CITY OF FANNING SPRINGS, FLORIDA
ANNUAL FINANCIAL REPORT
September 30, 2025

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INTRODUCTORY SECTION

CITY OF FANNING SPRINGS, FLORIDA
LIST OF PRINCIPAL OFFICIALS
September 30, 2025

MAYOR	Howard E. Lancaster, III
CITY CLERK	Sherlene Michaelis
CITY COUNCIL	Matthew Lunsford
	Heather Snellgrove
	Wanda Michaud
	Barry Cannon
	Jonathan Smith
CITY ATTORNEY	Stan Griffis

FINANCIAL STATEMENTS

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Fanning Springs, Florida, (The City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of September 30, 2025, 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, 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'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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City'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'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, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report July 9, 2026, on our consideration of the City of Fanning Springs'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 Fanning Springs's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in the City of Fanning Springs's internal control over financial reporting and compliance.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
July 9, 2026

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

Report Layout

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

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. For the first time, governmental activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long been reported capital assets and long-term liabilities. Also, governmental activities are reported on the accrual basis of accounting.

- The Statement of Activities focuses on gross and net costs of the City's programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

- Fund financial statements focus separately on governmental and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City has one major governmental fund which is the general fund. A budgetary comparison is presented for the general fund. Statements for the City's proprietary fund follow the governmental funds and include net position, revenue, expenses and changes in net position, and cash flows.

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

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

City as a Whole

Government-wide Financial Statements

Net Position at September 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current assets	$ 907,181	$ 730,216	$ 363,144	$ 462,702	$ 1,270,325	$ 1,192,918
Noncurrent assets	1,294,838	1,270,024	14,279,118	14,510,729	15,573,956	15,780,753
Total assets	2,202,019	2,000,240	14,642,262	14,973,431	16,844,281	16,973,671
Deferred outflows	172,097	200,801	30,370	35,435	202,467	236,236
Liabilities						
Current liabilities	9,200	24,382	234,710	220,236	243,910	244,618
Long term liabilities	494,330	566,512	2,461,529	2,540,862	2,955,859	3,107,374
Total liabilities	503,530	590,894	2,696,239	2,761,098	3,199,769	3,351,992
Deferred inflows	113,030	80,332	185,118	14,176	298,148	94,508
Net position						
Net investment in capital assets	1,294,838	1,270,024	11,589,085	12,020,783	12,883,923	13,290,807
Restricted	13,403	11,587	199,080	185,808	212,483	197,395
Unrestricted	449,315	248,204	3,110	27,001	452,425	275,205
Total net position	$ 1,757,556	$ 1,529,815	$ 11,791,275	$ 12,233,592	$ 13,548,831	$ 13,763,407

The majority of the City's net position (95%) reflects its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's total net position decreased by $214,576 and unrestricted net position increased by $174,110. This decrease is primarily due to a decrease in grant revenues.

The increase in governmental activities net position of $227,741 is primarily due to the recognition of an insurance payout included in miscellaneous revenue related to a piece of equipment totaled (total loss) during the year, if this insurance payment related revenue was excluded from the financial results the governmental activities would have reported an increase in net position of $91,322.

The decrease in business-type activities net position of $442,317 is primarily due to depreciation on capital assets of $493,318. The sharp year over year decrease in profitability was due to a large Community Development Block Grant which boosted the prior years reported profitability above that of normal operations.

A condensed version of the Statement of Activities follows:

Change in Net Position
For the Fiscal Years Ended September 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues						
Charges for services	$ -	$ -	$ 669,950	$ 601,112	$ 669,950	$ 601,112
Capital grants and contributions	173,786	540,709	-	543,961	173,786	1,084,670
General revenues						
Property taxes	212,688	185,215	-	-	212,688	185,215
Other taxes and shared revenues	812,032	709,668	-	-	812,032	709,668
Fines and permits	29,799	32,287	-	-	29,799	32,287
Miscellaneous	207,331	28,915	-	16,050	207,331	44,965
Interest	9,973	12,750	14,655	-	24,628	12,750
Total revenues	1,445,609	1,509,544	684,605	1,161,123	2,130,214	2,670,667
Expenses						
General government	542,607	542,443	-	-	542,607	542,443
Public safety	600,708	526,521	-	-	600,708	526,521
Transportation	72,897	76,762	-	-	72,897	76,762
Culture and recreation	18,412	58,185	-	-	18,412	58,185
Interest on long-term debt	44	569	509	69,630	553	70,199
Water	-	-	565,767	370,765	565,767	370,765
Sewer	-	-	543,846	666,069	543,846	666,069
Total expenses	1,234,668	1,204,480	1,110,122	1,106,464	2,344,790	2,310,944
Interfund transfers	16,800	-	(16,800)	-	-	-
Change in net position	227,741	305,064	(442,317)	54,659	(214,576)	359,723
Beginning net position	1,529,815	1,224,751	12,233,592	12,178,933	13,763,407	13,403,684
Ending net position	$ 1,757,556	$ 1,529,815	$ 11,791,275	$ 12,233,592	$ 13,548,831	$ 13,763,407

Governmental activities:

Property taxes provide 15% of the revenues for Governmental Activities, while other taxes and shared revenues provide 56%. Most of the Governmental Activities resources are spent for General Government (44%), Public Safety (49%), and Transportation (6%).

Business-type activities:

Business-type activities decreased the City's net position by $442,317. This decrease is primarily due to recognizing grant revenue in the prior year that did not recur in the current year.

Budgetary Highlights

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

Capital Assets and Debt Administration

Capital Assets

At September 30, 2025, the City had approximately $15.3 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, roads, bridges and water and sewer facilities. This amount represents a net decrease (additions, deductions, and depreciation) of $468,504 or 2.97% less than last year. This decrease was primarily attributable to depreciation.

Capital Assets at September 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Nondepreciable						
Land	$ 715,283	$ 715,283	$ 340,191	$ 340,191	$ 1,055,474	$ 1,055,474
CIP	-	-	1,622,576	1,622,576	1,622,576	1,622,576
Depreciable						
Buildings and improvements	1,107,692	1,107,692	504,938	504,938	1,612,630	1,612,630
Water plant	-	-	2,450,547	2,450,547	2,450,547	2,450,547
Sewer system	-	-	14,065,296	14,065,296	14,065,296	14,065,296
Streets	415,650	415,650	-	-	415,650	415,650
Equipment	691,681	815,466	201,640	201,645	893,321	1,017,111
Subtotal	2,930,306	3,054,091	19,185,188	19,185,193	22,115,494	22,239,284
Accumulated depreciation	(1,635,468)	(1,784,067)	(5,167,777)	(4,674,464)	(6,803,245)	(6,458,531)
Capital assets, net	$ 1,294,838	$ 1,270,024	$ 14,017,411	$ 14,510,729	$ 15,312,249	$ 15,780,753

Long-term Liabilities

At year-end, the City had $3,018,185 in long-term liabilities outstanding versus $3,173,178 last year, a decrease of $154,993. The decrease is mainly due to a large decrease in net pension liability, and a decrease in revenue bonds.

Long-term Liabilities Outstanding at September 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenue bonds	$ -	$ -	$ 2,423,000	$ 2,478,000	$ 2,423,000	$ 2,478,000
Loan payable	-	-	5,326	11,946	5,326	11,946
Net pension liability	481,066	559,698	84,894	98,770	565,960	658,468
Compensated absences	13,264	8,017	10,635	16,747	23,899	24,764
Total	$ 494,330	$ 567,715	$ 2,523,855	$ 2,605,463	$ 3,018,185	$ 3,173,178

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

OTHER FINANCIAL INFORMATION

Economic Factors and Rates

- The current unemployment rate for Gilchrist County is 4.9% and the current unemployment rate for Levy County is 5.3%.
- The official population for the City in 2024 was 1,340 and is estimated to be approximately the same in 2025.
- The ad valorem tax rate for the City was 3.000 mills in 2025.

Financial Contact

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

BASIC FINANCIAL STATEMENTS

CITY OF FANNING SPRINGS, FLORIDA
STATEMENT OF NET POSITION
September 30, 2025

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash	$ 569,525	$ 90,748	$ 660,273
Investments	85,405	-	85,405
Due from state	22,589	-	22,589
Accounts receivable	154,643	84,340	238,983
Lease receivable, current portion	-	2,337	2,337
Interfund balances	75,019	(75,019)	-
Restricted cash	-	260,738	260,738
Total current assets	907,181	363,144	1,270,325
Noncurrent assets:			
Restricted cash	-	92,836	92,836
Capital assets	1,294,838	14,017,411	15,312,249
Lease receivable	-	168,871	168,871
Total noncurrent assets	1,294,838	14,279,118	15,573,956
Total assets	2,202,019	14,642,262	16,844,281
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	172,097	30,370	202,467
LIABILITIES			
Current liabilities			
Accounts payable	7,578	4,641	12,219
Accrued liabilities	1,622	1,448	3,070
Accrued interest payable	-	5,419	5,419
Customer deposits	-	160,876	160,876
Bank loan payable, current	-	5,326	5,326
Bond payable, current	-	57,000	57,000
Total current liabilities	9,200	234,710	243,910
Long-term liabilities			
Accrued compensated absences	13,264	10,635	23,899
Bond payable, net of current	-	2,366,000	2,366,000
Net pension liability	481,066	84,894	565,960
Total long-term liabilities	494,330	2,461,529	2,955,859
Total liabilities	503,530	2,696,239	3,199,769
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	113,030	19,947	132,977
Related to leases	-	165,171	165,171
Total deferred inflows of resources	113,030	185,118	298,148
NET POSITION			
Net investment in capital assets	1,294,838	11,589,085	12,883,923
Restricted for:			
Debt service	-	199,080	199,080
Roads and streets	13,403	-	13,403
Unrestricted	449,315	3,110	452,425
Total net position	$ 1,757,556	$ 11,791,275	$ 13,548,831

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	$ 542,607	$ -	$ 173,786	$ -	$ (368,821)	$ -	$ (368,821)
Public safety	600,708	-	-	-	(600,708)	-	(600,708)
Transportation	72,897	-	-	-	(72,897)	-	(72,897)
Culture and recreation	18,412	-	-	-	(18,412)	-	(18,412)
Total governmental activities	1,234,624	-	173,786	-	(1,060,838)	-	(1,060,838)
Business-type activities							
Water and sewer services	1,109,615	669,950	-	-	-	(439,665)	(439,665)
Interest expense	509	-	-	-	-	(509)	(509)
Total business-type activities	1,110,124	669,950	-	-	-	(440,174)	(440,174)
Total government	$ 2,344,748	$ 669,950	$ 173,786	$ -	(1,060,838)	(440,174)	(1,501,012)
General revenues							
Property taxes					212,688	-	212,688
Other taxes					492,120	-	492,120
Intergovernmental					231,577	-	231,577
Franchise fees					88,335	-	88,335
Licenses and permits					27,958	-	27,958
Fines and forfeitures					1,841	-	1,841
Interest					9,929	14,657	24,586
Other fees and miscellaneous					207,331	-	207,331
Total general revenues					1,271,779	14,657	1,286,436
Change in net position					227,741	(442,317)	(214,576)
Net position at beginning of year					1,529,815	12,233,592	13,763,407
Net position at end of year					$ 1,757,556	$ 11,791,275	$ 13,548,831

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2025

		General Fund
ASSETS		
Cash	$	569,525
Investments		85,405
Due from state		22,589
Due from other funds		75,019
Accounts receivable		154,643
Total assets		907,181
LIABILITIES		
Accounts payable		7,578
Accrued liabilities		1,622
Total liabilities		9,200
FUND BALANCES		
Committed		90,164
Restricted		13,403
Unassigned		794,414
Total fund balances	$	897,981
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		1,294,838
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds		172,097
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds		(113,030)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds		(494,330)
Net position of governmental activities	$	1,757,556

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended September 30, 2025

	General Fund
REVENUES	
Property taxes, levied for general purposes	$ 212,688
Other taxes	492,120
Intergovernmental	231,577
Franchise fees	88,335
Licenses and permits	27,958
Fines and forfeitures	1,841
Interest	9,973
Grant revenue	173,786
Other fees and miscellaneous	207,331
Total revenues	1,445,609
EXPENDITURES	
Current	
General government	436,095
Public safety	650,450
Transportation	72,897
Culture and recreation	18,412
Capital outlay	
Public safety	93,567
Debt service	
Interest	44
Total expenditures	1,271,465
Excess of revenues over expenditures	174,144
OTHER FINANCING SOURCES (USES)	
Interfund transfers	16,800
Total other financing sources	16,800
Net change in fund balance	190,944
Fund balance at beginning of year	707,037
Fund balance at end of year	$ 897,981

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2025

Net change in fund balance - governmental fund		$ 190,944
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Fixed asset additions	93,567	
Less current year depreciation	(68,753)	
		24,814
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. In addition, recognition of certain obligations related to prior and subsequent periods are not recognized in the statement of activities.		
Change in compensated absences	(5,247)	
Change in pension liability	78,632	73,385
Recognition of certain obligations related to prior and future periods are not recognized in governmental funds.		
Change in deferred outflows	(28,704)	
Change in deferred inflows	(32,698)	(61,402)
Change in net position of governmental activities		$ 227,741

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2025

	Enterprise Fund
ASSETS	
Current assets	
Cash	$ 90,748
Accounts receivable, net	84,340
Lease receivable, current portion	2,337
Restricted cash	260,738
Total current assets	438,163
Noncurrent assets:	
Restricted cash	92,836
Capital assets, net	14,017,411
Lease receivable, net of current portion	168,871
Total noncurrent assets	14,279,118
Total assets	14,717,281
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	30,370
LIABILITIES	
Current liabilities	
Accounts payable	4,641
Accrued liabilities	1,448
Due to other funds	75,019
Accrued interest payable	5,419
Bank loan payable, current	5,326
Total current liabilities	91,853
Current liabilities payable from restricted assets	
Customer deposits	160,876
Bond payable, current	57,000
Total current liabilities payable from restricted assets	217,876
Long-term liabilities	
Bond payable, net of current	2,366,000
Accrued compensated absences, net of current	10,635
Net pension liability	84,894
Total long-term liabilities	2,461,529
Total liabilities	2,771,258

(continued)

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION (concluded)
September 30, 2025

	Enterprise Fund
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	19,947
Related to leases	165,171
	185,118
NET POSITION	
Net investment in capital assets	11,589,085
Restricted for:	
Debt service	199,080
Unrestricted	3,110
Total net position	$ 11,791,275

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2025

	Enterprise Fund
OPERATING REVENUES	
Water sales	286,175
Sewer fees	276,524
Other utility charges	91,454
Rental Income	8,184
Miscellaneous income	7,613
Total operating revenues	669,950
OPERATING EXPENSES	
Water utility	
Personnel services	176,007
Operating expenses	290,344
Depreciation expense	99,418
Sewer utility	
Personnel services	28,117
Operating expenses	121,829
Depreciation expense	393,900
Total operating expenses	1,109,615
Operating loss	(439,665)
NONOPERATING REVENUES (EXPENSES)	
Interest income	14,657
Interest expense	(509)
Interfund transfers out	(16,800)
Total nonoperating revenues (expenses)	(2,652)
Change in net position	(442,317)
Net position at beginning of year	12,233,592
Net position at end of year	$ 11,791,275

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2025

		Enterprise Fund
Cash flows from operating activities:		
Cash received from customers, including cash deposits	$	662,920
Cash paid to suppliers		(413,302)
Cash paid to employees		(214,094)
Net cash provided by operating activities		35,524
Cash flows from non-capital related financing activities:		
Transfers from other funds		(557)
Net cash provided by non-capital related financing activities		(557)
Cash flows from capital and related financing activities:		
Principal payments		(61,620)
Interest payments		(509)
Net cash provided by capital and related financing activities		(62,130)
Cash Flows - Investing:		
Receipts of Interest		14,657
Lease principal		2,147
Net cash provided by investing		16,804
Net change in cash		(10,359)
Cash at beginning of year		454,681
Cash at end of year	$	444,322
Shown in financial statements as:		
Current assets		
Cash	$	90,748
Restricted cash		260,738
Noncurrent assets		
Restrcited cash		92,836
Total cash as shown in financial statements	$	444,322

(Continued)

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (concluded)
For the Fiscal Year Ended September 30, 2025

	Enterprise Fund
Reconciliation of operating loss to net cash provided by (used in) operating activities:	
Operating income	$ (439,665)
Adjustments to reconcile operating loss to	
net cash provided by (used in) operating activities:	
Depreciation	493,318
Changes in assets decrease (increase) and	
liabilities (decrease) increase:	
Accounts receivable, net	(17,543)
Accounts payable	(1,129)
Deferred outflows	5,065
Accrued liabilities	(818)
Compensated absences	(6,112)
Customer deposits	18,697
Deferred inflows	(2,413)
Net pension liability	(13,876)
Total adjustments	475,189
Net cash provided by (used in) operating activities	$ 35,524

See notes to financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

1. Government-wide Financial Statements

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

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

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

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

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

2. Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. **Cash Equivalents** - For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2025, the City's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.

3. **Allowance for Doubtful Accounts** - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2025, this allowance account totaled $26,069 based upon prior collection history. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered to be fully collectible.

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

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

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

7. **Encumbrances** - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.

8. **Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets, bridges, right-of-ways, and similar items), are reported in the applicable

governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $500 or more and an estimated useful life in excess of one year. Except for roads and bridges constructed prior to October 1, 1981, assets are recorded at historical cost. Roads and bridges constructed prior to October 1, 1981 are generally not reported. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

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

9. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the City did not have any capitalized interest.

10. **Unearned Revenues** – Unearned revenues reported in government-wide financial statements represent unearned revenues. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. During the current period, the City did not have any unearned revenues.

11. **Accrued Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. A portion of the compensated absences liability for these amounts is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements. In compliance with SGAS No. 101, a compensated absences liability is accrued in the government-wide financial statements for leave that more likely than not will be used for time of or paid to the employee at some point in the future.

12. **Deferred Outflows/Inflows of Resources** – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the City's proportionate share of net pension liability. These are amortized over the average

expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

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

13. Fund Balances

A. Governmental Funds

As of September 30, 2025, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

As of September 30, 2025, fund balances are composed of the following:

	General Fund
Restricted, streets	13,403
Committed	
Historical park	1,826
Fire protection	2,932
Invested for future expenses	85,406
Total committed	90,164
Unassigned	794,414
	$ 897,981

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

B. Proprietary Funds

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

As of September 30, 2025, net position balances are composed of the following:

	Amount
Invested in capital assets, net of related debt	$ 11,589,085
Restricted, debt service	199,080
Unrestricted	3,110
	$ 11,791,275

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

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

"Total fund balances" of the City's governmental funds $897,981 differs from "net position" of governmental activities $1,757,556 long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Capital related items

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

Cost of capital assets	$ 2,930,306
Accumulated depreciation	(1,635,468)
Total	$ 1,294,838

Long-term debt transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2025, were:

Compensated absences	(13,264)
Net pension liability	(481,066)
	$ (494,330)

Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position in a future period while deferred inflows of resources represent an acquisition of net position in a future period and accordingly, are not reported in the governmental fund statements. However, the statement of net position included those deferred outflows/inflows of resources.

Deferred inflows	(100,278)
Deferred outflows	172,097
	$ 71,819

CITY OF FANNING SPRINGS, FLORIDA

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Statement of Net Position
ASSETS					
Cash	$ 569,525	$ -	$ -	$ -	$ 569,525
Investments	85,405	-	-	-	85,405
Due from state	22,589	-	-	-	22,589
Due from other governmental units	-	-	-	-	-
Due from other funds	75,019	-	-	-	75,019
Accounts receivable	154,643	-	-	-	154,643
Capital asset - net	-	1,294,838	-	-	1,294,838
Total assets	907,181	1,294,838	-	-	2,202,019
DEFERRED OUTFLOWS					
Related to pension	-	-	172,097	-	172,097
LIABILITIES AND FUND BALANCE/NET POSITION					
LIABILITIES					
Accounts payable	7,578	-	-	-	7,578
Accrued liabilities	1,622	-	-	-	1,622
Notes payable, net	-	-	-	-	-
Compensated absences	-	-	-	13,264	13,264
Deferred revenue	-	-	-	-	-
Deposits	-	-	-	-	-
Net pension liability	-	-	-	481,066	481,066
Total liabilities	9,200	-		494,330	503,530
DEFERRED INFLOWS					
Related to pension	-	-	113,030	-	113,030
Fund balance/net position	$ 897,981	$ 1,294,838	$ 59,067	$ (494,330)	$ 1,757,556

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

The "net change in fund balances" for governmental funds $190,944 differs from the "change in net position" for governmental activities $227,741 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	$ 93,567
Depreciation expense	(68,753)
	$ 24,814

Long-term debt related items

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

Net increase in compensated absences	$ (5,247)
Net decrease in net pension liability	78,632
	$ 73,385

Deferred outflows/inflows of resources

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

Net decrease in deferred outflows	$ (28,704)
Net increase in deferred inflows	(32,698)
	$ (61,402)

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Activities
REVENUES					
Property taxes, levied for general purposes	$ 212,688	$ -	$ -	$ -	$ 212,688
Other taxes	492,120	-	-	-	492,120
Intergovernmental	231,577	-	-	-	231,577
Franchise fees	88,335	-	-	-	88,335
Licenses and permits	27,958	-	-	-	27,958
Fines and forfeiture	1,841	-	-	-	1,841
Interest	9,973	-	-	-	9,973
Grant revenue	173,786	-	-	-	173,786
Other fees and miscellaneous	207,331	-	-	-	207,331
Total revenues	1,445,609	-	-	-	1,445,609
EXPENDITURES					
Current expenditures					
General government	436,095	124,784	44,105	(62,377)	542,607
Public safety	650,450	(56,031)	17,297	(11,008)	600,708
Transportation	72,897	-	-	-	72,897
Health services	-	-	-	-	-
Culture and recreation	18,412	-	-	-	18,412
Capital outlay					
General government	93,567	(93,567)	-	-	-
Transportation	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	44	-	-	-	44
Total expenditures	1,271,465	(24,814)	61,402	(73,385)	1,234,668
Excess of revenues over expenditures	174,144	24,814	(61,402)	73,385	210,941
OTHER FINANCING SOURCES (USES)					
Grant expense	-	-	-	-	-
Grant revenue	-	-	-	-	-
Interfund transfers	16,800	-	-	-	16,800
Interest	-	-	-		-
Total other financing sources (uses)	16,800	-	-	-	16,800
Net change in fund balance	190,944	24,814	(61,402)	73,385	227,741
Fund balance at beginning of year	707,037	1,270,024	120,469	(567,715)	1,529,815
Fund balance at end of year	$ 897,981	$ 1,294,838	$ 59,067	$ (494,330)	$ 1,757,556

NOTE 3. LEGAL COMPLIANCE–BUDGETS

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

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

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits. The bank balances of the City deposits totaling $1,045,673 were insured by federal depository insurance or pledged collateral under state law.

At September 30, 2025, the City held investments totaling $85,405 measured at fair value. All investments are classified as Level 1 in the fair value hierarchy and are valued using quoted prices in active markets. The City does not hold any investments measured at NAV or amortized cost. These investments are permitted by local ordinance.

NOTE 5. PROPERTY TAX REVENUES

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Governmental activities:					
Nondepreciable capital assets					
Land	$ 715,283	$ -	$ -	$ -	$ 715,283
Construction in progress	-	-	-	-	-
Total nondepreciable capital assets	715,283	-	-	-	715,283
Depreciable capital assets			-		
Streets	415,650	-	-	-	415,650
Buildings and improvements	1,107,692	-	-	-	1,107,692
Equipment and vehicles	815,466	93,567	-	(217,352)	691,681
Total depreciable capital assets	2,338,808	93,567	-	(217,352)	2,215,023
Less accumulated depreciation	(1,784,067)	(68,753)	-	217,352	(1,635,468)
Total depreciable capital assets, net	554,741	24,814	-	-	579,555
Total capital assets, net	$ 1,270,024	$ 24,814	$ -	$ 217,352	$ 1,294,838
Business-type activities:					
Nondepreciable capital assets					
Land	$ 340,191	$ -	$ -	$ -	$ 340,191
Construction in progress	1,622,576	-		-	1,622,576
Total nondepreciable capital assets	1,962,767	-	-	-	1,962,767
Depreciable capital assets					
Water plant	2,450,547	-	-	-	2,450,547
Sewer system	14,065,296			-	14,065,296
Water/sewer improvements	504,938	-	-	-	504,938
Equipment	201,645	-	(5)	-	201,640
Total depreciable capital assets	17,222,426	-	(5)	-	17,222,421
Less accumulated depreciation	(4,674,464)	(493,318)	5	-	(5,167,777)
Total capital assets being depreciated, net	12,547,962	(493,318)	-	-	12,054,644
Total capital assets, net	$ 14,510,729	$ (493,318)	$ -	$ -	$ 14,017,411

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

Governmental activities:	
General Government	$ 11,282
Public Safety	28,973
Transportation	26,090
Parks and recreation	2,408
Total depreciation expense - governmental entities	$ 68,753
Business-type activities:	
Water	$ 97,472
Sewer	395,846
	$ 493,318

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2025.

Fund	Receivable	Payable
General	$ 75,019	$ -
Enterprise	-	75,019
	$ 75,019	$ 75,019

NOTE 8. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2025, were as follows:

	Account	Due from State	Total Receivables
Governmental activities:	$ 154,643	$ -	$ 154,643
Business-type activities:	84,340	22,589	106,929
	$ 238,983	$ 22,589	$ 261,572

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of $26,069.

Payables

Payables at September 30, 2025, were as follows:

	Vendors
Governmental activities:	$ 7,578
Business-type activities:	4,641
	$ 12,219

NOTE 9. LONG-TERM LIABILITIES

Governmental Activities

Summary of changes in governmental activities long-term liabilities

The following summarizes the changes in the City's governmental long-term liabilities during the year ended September 30, 2025:

	Balance October 1, 2024	Increases	Decreases	Balance September 30, 2025	Due Within One Year
Compensated absences	$ 8,017	$ 5,247	$ -	$ 13,264	$ -
Net pension liability	559,698	-	(78,632)	481,066	-
	$ 567,715	$ 5,247	$ (78,632)	$ 494,330	$ -

Loan Payable – In February of 2024, the City closed on a loan agreement with Capital City Bank in the amount of $47,000. The proceeds of this loan were used to purchase a vehicle to use for general government operations. This loan has no specific identified collateral and is being paid from the General Fund revenues. The City is paying off 48 equal monthly principal and interest payments of $835, including interest at 4.26%. The loan is repaid in full in the current year.

Business-type Activities

A summary of proprietary fund debt as of September 30, 2025, follows:

	Balance October 1 2024	Increases	Decreases	Balance September 30 2025	Due Within One Year
Bonds payable	$ 2,478,000	$ -	$ (55,000)	$ 2,423,000	$ 57,000
Compensated absences	16,747	-	(6,112)	10,635	-
Capital City Bank Loan-Truck	11,946	-	(6,620)	5,326	4,897
Net pension liability	98,770	-	(13,876)	84,894	-
	$ 2,605,463	$ -	$ (81,608)	$ 2,523,855	$ 61,897

Capital City Bank Loan- In October 2023 the City purchased a new 2023 Chevrolet Silverado truck in the amount of $56,876. The City made a down payment of $40,000, and financed the remaining balance of $16,876 with 5.13% interest. This loan is to be repaid in 36 monthly installments of $507 per month. The balance of the loan at September 30, 2025 was $5,326. Below is a schedule of future payments:

Fiscal Year Ending September 30	Principal	Interest	Total
2026	4,897	237	5,134
2027	429	5	463
	$ 5,326	$ 242	$ 5,598

USDA Water and Sewer Revenue Bonds 2012 - Gross revenues of the water and sewer system primarily, and secondarily the City's proceeds of its utility services taxes are pledged to service this debt. The outstanding balance at September 30, 2025, is $2,423,000. These funds were used to improve the City's water infrastructure.

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

USDA Water and Sewer Revenue Bonds 2012 – Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance and repairs and assist with debt service should the need arise. Reserves can also be established and maintained for the anticipated and expected expenses including but not limited to operation and maintenance, customer deposits, and asset management for short-lived assets. Provisions for the accumulation of necessary reserves will accumulate at the rate of 1/10th of an average loan installment each year of $13,272.

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

Fiscal Year Ending September 30	Principal	Interest	Total
2026	57,000	67,423	124,423
2027	59,000	65,038	124,038
2028	61,000	63,415	124,415
2029	63,000	61,738	124,738
2030	65,000	60,005	125,005
2031-2035	359,000	271,948	630,948
2036-2040	422,000	219,258	641,258
2041-2045	495,000	157,300	652,300
2046-2050	581,000	84,728	665,728
2051-2052	261,000	10,780	271,780
	$ 2,423,000	$ 1,061,631	$ 3,484,631

NOTE 10. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREMENT HEALTH INSURANCE SUBSIDY PROGRAM

Florida Retirement System

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

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

Pension Plan

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

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

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

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

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

<u>Contributions</u> – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2024 through June 30, 2025 and from July 1, 2025 through September 30, 2025. respectively, were as follows:

Class	October 1, 2024 June 30, 2025	July 1, 2025 September 30, 2025
Regular Class	13.63%	14.03%
Special Risk Class	32.79%	35.19%
Special Risk Administrative Support	39.82%	39.48%
County Elected Officers Class	58.68%	54.57%
Senior Management Class	34.52%	33.24%
Deferred Retirement Option Program (DROP)	21.13%	22.02%

The City's contributions, including employee contributions, to the Pension Plan totaled $81,380 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the City reported a liability of $443,908 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The City's proportionate share of the net pension liability was based on the City's 2024-25 fiscal year contributions relative to the 2023-24 fiscal year contributions of all participating members. At September 30, 2025, the City's proportionate share was 0.001430340%, which was an increase of 6.60% from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the City recognized pension expense of $81,380. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 47,414	$ -
Changes in assumptions	51,549	-
Net difference between projected and actual earnings on Pension Plan investments	-	74,115
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	57,525	11,492
City Pension Plan contributions subsequent to the measurement date	19,396	-
Total	$ 175,884	$ 85,607

The deferred outflows of resources related to the Pension Plan, totaling $19,396 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2026	205,205
2027	(36,459)
2028	(54,563)
2029	(43,302)
	$ 70,881

Actuarial Assumptions – The total pension liability in the July 1, 2025 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40%
Salary increases	3.50%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Discount Rate	6.70%

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

The actuarial assumptions used in the July 1, 2025, valuation was based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.2%	1.1%
Fixed income	29.0%	5.5%	5.4%	4.0%
Global equity	45.0%	8.5%	6.9%	18.3%
Real estate	12.0%	8.4%	7.1%	16.8%
Private equity	11.0%	12.4%	8.8%	28.4%
Strategic investments.	2.0%	6.5%	6.1%	8.7%
Total	100.0%			
Assumed inflation - mean			2.4%	1.5%

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

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 6.7%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.7% or one percentage point higher 7.7% than the current rate:

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
City's proportionate share of the net pension liability	$ 871,163	$ 443,908	$ 85,704

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

Payables to the Pension Plan - At September 30, 2025, the City had $7,910 payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2025.

HIS Plan

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

Benefits Provided – For the fiscal year ended September 30, 2025, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.
Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2025, the HIS contribution for the period October 1, 2024 through September 30, 2025 and from July 1, 2025 through September 30, 2025 was 2.00% and 2.00%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions including employee contributions to the HIS Plan totaled $8,110 for the fiscal year ended September 30, 2025.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2025, the City reported a liability of $122,050 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of September 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025. The City's proportionate share of the net pension liability was based on the City's 2024-25 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At September 30, 2025, the City's proportionate share was 0.000952218%, which was an increase of 2.46% from its proportionate share measured as of June 30, 2024.

For the fiscal year ended September 30, 2025, the City recognized pension expense of $8,110. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 729	$ 194
Changes in assumptions	1,080	29,521
Net difference between projected and actual earnings on HIS Plan investments	-	102
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	22,719	17,553
City HIS Plan contributions subsequent to the measurement date	2,055	-
Total	$ 26,583	$ 47,370

The deferred outflows of resources related to the HIS Plan, totaling $2,055 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2026	(5,039)
2027	(6,033)
2028	(5,079)
2029	(4,071)
2030	(2,620)
	$ (22,842)

Actuarial Assumptions – The total pension liability in the July 1, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.50%, average, including inflation
Municipal bond rate	5.20%

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

The actuarial assumptions used in the July 1, 2025, valuation were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2024.

Discount Rate - The discount rate used to measure the total pension liability was 5.20%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 5.20%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate:

	1% Decrease 4.20%	Current Discount Rate 5.20%	1% Increase 6.20%
City's proportionate share of the net pension liability	$ 137,631	$ 122,050	$ 108,982

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

Payables to the Pension Plan - At September 30, 2025, the City had $844 payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2025.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)

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

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

NOTE 12. LEASES

The City leases space on its water tower to Verizon for the Company to affix its telecommunications equipment. The initial lease is five years, with the option to renew in five-year increments for up to 20 years following the initial term. The agreement includes fixed payment provisions only. The contract does not contain any residual value guarantees. The schedule of the future lease payments expected to be received over the remaining lease term is as follows:

	Principal	Interest	Total
2026	2,337	14,463	16,800
2027	2,544	14,256	16,800
2028	2,768	14,032	16,800
2029	3,013	13,787	16,800
2030	3,279	13,521	16,800
Thereafter	157,253	157,747	315,000
Total	171,194	227,806	399,000

For the year ended September 30, 2025, total lease revenue recognized was $16,800.

NOTE 13. COMPENSATED ABSENCES

In accordance with GASB Statement No. 101, compensated absences are recognized as a liability when leave is attributable to services already rendered, it accumulates, and it is more likely than not to be used or otherwise paid.

The liability is measured using pay rates in effect at the financial statement date. Salary-related payments that are directly and incrementally associated with payments for leave are included in the measurement of the liability. These include applicable employer payroll taxes and employer contributions to defined contribution plans. Employer contributions to defined benefit pension and other postemployment benefit (OPEB) plans are not included in the compensated absences liability and are recognized separately in accordance with applicable standards.

The Government uses a last-in, first-out (LIFO) flow assumption for purposes of determining which leave balances are expected to be used or paid.

A table of changes in compensated absences and the current portion of the liability is presented in Note 9, Long-Term Liabilities.

NOTE 14. RESTRICTED CASH

The City has the following cash balances that are restricted for specific purpose:

Current	
Bond interest and sinking	$ 123,000
Customer deposits	137,738
Total current	260,738
Noncurrent	
Renewal and replacement	92,836
Total restricted cash	$ 353,574

NOTE 15. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Insurance against losses are provided for the following types of risk:

- Workers' Compensation and Employer's Liability
- General and Automobile Liability
- Real and Personal Property Damage
- Public Officials' Liability
- Employee Dishonesty Bond

NOTE 16. CONTINGENT LIABILITIES

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FANNING SPRINGS, FLORIDA
GOVERNMENTAL FUND
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2025

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes, levied for general purposes	$ 206,284	$ 212,688	$ 6,404
Other taxes	400,417	492,120	91,703
Intergovernmental	229,541	231,577	2,036
Franchise fees	95,000	88,335	(6,665)
Licenses and permits	17,650	27,958	10,308
Fines and forfeitures	1,500	1,841	341
Interest	-	9,973	9,973
Grant revenue	1,300	173,786	172,486
Other fees and miscellaneous	1,000	207,331	206,331
Total revenues	952,692	1,445,609	492,917
EXPENDITURES			
Current			
General government			
Personnel	258,628	267,682	9,054
Operating	139,015	132,013	(7,002)
Legal counsel	35,000	36,400	1,400
Public safety			
Personnel	305,980	348,166	42,186
Operating	150,000	302,284	152,284
Transportation			
Personnel	6,500	-	(6,500)
Operating	83,500	72,897	(10,603)
Culture and recreation			
Operating	24,500	18,412	(6,088)
Capital outlay			-
General government	40,000	93,567	53,567
Debt service			
Principal	-	-	-
Interest	-	44	44
Total expenditures	1,043,123	1,271,465	228,342
Excess of revenues over (under) expenditures	-	174,144	264,575
OTHER FINANCING SOURCES/(USES)			
Grant revenues	-	-	-
Grant expenses	-	-	-
Interest	-	-	-
Net interfund transfers	-	16,800	16,800
Total other financing sources/(uses)	-	16,800	16,800
Net change in fund balance	-	190,944	281,375
Fund balance at beginning of year	707,037	707,037	-
Fund balance at end of year	$ 707,037	$ 897,981	$ 281,375

See notes to financial statements.

I. Stewardship, Compliance, and Accountability

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

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

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

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

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

1. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted in August and September to obtain taxpayer comments.

3. Prior to November 1, the budget is legally enacted through passage of an ordinance.

4. The legal level of budgetary control is the department level; however, the City Council may, by formal motion, transfer appropriations between departments and may use surplus revenues not appropriated in the budget for any municipal purpose.

5. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America for governmental fund types.

CITY OF FANNING SPRINGS, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the FRS net pension liability (asset)	0.001430340%	0.001341776%	0.001374652%	0.001093307%	0.001086547%	0.001216131%	0.001114592%	0.000966014%	0.088628000%	0.000983871%
City's proportionate share of the FRS net pension liability (asset)	$ 443,908	$ 519,062	$ 547,755	$ 406,798	$ 82,076	$ 527,089	$ 383,850	$ 290,968	$ 262,156	$ 248,427
City's proportion of the HIS net pension liability (asset)	0.000952218%	0.000929313%	0.001068500%	0.000766216%	0.000743994%	0.000814616%	0.000774347%	0.000785405%	0.000746129%	0.000771794%
City's proportionate share of the HIS net pension liability (asset)	122,050	139,406	169,692	81,155	91,262	99,463	86,642	83,128	79,780	89,949
City's proportionate share of the total net pension liability (asset)	$ 565,958	$ 658,468	$ 717,447	$ 487,953	$ 173,338	$ 626,552	$ 470,492	$ 374,096	$ 341,936	$ 338,376
City's covered-employee payroll	$ 421,136	$ 452,769	$ 328,667	$ 284,743	$ 269,430	$ 274,802	$ 270,485	$ 263,747	$ 291,647	$ 244,952
City's' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	134.39%	145.43%	218.29%	171.37%	64.34%	228.00%	173.94%	141.84%	117.24%	138.14%
Plan fiduciary net position as a percentage of the total pension liability	82.96%	78.79%	77.04%	79.09%	91.09%	74.46%	78.22%	79.86%	79.30%	85.85%

Notes to schedule

1. See notes to financial statements for changes in assumptions
2. The amounts presented for each fiscal year for FRS and HIS were determined as of the measurement date which was June 30 of the current fiscal year
3. Covered payroll is for the fiscal year ended September 30

CITY OF FANNING SPRINGS, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required FRS contribution	$ 81,380	$ 88,704	$ 87,844	$ 57,147	$ 50,191	$ 50,367	$ 48,517	$ 38,147	$ 31,333	$ 32,803
Contractually required HIS contribution	8,110	9,186	9,337	5,679	5,831	5,851	6,037	5,901	5,363	5,340
Total Contractually Required Contributions	89,490	97,890	97,181	62,826	56,022	56,218	54,554	44,048	36,696	38,143
Contributions in relation to the contractually required contribution	(89,490)	(97,889)	(97,181)	(62,826)	(56,022)	(56,218)	(54,554)	(44,048)	(36,696)	(38,143)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 421,136	$ 452,769	$ 328,667	$ 284,743	$ 269,430	$ 274,802	$ 270,485	$ 263,747	$ 291,647	$ 244,952
Contributions as a percentage of covered-employee payroll	21.25%	21.62%	29.57%	22.06%	20.79%	20.46%	20.17%	16.70%	12.58%	15.57%

Notes to schedule

1. See notes to financial statements for changes in assumptions

OTHER REPORTS AND LETTERS

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities and the major funds of the City of Fanning Springs, Florida, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Fanning Springs, Florida's basic financial statements and have issued our report thereof dated July 9, 2026.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiency in internal control, described in the accompanying schedule of audit findings as items 2025-001 and 2025-002, that we consider to be significant deficiencies.

Compliance and Other Matters

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

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

We also noted certain matters that we reported to management of the City of Fanning Springs, Florida, in a separate "Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General" dated July 9, 2026.

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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Powell & Jones

Powell and Jones CPA
Lake City, Florida
July 9, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the City of Fanning Springs, Florida, (The City) for the year ended September 30, 2025, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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

PRIOR YEAR FINDINGS

The Rules of the Auditor General require that we comment as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding audit. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. All audit findings in the preceding audit report were corrected in the current year.

AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

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

Financial Condition Assessment - 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 Fanning Springs. It is management's responsibility to monitor the City of Fanning Springs' financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. During our assessment we found the following conditions which qualify as "deteriorating financial conditions" as of September 30, 2025:

We found there has been a trend of increasing large operating losses in the enterprise fund in conjunction with rapidly evaporating cash balances in the past two years as shown below:

	9/30/2025	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Operating Income/(Loss)	$ (439,665)	$ (419,672)	$ (496,047)	$ (247,616)	$ (125,274)	$ (79,493)	$ (163,347)
Unrestricted Net Position	3,110	27,001	170,641	417,869	865,983	678,337	506,522
Cash Balance	444,322	454,681	558,440	734,769	1,112,330	843,640	694,161
Change in cash	(10,359)	(103,759)	(176,329)	(377,561)	268,690	149,479	(3,119)

To correct these deteriorating financial conditions, we recommend that the City implement strict measures during the budget cycle to ensure that revenues are sufficient to fund expenditures and build fiscal reserves sufficient to fund future infrastructure needs.

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

Rural Economic and Community Development Requirements - We are providing the following additional information relative to our examination of the financial statements of the City of Fanning Springs, Florida, for the year ended September 30, 2025, as provided in the audit requirements for USDA-Rural Development borrowers.

1. Generally accepted auditing procedures were performed in this audit.

2. Internal control was evaluated and is discussed in the prior sections of this audit report.

3. Accounting records and physical control over assets were adequate.

4. The accounting records of the City have been adjusted to agree with the audited financial statements.

5. The City's funds are in institutions insured by the Federal government and are authorized depositories of Florida public funds.

6. A summary of the City's insurance coverage is shown in the annual report to USDA-Rural Development.

7. The City is exempt from Federal Income Tax.

8. We found nothing to indicate that financial compliance with the loan agreements had not occurred.

Property Assessed Clean Energy Programs (PACE) - As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the City's geographical boundaries during the fiscal year under audit.

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

CONCLUSION

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

Powell & Jones

Powell and Jones CPA
Lake City, Florida
July 9, 2026

Powell and Jones CPA

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Lake City, Florida 32055
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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH *FLORIDA STATUTES* RELATING TO LOCAL GOVERNMENT INVESTMENTS

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

We have examined the City of Fanning Springs', Florida's (The City) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2025. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2025.

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

Powell & Jones

Powell and Jones CPA
Lake City, Florida
July 9, 2026

Powell and Jones CPA

204 N. Marion Ave.
Lake City, Florida 32055
Phone: 386.755.4200

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the City of Fanning Springs, Florida for the year ended September 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Fanning Springs, Florida are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2025. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All such misstatements were communicated to the appropriate level of management.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 9, 2026.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

<u>Other Information in Documents Containing Audited Financial Statements</u>

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

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

Very truly yours,

Powell & Jones

Powell and Jones CPA
Lake City, Florida
July 9, 2026

CITY OF FANNING SPRINGS, FLORIDA
SCHEDULE OF FINDINGS
For the year ended September 30, 2025

2025-001 - Cut-off

Criteria: Generally accepted accounting principles and accrual accounting require revenues and expenses to be recorded in the fiscal year in which they are earned or incurred, rather than solely when cash is received or paid.

Condition: The City does not have a process in place to ensure receipts and disbursements are recognized when they are earned or incurred, in accordance with generally accepted accounting principles as opposed to when received or disbursed from the bank.

Cause: The City outsources the majority of its accounting/bookkeeping to a third party provider and relies heavily on that provider to ensure the City's financial records are in accordance with generally accepted accounting principles. The City does not review subsequent activity to determine if it should be included in the current period.

Effect: $136,419 in insurance proceeds, $40,813 in state revenue sharing some other revenues, and $3,070 in payroll related to the current year were found that were not properly accrued into the year which would have materially misstated the financial statements if the client has not accepted our proposed audit adjustments.

Recommendation: The City should review significant receipts, payments, and unpaid invoices occurring shortly before and after year-end to determine the correct fiscal year in which they should be recorded. Any needed adjustments should be made before the financial statements are prepared.

2025-002 – Journal Entries

Criteria: Generally accepted accounting principles require transactions to be recorded in the proper accounts and supported by sufficient detail to explain the purpose of each entry.

Condition: Many journal entries did not include descriptions in the memo field or sufficient supporting documentation to determine their purpose. In addition, several broad entries affected multiple accounts without clearly addressing the underlying accounting issue.

Cause: The City did not have adequate procedures for the review and approval of journal entries.

Effect: This deficiency increases the risk that material misstatements in the financial statements or related disclosures may not be prevented, detected, or corrected in a timely manner without auditor assistance, and reduces transparency.

Recommendation: The City should require clear descriptions and supporting documentation for all journal entries. City management should also review and approve each entry and retain evidence of that review before the accounting period is closed.

City of Fanning Springs

Gateway to the Suwannee River

CITY OF FANNING SPRINGS

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

FISCAL YEAR ENDED SEPTEMBER 30, 2025

2025-001- CUT-OFF

The insurance proceeds were purposefully recorded in the fiscal year in which the Brush Truck was replaced in order to provide a funding source. We will request that our Accounting Consultants review all year-end transactions for compliance with GASB accounting standards.

2025-002 JOURNAL ENTRIES

We will assure that all journal entries made be supported by appropriate documents. We will utilize the Attachment function in QuickBooks to archive the documents.

PRIOR YEAR FINDINGS

We are pleased that all prior year findings were corrected during the current year.

Howell E. "Trip" Lancaster, III
Mayor

Sherlene Michaelis
City Clerk

Wallace Taylor
Fire Chief

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