <u>(305,000)</u> |
| Change in net position | (6,177) | (6,177) |
| Net Position, beginning of year (restated) (See Note 12) | <u>9,032,933</u> | <u>9,032,933</u> |
| Net Position, end of year | <u>\$ 9,026,756</u> | <u>\$ 9,026,756</u> |

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

City of Graceville, Florida
Statement of Cash Flows – Proprietary Fund
For the Year Ended September 30, 2022

| | Water & Sewer |
|--|--------------------------|
| Cash Flows from Operating Activities: | |
| Receipts from customers | \$ 1,374,028 |
| Other operating cash receipts | 22,744 |
| Payments to suppliers | (737,118) |
| Payments to employees | (368,516) |
| Net Cash provided by operating activities | <u>291,138</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Transfers to other funds | (209,642) |
| Loans to other funds | - |
| Net cash used by noncapital financing activities: | <u>(209,642)</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Capital Contributions | 496,500 |
| Purchases of capital assets | (496,500) |
| Principal payments on capital debt | (65,941) |
| Interest payments on capital debt | (47,518) |
| Net cash used by capital and related financing activities: | <u>(113,459)</u> |
| Cash Flows from Investing Activities: | |
| Interest Income | <u>44</u> |
| Net Increase in Cash and Cash Equivalents | (31,919) |
| Cash and Cash Equivalents, beginning of year | <u>509,718</u> |
| Cash and Cash Equivalents, end of year | <u><u>\$ 477,799</u></u> |
| | |
| Reconciliation of Operating Income to | |
| Net Cash Used in Operating Activities: | |
| Operating Loss | \$ (245,561) |
| Adjustments to Reconcile Operating Income to | |
| Net Cash Used in Operating Activities: | |
| Depreciation | 568,779 |
| Amortization | 706 |
| Pension Expense | 8,744 |
| Change in Assets and Liabilities: | |
| Deferred Outflows - Contributions After the Measurement Date | (3,409) |
| (Increase) decrease in accounts receivable | (17,884) |
| Increase (decrease) in accounts payable | (41,665) |
| Increase (decrease) in other liabilities | <u>21,428</u> |
| Net cash provided by operating activities | <u><u>\$ 291,138</u></u> |

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

NOTES TO FINANCIAL STATEMENTS

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Introduction

The City of Graceville, Florida (the City) was incorporated in 1961 under Citation 61-2203 of the Laws of Florida. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2022.

Reporting Entity

The definition of the reporting entity is based primarily on the notion of financial accountability. The financial statements of the City include the funds and account groups required to account for those financial activities, which are related to the City and are controlled by or dependent upon the City's legislative body. Control or dependence upon the City was determined on the basis of budget adoption, taxing authority and outstanding debt secured by revenues or general obligation of the City, and the City's legal responsibility to fund any deficits that may occur.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary activities. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Fund Financial Statements

Separate financial statements are provided for the governmental and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for debt principal and interest which are recorded as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds

Governmental Funds

The City reports the following major governmental funds:

General Fund – reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds

The City reports the following major proprietary funds:

Water/Sewer – accounts for the revenues and expenses, capital assets and debt for the utility department of the City.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Investments

Cash and Cash Equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government. Investments are stated at cost or amortized cost.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

Bond Discounts and Issue Costs

Bond discounts and issue costs are amortized over the term of the bonds using the straight-line method, which, for the bond discounts, is not materially different than the effective interest method. Unamortized bond discounts are presented in the financial statements as a reduction in bonds payable and unamortized bond issue costs as deferred charges.

Restricted Assets

Restricted Assets consist of cash and investments, which is required by resolution to be set-aside for specific purposes and is therefore unavailable for general operating purposes.

Proprietary Fund Policies

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$1,000 and capital assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Capital Assets and Depreciation - Continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Estimated useful lives, in years, for depreciable assets are as follows:

| | |
|--|-------|
| Buildings | 30-50 |
| Electrical, sewer, water and wastewater system | 30-50 |
| Equipment | 5-10 |
| Infrastructure | 50 |

Property Taxes

The City votes a local millage rate for the assessment of ad valorem property taxes. This rate was set at 4 mills for the October 2021 through September 2022 budget year. The Jackson County Property Appraiser's office includes this assessment with countywide property tax assessments. The Jackson County Tax Collector is charged with collecting these revenues and distributing to the City its share of these collections.

All taxes are generally due and payable on November 1 of each year. Discounts are allowed of four, three, two and one percent for payments in November through February, respectively. Delinquent taxes at April 1 are converted, by the County, into Tax Certificates. Therefore, there are no significant taxes receivable at year-end.

Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt as other financial sources of the current period.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense or expenditure) until then. The deferred outflows of resources reported in the City's Statement of Net Position represent pension related balances for changes in actuarial assumptions, changes in the proportion and differences between the City's contributions and proportionate share of contributions, and the City's contributions subsequent to the measure date, relating to the Florida Retirement System (FRS) Pension Plan. These amounts will be recognized as increases in pension expense in future years.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

Deferred Inflows of Resources

Deferred inflows of resources represents acquisition of resources that applies to future reporting periods and will not be recognized as an inflow of resource (revenue) until then. The City reports deferred inflows in the Statement of Net Position for pension related balances for the difference between expected and actual economic experience, the net difference between projected and actual earnings of FRS Pension investments, and changes in the proportion and differences between the City's contribution and proportional share of contributions relating to the FRS Pension Plan. These amounts will be recognized as reductions in pension expense in future years.

Pensions

In the government-wide and proprietary funds statement of net position, liabilities are recognized for the City's proportionate share of the pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the net position of the Florida Retirement System (FRS) defined benefit plan and additions to/deductions from FRS's net position has been determined on the same basis as they are reported by the FRS plans. For this purpose, plan contributions are recognized as of paid dates and benefit payments and refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Non-spendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts the government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported on in the general fund.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Expenditures are considered to be applied to fund balances from most restrictive to least restrictive as appropriate.

City Council establishes (and modified or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). At September 30, 2022 the City did not have any committed fund balances. Assigned fund balance is established by City council through adoption of amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Risk Management and Insurance

The City insures itself against losses from casualty, accident and dishonesty by purchasing municipal insurance through the Florida League of Cities, Inc. The City believes the level of insurance purchased is adequate to protect against material loss. No significant changes in coverage or claims have been made in the last year.

Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the financial statements.

1. City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is legally enacted through passage of an ordinance.
3. The budget of the General Fund is prepared on the modified accrual basis of accounting.

Budgetary control is at the departmental level.

The City's budget was amended on November 10, 2022.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 2 – CASH AND INVESTMENTS

The City, in accordance with state and local regulations, deposits its cash funds in approved financial institutions. The financial institutions are required to pledge U.S. Government Securities as collateral for such funds. All deposits are in checking accounts, bank money market accounts, or certificates of deposit.

The City has not formally adopted deposit and investment policies that limit the government’s allowable deposits or investments and address the specific types of risk to which the City might be exposed.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits (in excess of FDIC insurance) may not be returned.

At September 30, 2022, the City had the following cash deposits:

| | | |
|---|----|---------------------|
| Amount insured by FDIC | \$ | 500,000 |
| | | |
| Collateralized with securities pledged by the financial institution and held in trust, but not in the City's name | | <u>1,674,450</u> |
| Total Deposits with Financial Institutions | | <u>\$ 2,174,450</u> |

The carrying value on the financial statements was \$2,205,933 on September 30, 2022

Interest Rate Risk

Investments held by the City all have maturity dates of five years or less. At September 30, 2022 the City had no investment accounts.

NOTE 3 – RECEIVABLES

The City reported receivables as follows:

| | <u>GENERAL</u> | <u>UTILITY</u> |
|--------------------------------------|------------------|-------------------|
| Trade Accounts | \$ 21,553 | \$ 131,833 |
| Less allowance for doubtful accounts | <u>(870)</u> | <u>(2,330)</u> |
| Receivables, net | <u>\$ 20,683</u> | <u>\$ 129,503</u> |

Receivables arise primarily from utility services provided by the City of Graceville, Florida in the Utility Fund. The City grants credit to customers, substantially all of whom are local residents. In the General Fund, receivables are primarily the result of amounts due from other governments.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 4 – INTERNAL BALANCES

At September 30, 2022, the City had interfund receivables and payables that resulted from various interfund transactions as follows:

| | <u>Transfer In</u> | <u>Transfer Out</u> | <u>Purpose</u> |
|--------------------------------------|--------------------|---------------------|----------------|
| General Fund | \$ 305,000 | \$ 95,358 | Operations |
| Water & Sewer Fund | <u>95,358</u> | <u>305,000</u> | Operations |
| | <u>\$ 400,358</u> | <u>\$ 400,358</u> | |
| | <u>Receivable</u> | <u>Payable</u> | <u>Purpose</u> |
| General Fund | | | |
| Receivable from Water and Sewer Fund | \$ 33,512 | \$ - | Operations |
| Payable to Water and Sewer Fund | | 1,934 | Operations |
| Water and Sewer Fund | | | |
| Receivable from General Fund | 1,934 | - | Operations |
| Payable to General Fund | <u>-</u> | <u>33,512</u> | Operations |
| | <u>\$ 35,446</u> | <u>\$ 35,446</u> | |

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 5 – CAPITAL ASSETS

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

| | <u>BEGINNING</u> <u>BALANCE</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>ENDING</u> <u>BALANCE</u> |
|--|------------------------------------|--------------------|------------------|---------------------------------|
| Capital assets, not being depreciated: | | | | |
| Construction in Process | \$ 6,327 | \$ - | \$ - | \$ 6,327 |
| Land | <u>617,428</u> | <u>-</u> | <u>-</u> | <u>617,428</u> |
| Total capital assets, not being depreciated: | <u>623,755</u> | <u>-</u> | <u>-</u> | <u>623,755</u> |
| Capital assets, being depreciated: | | | | |
| Street paving | 1,017,658 | - | - | 1,017,658 |
| Buildings | 1,659,199 | - | - | 1,659,199 |
| Improvements other than buildings | 924,436 | - | - | 924,436 |
| Equipment | <u>2,021,835</u> | <u>54,913</u> | <u>-</u> | <u>2,076,748</u> |
| Total capital assets being depreciated: | <u>5,623,128</u> | <u>54,913</u> | <u>-</u> | <u>5,678,041</u> |
| Less: accumulated depreciation for: | | | | |
| Street paving | 464,653 | 14,657 | - | 479,310 |
| Buildings | 1,415,699 | 16,152 | - | 1,431,851 |
| Improvements other than buildings | 538,326 | 29,836 | - | 568,162 |
| Equipment | <u>1,847,451</u> | <u>64,841</u> | <u>-</u> | <u>1,912,292</u> |
| Total Accumulated Depreciation | <u>4,266,129</u> | <u>125,486</u> | <u>-</u> | <u>4,391,615</u> |
| Total capital assets being depreciated, net | <u>1,356,999</u> | <u>(70,573)</u> | <u>-</u> | <u>1,286,426</u> |
| Governmental activities capital assets, net | <u>\$ 1,980,754</u> | <u>\$ (70,573)</u> | <u>\$ -</u> | <u>\$ 1,910,181</u> |

Depreciation expense was charged to governmental activities as follows:

| | |
|---|-------------------|
| General Government | 21,070 |
| Public safety | 36,690 |
| Transportation | 28,590 |
| Culture and recreation | <u>39,136</u> |
| Total governmental depreciation expense | <u>\$ 125,486</u> |

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 5 – CAPITAL ASSETS – Continued

| | <u>BEGINNING BALANCE</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>ENDING BALANCE</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| Business-type activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Construction in Process | \$ - | \$ 496,500 | \$ - | \$ 496,500 |
| Land | <u>2,560</u> | <u>-</u> | <u>-</u> | <u>2,560</u> |
| Total capital assets, not being depreciated: | <u>2,560</u> | <u>496,500</u> | <u>-</u> | <u>499,060</u> |
| Capital assets, being depreciated: | | | | |
| Water and sewer system | 12,820,612 | - | - | 12,820,612 |
| Disposal plant | 2,213,553 | - | - | 2,213,553 |
| Improvements other than buildings | 5,946,784 | - | - | 5,946,784 |
| Equipment | <u>1,178,189</u> | <u>-</u> | <u>-</u> | <u>1,178,189</u> |
| Total capital assets being depreciated: | <u>22,159,138</u> | <u>-</u> | <u>-</u> | <u>22,159,138</u> |
| Less: accumulated depreciation for: | | | | |
| Water and sewer system | 4,526,148 | 360,245 | - | 4,886,393 |
| Disposal plant | 2,205,611 | 663 | - | 2,206,274 |
| Improvements other than buildings | 4,112,545 | 180,206 | - | 4,292,751 |
| Equipment | <u>980,134</u> | <u>27,665</u> | <u>-</u> | <u>1,007,799</u> |
| Total Accumulated Depreciation | <u>11,824,438</u> | <u>568,779</u> | <u>-</u> | <u>12,393,217</u> |
| Total capital assets being depreciated, net | <u>10,334,700</u> | <u>(568,779)</u> | <u>-</u> | <u>9,765,921</u> |
| Business-type activities capital assets, net | <u>\$ 10,337,260</u> | <u>\$ (72,279)</u> | <u>\$ -</u> | <u>\$ 10,264,981</u> |

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 6 - LONG TERM DEBT

Business-type activities

Revenue Bonds:

Water and sewer bonds -1994 Series

Authorized and issued \$1,085,000, interest at 4.5%, principal and interest payable annually on September 1, with principal payments beginning in 1996, collateralized by net revenues of the system.

Development \$ 540,000

Water and sewer revenue bonds - 1998 Series

Authorized and issued \$802,400, interest at 4.5%, principal and interest payable annually on September 1, with principal payments beginning in 2001, collateralized by net revenues of the system.

Bonds were sold to U.S. Department of Agriculture, Rural Development 501,400

State Revolving Fund Loan payable in 40 semi-annual payments of \$5,470 - secured by pledged revenues -

Water and Sewer operations. 196,930

Total business-type activities \$ 1,238,330

The following is the debt service requirements for the business type activities revenue bond and note payable at September 30, 2022:

| <u>Due Date</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|-----------------|----------------------------|--------------------------|----------------------------|
| 2023 | \$ 67,941 | \$ 46,863 | \$ 114,804 |
| 2024 | 70,941 | 44,398 | 115,339 |
| 2025 | 72,940 | 41,598 | 114,538 |
| 2026 | 75,940 | 38,808 | 114,748 |
| 2027 | 78,941 | 35,883 | 114,824 |
| 2028-2032 | 444,703 | 130,545 | 575,248 |
| 2033-2037 | 349,703 | 43,245 | 392,948 |
| 2038 | 77,221 | 1,998 | 79,219 |
| | <u><u>\$ 1,238,330</u></u> | <u><u>\$ 383,338</u></u> | <u><u>\$ 1,621,668</u></u> |

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 6 - LONG TERM DEBT – Continued

Long-term debt activity for the year ended September 30, 2022, was as follows:

| | BEGINNING | | | ENDING | DUE |
|---------------------------------|---------------------|------------------|------------------|---------------------|-------------------|
| | <u>BALANCE</u> | <u>INCREASES</u> | <u>DECREASES</u> | <u>BALANCE</u> | <u>WITHIN</u> |
| | | | | | <u>ONE YEAR</u> |
| Governmental activities: | | | | | |
| Compensated absences | \$ 118,743 | \$ - | \$ 7,266 | \$ 111,477 | \$ 27,869 |
| | | | - | | |
| Total Governmental Activities: | <u>118,743</u> | <u>-</u> | <u>-</u> | <u>111,477</u> | <u>27,869</u> |
| Business-type activities: | | | | | |
| Revenue bonds | 1,096,400 | - | 55,000 | 1,041,400 | 57,000 |
| Note Payable | 207,871 | - | 10,941 | 196,930 | 10,941 |
| Compensated absences | <u>45,740</u> | <u>6,482</u> | <u>-</u> | <u>52,222</u> | <u>13,055</u> |
| Total Business-type Activities: | <u>1,350,011</u> | <u>6,482</u> | <u>65,941</u> | <u>1,290,552</u> | <u>80,996</u> |
| Total | <u>\$ 1,468,754</u> | <u>\$ 6,482</u> | <u>\$ 65,941</u> | <u>\$ 1,402,029</u> | <u>\$ 108,865</u> |

Compensated Absences

All full-time employees earn annual and sick leave starting with the first day of employment.

Annual leave is earned at five days annually during the first year of employment. Beginning with the second year through the end of the sixth year, annual leave will accrue at the rate of ten days annually. For the seventh year through the fifteenth year, annual leave will accrue at the rate of twenty days annually. A maximum of thirty days annual leave time may be carried over from one fiscal year to the next. An employee who terminated employment with the City is paid for any unused annual leave accumulated at the time of termination, up to a maximum of thirty days.

Sick leave is earned at the rate of eight hours for each month of service with no maximum limit on the number of hours, which may be accumulated. Employees are allowed to convert up to four hours per year of sick leave for either vacation or compensation. An employee who terminated employment with the City is paid a percentage of accrued leave up to 480 hours based on years of service.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 7 – BOND RESOLUTION REQUIREMENTS

Proprietary Fund Type – Enterprise Fund – Water System

The Resolution 92-1110 and supplemented by Resolution 98-0909 adopted February 11, 1997 requires the establishment of certain “trust funds” to ensure repayment of the Water System Revenue Bonds. A summary of these requirements is as follows:

- A. All cash income from the ownership and operation of the system shall be deposited into the “Revenue Fund” on or before the 15th day of each month. Transfers are to be made to certain funds.
- B. The “Operation and Maintenance” Fund is to be used exclusively for the purpose of received funds transferred monthly from the revenue fund and for paying the operating and maintenance expenses of the system pursuant to the annual budget.
- C. The “Sinking Fund” is to be used exclusively for the purpose of paying principal and interest on the bonds and is to be funded by transferring each month from the “Revenue Fund” one-twelfth of the next annual interest and principal requirement.
- D. The “Reserve Account” is to be established by transferring on or before the 15th of each month from the “Revenue Fund” the sum of one-twelfth of one-tenth of the Maximum Bond Service Requirement until such time as the funds therein shall equal the Maximum Bond Service requirement, and monthly thereafter such amount as may be necessary to maintain the Maximum Bond Service Requirement in the Reserve Account, but not exceeding one-twelfth of one-tenth of the Maximum Bond Service Requirement Monthly. Moneys in the Reserve Account shall be used only for (1) paying the principal of and interest on the Bonds in the event that the moneys in the Sinking Fund shall ever be insufficient to meet such payments, (2) paying the cost of repairing or replacing any damage to the System which shall be caused by an unforeseen catastrophe, (3) constructing improvements or extensions to the System which shall increase its Net and which shall be approved by the Consulting Engineers, if the Issuer shall not then be in default under any of the provisions of the resolution, and (4) repaying governmental advances as provided under the Resolution.
- E. Excess Funds not required by the above accounts are to be transferred to the Water and Sewer system Revenue Bonds Redemption Account. This account is to be used to redeem the Bonds in inverse order to acquire outstanding bonds subject to limitations.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 8 - PENSION PLANS

General Information about the Pension Plan

Plan Description

The City of Graceville participates in the Florida Retirement System (FRS), a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. The plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report and other relevant information, is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

The Florida Retirement System (FRS) Pension plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under Section 121.053 and 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement system in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under one of the state administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits

For employees initially enrolled before July 1, 2011, normal retirement benefits are available to regular class employees who retire with at least 6 years of service and have reached age 62; the age after 62 the member becomes vested; or with 30 years of service at any age. Special risk class employees may receive normal retirement benefits with at least 6 years of special risk service after reaching age 55; to age after 55 the member becomes vested; after 25 years of service, consisting of both special risk service and up to four year of wartime military service, and age 52; after 25 years special risk service regardless of age; or with 30 years any creditable service regardless of age.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 8 - PENSION PLAN - Continued

For employees enrolled after July 1, 2011, regular class employees receive benefits with eight years of service and age 65 or 33 years of service, regardless of age. Special risk class employees are vested with eight years of special risk service and age 60; 30 years of service, consisting of both special risk service and up to four years of wartime military service, and age 57; 30 years of special risk service, regardless of age; or 33 years of any creditable service, regardless of age.

Service retirement benefits are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For employees initially enrolled prior to July 1, 2011 benefits, the average final compensation is the average of the five highest fiscal years' earnings; for employees initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the employee belonged when the service credit was earned.

The System provides for several benefit options, disability benefits and survivor benefits.

The cost-of-living adjustment for retirements effective before August 1, 2011 is 3% per year. The cost-of-living adjustment formula for retirees with an effective retirement date on or after August 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit earned multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions

The City is required to contribute at an actuarially determined rate. The contributions requirements of plan members and the City are established and may be amended by the Florida Legislature.

Applicable rates effective at September 30, 2022 were:

| | Employee Contribution | Employer Contribution | Total Contribution |
|-------------------|--------------------------|--------------------------|-----------------------|
| Regular | 3.00% | 10.82% | 13.82% |
| Special Risk | 3.00% | 25.89% | 28.89% |
| Senior Management | 3.00% | 29.01% | 32.01% |
| DROP | N/A | 18.34% | 18.34% |

The above rates do not include a 1.66% health insurance subsidy contribution and .06% administrative assessment.

Total payroll for the City's employees covered by the System was \$1,329,235 for the year ended September 30, 2022.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 8 - PENSION PLAN - Continued

The City's contributions for the year ended September 30, 2022 were \$184,831 to the FRS and \$21,586 to the HIS.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of resources Related to Pensions

At September 30, 2022, the City reported a liability for its proportionate shares of the net pension liability. The net pension liability for the FRS Pension Plan and HIS program 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 dated June 30, 2022. The City's Proportions of the net pension liabilities was based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

| | <u>FRS</u> | <u>HIS</u> | <u>Total</u> |
|--|--------------|--------------|--------------|
| Net pension liability at September 30, 2022 | \$ 1,535,893 | \$ 370,120 | \$ 1,906,013 |
| Proportion at: | | | |
| June 30, 2022 | 0.004127853% | 0.003494468% | |
| June 30, 2021 | 0.004221787% | 0.003583531% | |
| Pension expense (benefit), year ended September 30, 2022 | \$ 209,195 | \$ 15,580 | \$ 224,775 |

At September 30, 2022 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>FRS</u> | | <u>HIS</u> | |
|---|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
| Differences between expected and actual experience | \$ 72,946 | \$ - | \$ 11,234 | \$ 1,629 |
| Changes of assumption | 189,152 | - | 21,216 | 57,257 |
| Net difference between projected and actual earnings on pension plan investments | 101,415 | - | 536 | - |
| Changes in proportion and differences between City contributions and proportionate share of contributions | 24,330 | 66,618 | 3,630 | 21,893 |
| City contributions subsequent to the measurement date | <u>51,168</u> | <u>-</u> | <u>5,792</u> | <u>-</u> |
| Total | <u>\$ 439,011</u> | <u>\$ 66,618</u> | <u>\$ 42,408</u> | <u>\$ 80,779</u> |

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 8 - PENSION PLAN - Continued

Deferred outflows of resources related to pensions included \$ 51,168 for FRS and \$5,792 for HIS resulting from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended September 30, | <u>FRS</u> | <u>HIS</u> |
|--------------------------|------------|------------|
| 2023 | \$ 83,608 | \$ (5,957) |
| 2024 | 32,716 | (3,367) |
| 2025 | (29,081) | (1,554) |
| 2026 | 358,094 | (3,367) |
| 2027 | 14,541 | (7,770) |
| Thereafter | - | (3,626) |

Actuarial Methods and Assumptions

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuation is 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 2019 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 as 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 investment 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 3.54% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and the HIS Program was based on the PUB-2010 base table, projected generationally with Scale MP-2018.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 8 - PENSION PLAN - Continued

The following changes in actuarial assumptions occurred in 2022:

- FRS: The long term expected rate of return decreased from 6.80% to 6.70%.
- HIS: The demographic assumptions for the Special Risk class were updated to reflect plan changes due to HB5007, HB689 and SB838; the election assumption for vested terminated members was updated from 20\$ to 50% to reflect recent experience ;and the municipal bond rate used to determine total pension liability was increased from 2.16% to 3.54%.

The long-term expected rate of return assumption of 6.70% consists of two building block components: 1) a inferred real (in excess of inflation) return of 4.20%, which is consistent with the 1.17% real return from the capital market outlook model developed by the FRS consulting actuary, Milliman; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2021 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary both components and the overall 6.80% return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.70% reported investment return assumption in the same as the investment return assumption chosen by the 2021 FRS Actuarial Assumption Conference for funding policy purposes.

The table below summarizes the key assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target allocation. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumptions. These assumptions are not based on historical return, but instead are based on a forward-looking capital market model.

| Asset Class | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|-----------------------|----------------------|--------------------------------|---|-----------------------|
| Cash | 1.0% | 2.6% | 2.6% | 1.1% |
| Fixed income | 19.8% | 4.4% | 4.4% | 3.2% |
| Global equity | 54.0% | 8.8% | 7.3% | 17.8% |
| Real Estate | 10.3% | 7.4% | 6.3% | 15.7% |
| Private equity | 11.1% | 12.0% | 8.9% | 26.3% |
| Strategic investments | 3.8% | 6.2% | 5.9% | 7.8% |

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 8 - PENSION PLAN - Continued

Pension Liability Sensitivity

The following table demonstrates the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate:

| | FRS | | | HIS | | |
|---|--------------------|--------------------|-------------------|------------------|------------------|------------------|
| | Current | | | Current | | |
| | 1% Decrease | Discount Rate | 1% Increase | 1% Decrease | Discount Rate | 1% Increase |
| | <u>5.70%</u> | <u>6.70%</u> | <u>7.70%</u> | <u>2.54%</u> | <u>3.54%</u> | <u>4.54%</u> |
| City's proportionate share of net pension liability | <u>\$2,656,221</u> | <u>\$1,535,893</u> | <u>\$ 599,165</u> | <u>\$423,448</u> | <u>\$370,120</u> | <u>\$325,992</u> |

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan's fiduciary net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report. The report may be obtained through the Florida Department of Management Services website: <http://www.dms.myflorida.com>.

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The City's post-employment benefits other than pension activity are reported in the statement of net position in the City's financial statements.

Plan Description – The City's Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan which provides Other Postemployment Benefits (OPEB) to eligible retirees and their eligible dependents. Pursuant to the provisions of Section 112.0801, the Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group health insurance plan. Retirees and their eligible dependents shall be offered the same health insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The Plan does not issue a publicly available financial report.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Eligibility for participation in the Plan is limited to full-time employees of the City. For regular and senior management, participants are eligible for normal retirement upon attaining the earlier of 1) six years of service and age 62 or 2) 30 years of service regardless of age. For Special Risk, participants are eligible for normal retirement upon attaining the earlier of 1) six years of special risk service and age 55 or 2) 25 total years of service consisting both of special risk service up to four year of military service and age 52 or 3) 25 total year of special risk service, regardless of age or 4) 30 years of any credible service, regardless of age.

Benefits Provided

The City provides post-employment healthcare to its retirees. Health benefits are provided through the City’s healthcare provider, Blue Cross Blue Shield of Florida. The benefit levels are the same as those afforded to active employees. Health benefits include inpatient and outpatient medical services and prescriptions.

Membership

At September 30, 2022 there were no terminated employees entitled to benefits but not yet receiving them. The membership of the plan consisted of:

| | |
|---|-----------|
| Active employees | 17 |
| Retirees and beneficiaries currently receiving benefits | - |
| <u>Total Membership</u> | <u>17</u> |
| | |
| <u>Participating employers</u> | <u>1</u> |

Contributions and Funding Policy

A qualifying trust or agency fund has not been authorized by the City. The City negotiates the premium rates for Blue Cross and Blue Sheild of Florida. The required contribution is based on a pay-as-you-go financing requirement. Retirees and beneficiaries currently receiving benefits are required to contribute 100% of their current premium costs. The City did not have any retirees. The chart below shows the cost of the monthly retiree premiums as of the valuation date:

| Coverage | BCBS 10/01/21 | 09/30/22 |
|--------------------|------------------|----------|
| Retiree | \$ 512.45 | |
| Retiree & Spouse | \$ 1,024.90 | |
| Retiree & Children | \$ 948.03 | |
| Family | \$ 1,460.48 | |

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

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

At September 30, 2022, the City reported a liability of \$219,560 for the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and was determined by an actuarial valuation as of October 1, 2021. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation date. For the year ended September 30, 2022, the City recognized OPEB expense of \$27,609.

The following shows the changes in the city's net OPEB liability:

| | OPEB Liability | OPEB Expense |
|-------------------------------|-----------------------|---------------------|
| Balance at September 30, 2021 | \$ 236,486 | \$ - |
| Service Cost | 23,761 | 23,761 |
| Expected Interest growth | 12,411 | 12,411 |
| Unexpected investment income | - | - |
| Demographic experience | (2,662) | (3,615) |
| Employer contributions | - | - |
| Employee contributions | - | - |
| Benefit payments & refunds | (109) | (109) |
| Administrative expenses | - | - |
| Changes in benefit terms | - | - |
| Assumption changes | (50,327) | (4,839) |
| Balance at September 30, 2022 | \$ 219,560 | \$ 27,609 |

At September 30, 2022, the City reported deferred outflows of resources or deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows | Deferred Inflows |
|-------------------------------|--------------------------|-------------------------|
| Balance at September 30, 2021 | \$ - | \$ 46,613 |
| Amortization payments | - | (8,454) |
| Investment gain/loss | - | - |
| Demographic gain/loss | - | 2,662 |
| Assumption changes | - | 50,326 |
| Total | - | 91,147 |

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended September 30, | Deferred Outflows | Deferred Inflows |
|--------------------------|----------------------|---------------------|
| 2023 | \$ - | \$ 8,454 |
| 2024 | - | 8,454 |
| 2025 | - | 8,454 |
| 2026 | - | 8,454 |
| 2027 | - | 8,454 |
| Thereafter | - | 48,878 |

Actuarial Methods and Assumptions

The total OPEB liability in the October 1, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise specified.

| | |
|-------------------------------------|---|
| Cost of living increases: | Increase in accordance with healthcare cost trend rates |
| Projected annual salaries increase: | 3.00% per annum |
| Healthcare cost trend rate: | 8.00% for 2021/2022 reduced 0.5% each year Until reaching ultimate trend rate of 5.00% |
| Mortality: | PUB-2010 Mortality Table for general and public safety employees, with full generational improvements |

Discount Rate

The discount rate used to measure the total OPEB liability was 4.77%. The discount rate is based on the return on the S&P Municipal Bond 20-year High Grade Index.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net OPEB liability using a discount rate that is 1 percent lower (3.77%) and 1 percent higher (5.77%) than the current discount rate:

| | 1% Decrease (3.77%) | Current Discount Rate (4.77%) | 1% increase (5.77%) |
|--------------------|------------------------|----------------------------------|------------------------|
| Net OPEB Liability | \$ 249,271 | \$ 219,560 | \$ 193,568 |

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 9 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - Continued

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the City's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are 1 percent lower (7.00%) or 1 higher 9.00%) than the current healthcare cost trend rates:

| | 1% Decrease (7.00%) | Current Discount Rate (8.00%) | 1% increase (9.00%) |
|--------------------|------------------------|----------------------------------|------------------------|
| Net OPEB Liability | \$ 183,603 | \$ 219,560 | \$ 263,512 |

NOTE 10 – COMMITMENTS AND CONTINGENCIES

An underground fuel tank was removed from City property during 1992 and contamination was found. The City is cooperating with the State of Florida Department of Environmental Protection (FDEP) in performing the soil testing and clean-up. The City received approval from FDEP in a letter dated November 18, 1994 for reimbursement of up to \$300,000 of allowable costs less a \$30,000 deductible under the Florida Petroleum Liability and Restoration Insurance Program.

Petroleum Cleanup

On January 10, 1995, the City Council approved a contract with Florida Groundwater Services (FGS) to perform additional testing to prepare a contamination assessment report and to perform the contamination clean-up for the amount of the reimbursement from the State. Field activities were initiated by FGS on January 31, 1995. Soil borings and monitoring wells were installed to determine the extent of soil and groundwater contamination. Prior to completion of the contamination assessment, a moratorium was instituted on March 27, 1995 by the State for State-funded contamination assessment reports. Contamination assessment by FGS was suspended pending ranking of sites for subsequent reactivation by the State. On August 8, 1995, the City received a site priority ranking score of 37.

Contamination assessment field activities were resumed by FGS on September 8, 1995 and the contamination assessment report was completed in March 1996, and submitted to FDEP for approval.

FGS proceeded with work at the site during the year ended September 30, 2002 and submitted invoices to FDEP directly for payment from the reimbursement program. According to records obtained from FDEP, a total of \$214,040 has been paid by FDEP and the City for work performed at the site as of September 30, 2001. The City was advised by FGS that unanticipated work requirements had increased their costs for site assessment. FGS estimated that completion of the cleanup would cost well in excess of the remaining funds available through the reimbursement program.

City of Graceville, Florida
Notes to Financial Statements
September 30, 2022

NOTE 10 – COMMITMENTS AND CONTINGENCIES - Continued

Subsequently, the City signed a contract with Advanced Environmental Technologies, LLC, (AET) to complete the cleanup of the site. AET represented to the City that they could complete the cleanup with the funds remaining under the reimbursement program utilizing their technology and assistance from FDEP. On January 20, 2003, AET submitted plans to FDEP for soil boring and sample collection activities for the Graceville City Hall Site. A template site assessment report was submitted on November 26, 2002 by AET.

AET informed the City they had completed the project, but FDEP did not clear the clean-up because they felt additional work was needed. AET has submitted new plans to FDEP for additional work needed. Management felt there was no anticipated liability for the City.

In September 30, 2006, a new contractor had been assigned by FDEP and from that date through the end of the September 30, 2017 fiscal year, the contractor has continued work at the site, however, it not been completed as of the date of this report.

Grants

The City received grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the agencies for expenditures disallowed under the terms and conditions of the grant. City management believes that such disallowances, if any, would not be significant.

Accrued Leave

Under past administration, the City allowed employees to accrue vacation leave in excess of what the City's policy allows. The City is in the process of reducing excess leave.

NOTE 11 – LITIGATION

The City has lawsuits pending at year-end. In the opinion of management, after consultation with legal counsel, the matters will likely be resolved without a material adverse effect on the City's financial statements. However, should a judgement be rendered against the Town, legal council believes insurance coverage is adequate should the City receive an unfavorable outcome.

NOTE 12 – RESTATEMENT

In the current year, the City begin recording it's OPEB (Other Post Employment Benefit) liability, which resulted in a restatement of beginning net position in order to properly record the beginning OPEB Liability. This consisted of a decrease in Net Position of the governmental activities by \$228,388 and a decrease in Net Position of the business-type activities by \$27,280.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
City of Graceville, Florida
Budgetary Comparison Schedule – General Fund
For the Year Ending September 30, 2022

| | Budgeted Amounts | | Actual Amounts |
|---|---------------------|-------------------|---------------------|
| | <u>Original</u> | <u>Final</u> | <u>(GAAP Basis)</u> |
| REVENUES | | | |
| Taxes | \$ 1,067,203 | \$ 1,120,757 | \$ 1,140,064 |
| Licenses & Permits | 126,900 | 142,011 | 144,202 |
| Intergovernmental Revenues | 1,032,030 | 1,056,115 | 631,956 |
| Contributions and Donations | - | - | - |
| Charges for Services | 277,236 | 290,523 | 326,873 |
| Fines and Forfeitures | 3,000 | 3,158 | 3,188 |
| Miscellaneous Revenues | 44,135 | 39,912 | 69,352 |
| Total Revenues | <u>2,550,504</u> | <u>2,652,476</u> | <u>2,315,635</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | 664,805 | 596,960 | 624,347 |
| Public Safety | 685,137 | 729,173 | 732,910 |
| Health & Sanitation | 187,000 | 170,574 | 172,386 |
| Transportation | 586,424 | 1,321,347 | 804,249 |
| Culture/Recreation | 267,232 | 261,660 | 273,844 |
| Capital Outlay | <u>134,000</u> | <u>35,914</u> | <u>54,913</u> |
| Total Expenditures | <u>2,524,598</u> | <u>3,115,628</u> | <u>2,662,649</u> |
| Excess (deficiency) of revenues over expenditures | <u>25,906</u> | <u>(463,152)</u> | <u>(347,014)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | 450,000 | 416,727 | 305,000 |
| Insurance Proceeds | <u>-</u> | <u>-</u> | <u>(95,358)</u> |
| Total Other Financing Sources (Uses) | <u>450,000</u> | <u>416,727</u> | <u>209,642</u> |
| Net Change in Fund Balances | 475,906 | (46,425) | (137,372) |
| Fund Balances - beginning (as restated) (see note 12) | <u>817,085</u> | <u>817,085</u> | <u>817,085</u> |
| Fund Balances - ending | <u>\$ 1,292,991</u> | <u>\$ 770,660</u> | <u>\$ 679,713</u> |

Note: This schedule is prepared on the modified accrual basis of accounting.

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

Schedule of the City of Graceville, Florida's Proportionate share of Net Pension Liability
 Florida Retirement System and Health Insurance Subsidy Program
 Last 9 Fiscal Years*

| FLORIDA RETIREMENT SYSTEM | | | | | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| City's proportion of the Net Pension Liability | 0.004128% | 0.004222% | 0.004444% | 0.004353% | 0.004247% | 0.004121% | 0.004164% | 0.004089% | 0.004145% |
| City's proportionate share of Net Pension Liability | \$ 1,535,893 | \$ 318,908 | \$ 1,926,133 | \$ 1,499,163 | \$ 1,279,283 | \$ 1,218,843 | \$ 1,051,506 | \$ 528,149 | \$ 252,910 |
| City's Covered Employee Payroll | \$ 1,329,235 | \$ 1,349,058 | \$ 1,274,281 | \$ 1,268,159 | \$ 1,230,664 | \$ 1,200,506 | \$ 1,173,814 | \$ 1,138,721 | \$ 1,091,458 |
| City's proportionate share of Net Pension Liability as a percentage of its covered-employee payroll | 115.55% | 23.64% | 151.15% | 118.22% | 103.95% | 101.53% | 89.58% | 46.38% | 23.17% |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 82.89% | 96.40% | 78.85% | 82.61% | 84.26% | 83.89% | 84.88% | 92.00% | 96.09% |
| HEALTH INSURANCE SUBSIDY PROGRAM | | | | | | | | | |
| | <u>2021</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| City's proportion of the Net Pension Liability | 0.003494% | 0.003584% | 0.003687% | 0.003772% | 0.003719% | 0.003709% | 0.003657% | 0.003704% | 0.003678% |
| City's proportionate share of Net Pension Liability | \$ 370,120 | \$ 439,574 | \$ 450,118 | \$ 422,088 | \$ 393,606 | \$ 396,610 | \$ 426,150 | \$ 377,714 | \$ 343,873 |
| City's Covered Employee Payroll | \$ 1,349,058 | \$ 1,349,058 | \$ 1,274,281 | \$ 1,268,159 | \$ 1,230,664 | \$ 1,200,506 | \$ 1,173,814 | \$ 1,138,721 | \$ 1,091,458 |
| City's proportionate share of Net Pension Liability as a percentage of its covered-employee payroll | 27.44% | 32.58% | 35.32% | 33.28% | 31.98% | 33.04% | 36.30% | 33.17% | 31.51% |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 4.81% | 3.56% | 3.00% | 2.63% | 2.15% | 1.64% | 0.97% | 0.50% | 0.99% |

* The amounts presented for each fiscal year were determined as of 6/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which the information is available.

Schedule of the City of Graceville, Florida's Contributions
Florida Retirement System and Health Insurance Subsidy Program
Last 9 Fiscal Years*

| FLORIDA RETIREMENT SYSTEM | | | | | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually Required Contribution | \$ 184,831 | \$ 160,175 | \$ 152,391 | \$ 137,710 | \$ 121,042 | \$ 107,269 | \$ 101,555 | \$ 99,693 | \$ 90,794 |
| Contributions in Relation to the Contractually Required Contribution | <u>(184,831)</u> | <u>(160,175)</u> | <u>(152,391)</u> | <u>(137,710)</u> | <u>(121,042)</u> | <u>(107,269)</u> | <u>(101,555)</u> | <u>(99,693)</u> | <u>(90,794)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered-Employee Payroll | \$1,329,235 | \$1,349,058 | \$ 1,274,281 | 1,268,159 | 1,230,664 | 1,200,506 | 1,173,814 | 1,138,721 | 1,091,458 |
| Contributions as a Percentage of Covered-Employee Payroll | 13.91% | 11.87% | 11.96% | 10.86% | 9.84% | 8.94% | 8.65% | 8.75% | 8.32% |
| HEALTH INSURANCE SUBSIDY PROGRAM | | | | | | | | | |
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
| Contractually Required Contribution | \$ 21,586 | \$ 20,921 | \$ 21,134 | \$ 21,019 | \$ 20,167 | \$ 19,630 | \$ 18,742 | \$ 14,158 | \$ 12,599 |
| Contributions in Relation to the Contractually Required Contribution | <u>(21,586)</u> | <u>(20,921)</u> | <u>(21,134)</u> | <u>(21,019)</u> | <u>(20,167)</u> | <u>(19,630)</u> | <u>(18,742)</u> | <u>(14,158)</u> | <u>(12,599)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's Covered-Employee Payroll | \$1,329,235 | \$1,349,058 | \$ 1,274,281 | 1,268,159 | 1,230,664 | 1,200,506 | 1,173,814 | 1,138,721 | 1,091,458 |
| Contributions as a Percentage of Covered-Employee Payroll | 1.62% | 1.55% | 1.66% | 1.66% | 1.64% | 1.64% | 1.60% | 1.24% | 1.15% |

* The amounts presented for each fiscal year were determined as of 6/30.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which the information is available.

Schedule of the City of Graceville, Florida's Contributions
Florida Retirement System and Health Insurance Subsidy Program
Last 9 Fiscal Years*

City of Graceville, Florida's
Schedule of Changes in the Sponsor's Total OPEB Liability and Related Ratio
2 Fiscal Years*

| For the year ended September 30, | 2022 | 2021 |
|---|-------------------|-------------------|
| Total OPEB Liability | | |
| Service cost | \$ 23,761 | \$ 25,144 |
| Expected interest growth | 12,411 | 6,823 |
| Unespected investment income | - | - |
| Demographic experience | (2,662) | (39,094) |
| Employer Contributions | - | - |
| Employee contributions | - | - |
| Benefit payments & refunds | (109) | (76) |
| Administrative expenses | - | - |
| Changes in benefit terms | - | - |
| Assumption changes | (50,327) | (11,979) |
| Net change in total OPEB liability | (16,926) | (19,182) |
| Total OPEB Liability - Beginning | 236,486 | 255,668 |
| Total OPEB Liability - Ending (a) | 219,560 | 236,486 |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | - | - |
| Benefit Payments | - | - |
| Net Change In Plan Fiduciary Net Position | - | - |
| Plan Fiduciary Net Position - beginning | - | - |
| Plan Fiduciary Net Position- ending (b) | - | - |
| Net OPEB Liability - ending (a) - (b) | \$ 219,560 | \$ 236,486 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 0.00% | 0.00% |
| Covered Employee Payroll | \$1,329,235 | \$1,349,058 |
| Net OPEB Liability as a Percentage of Covered Payroll | 16.52% | 17.53% |
| Contributions as a Percentage of Covered Payroll | 0.00% | 0.00% |

*This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Honorable Mayor and City Council
City of Graceville
Graceville, FL

We have examined City of Graceville, Florida's, compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2022. Management is responsible for City of Graceville, Florida's, compliance with those requirements. Our responsibility is to express an opinion on City of Graceville, Florida's, compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City of Graceville, Florida, complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City of Graceville, Florida, complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

Our examination does not provide a legal determination on City of Graceville, Florida's, compliance with specified requirements.

In our opinion, City of Graceville, Florida, 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 management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Grimsley & Associates

Marianna, Florida
June 26, 2023

Grimsley and Associates, P.A.
Certified Public Accountants

Post Office Box 220 · Lafayette Street · Marianna, Florida 32447-0220 · 850-526-3910 · FAX 850-482-6019

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

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*

Honorable Mayor and City Council Members
City of Graceville, Florida
Graceville, Florida 32440

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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, each major fund, and the aggregate remaining fund information of the City of Graceville, Florida, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Graceville, Florida's basic financial statements and have issued our report thereon dated June 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Graceville, Florida'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Graceville, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Graceville, Florida's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings as item 2007-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule as item 2006-001 to be a significant deficiency.

Report on Compliance and Other Matters

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

City of Graceville, Florida's Response to Findings

The City of Graceville, Florida's response to the findings identified in our audit is described in the accompanying Schedule of Findings. The City of Graceville, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Grimsley & Associates

Marianna, Florida
June 26, 2023

Grimsley & Associates, P.A.
Certified Public Accountants

SCHEDULE OF FINDINGS

City of Graceville, Florida
Schedule of Findings
For the Year Ended September 30, 2022

2006-001

Criteria – Custody of assets, record keeping and recording of assets should have adequate separation.

Condition – Due to the size of the organization, proper separation of duties may not be feasible.

Effect – Internal controls lack proper checks and balances due to the size of the organization.

Cause – This is a small bookkeeping system.

Recommendation – Management should remain very active and involved in the day-to-day operations. Controls should be established to provide checks and balances.

Response – Management will remain actively involved in day to day accounting activities.

2007-001

Criteria – An entity's system of internal control over financial reporting should include controls over the prevention, detection and correction of misstatements in the audited financial statements.

Condition – The City relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles.

Effect – Since the auditor cannot be a part of an entity's system of internal accounting control, the City's system of internal accounting control over the financial reporting is not sufficient by itself to prevent, detect or correct misstatements in the audited financial statements.

Cause – The City has a small accounting staff necessitated by the overall small size of the entity. They do not consider it cost effective to develop and maintain a system of internal accounting control sufficient to prepare financial statements in accordance with generally accepted accounting principles, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements.

Recommendation – The City should continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that due to the size of their accounting department, they will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles.

Response – Management will continue to evaluate the cost and necessity of external accounting assistance related to operations taking into consideration the size of the accounting staff and financial circumstances of the City.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT
REQUIRED BY THE STATE OF FLORIDA

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

OWEN W. GRIMSLEY, C.P.A.

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO CITY MANAGEMENT

Honorable Mayor and City Council Members
City of Graceville
Graceville, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Graceville, Florida, Florida (the "City") as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June 26, 2023.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Schedule of Findings; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 26, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

The management letter items are as follows:

None

The schedule of findings items are as follows:

| Current Year Finding # | 2019-20 FY Finding # | 2018-19 FY Finding # |
|------------------------|----------------------|----------------------|
| 2006-001 | 2006-001 | 2006-001 |
| 2007-001 | 2007-001 | 2007-001 |

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

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

Purpose of this Letter

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

Marianna, Florida
June 26, 2023

Grimsley & Associates

Grimsley and Associates, P.A.
Certified Public Accountants