

CITY OF DUNNELLON, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2021

CITY OF DUNNELLON, FLORIDA

ANNUAL FINANCIAL REPORT

September 30, 2021

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Powell & Jones
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the City Council;
City of Dunnellon, Florida

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

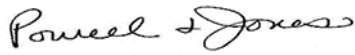
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Dunnellon, Florida's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2022, on our consideration of the City of Dunnellon, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our

testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dunnellon, Florida's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Powell & Jones".

POWELL & JONES
Certified Public Accountants
Lake City, Florida
April 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Dunnellon's financial performance provides an overview of the City's financial activities for the year ended September 30, 2021. Please read it in conjunction with the City's basic financial statements, which begin on page 13.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14-15) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the City as a whole begins on page 14. One of the most important questions asked about the City's finances is, "Is the City as a whole financially better or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's Net Position and changes in them. You can think of the City's Net Position—the difference between assets and liabilities—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's Net Position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we show the City in the following activities:

- **Governmental activities** - All of the City's basic services are reported here, including the police, general administration, streets and parks, property taxes, franchise fees, gas taxes, fines, and state and county-shared revenues.

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's major funds begins on page 16. The fund financial statements provide detailed information about the Governmental Funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council may establish other funds to help it control and manage money for particular purposes. The City's two types of governmental funds use the same accounting approaches.

- Governmental funds - All of the City's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations on pages 17 and 19.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for the Special Risk Pension Trust Fund. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position Pension Trust Fund on page 25. The Fiduciary Fund Financial Statement is not presented as part of the Government-wide Financial Statements because the resources of these funds are not available to support the City's programs. Fiduciary (Trust and Agency) Funds represent trust responsibilities of the government. However, these assets are restricted in purpose and do not represent discretionary assets of the government.

THE CITY AS A WHOLE

| | Governmental | |
|----------|--------------|--------------|
| | 2020 | 2021 |
| Revenues | \$ 3,984,053 | \$ 3,372,813 |
| Expenses | \$ 2,323,063 | \$ 1,931,637 |

To aid in the understanding of the Statement of Activities some additional explanation is given. Expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

| | |
|------------------------|---|
| General Government | Building permits, occupational licenses, and plumbing/electric inspections |
| Public Safety | Accident responses, police fines for traffic and parking violations, Department of Justice grants |
| Physical Environment | Grave opening and closing, burial lot purchases, sanitation activities-trash removal |
| Transportation | Gasoline Taxes |
| Culture and Recreation | City beach user fees |

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

Governmental Activities

Total Governmental revenues decreased by 15.3% in the current year.

Net Position

For the years ended September 30, 2021 and 2020, Net Position changed as follows:

| | Governmental Activities | |
|------------------------|----------------------------|---------------------|
| | 2020 | 2021 |
| Beginning net position | \$ 8,820,674 | \$ 9,633,805 |
| Change in net position | 813,131 | 1,441,177 |
| | <u>\$ 9,633,805</u> | <u>\$11,074,982</u> |

This reflects an increase of 15 percent for governmental activities over the prior year. The beginning net positions of governmental activities are shown as restated to include a prior period adjustment related to the correction of capital assets. This is discussed in detail in the notes to the financial statements.

THE CITY'S FUNDS

The following schedule of Assets and Liabilities presents a summary of the City's Assets and Liabilities for the fiscal year ended September 30, 2021 and 2020.

Assets

| | Governmental Activities | |
|--|----------------------------|-------------------|
| | 2020 | 2021 |
| Current Assets | \$ 6,684,094 | \$ 6,520,378 |
| Net pension asset | 1,778,168 | 2,247,306 |
| Capital Assets, Net of Accumulated Depreciation | 4,454,405 | 5,318,086 |
| Total Assets | <u>12,916,667</u> | <u>14,085,770</u> |
| Deferred outflows | <u>\$ 131,811</u> | <u>\$ 128,890</u> |

Capital assets for governmental activities have increased 19.4 percent over the prior year.

Liabilities

| | Governmental Activities | |
|-----------------------|----------------------------|-------------------|
| | 2020 | 2021 |
| Current Liabilities | \$ 435,334 | \$ 222,660 |
| Unearned Revenue | 33,627 | 32,959 |
| Long-term Liabilities | 2,393,048 | 2,092,325 |
| Total Liabilities | <u>2,862,009</u> | <u>2,347,944</u> |
| Deferred Inflows | <u>\$ 552,664</u> | <u>\$ 791,734</u> |

Total liabilities for governmental activities decreased by 18 percent over the prior year and current liabilities decreased 48.9 percent.

The following schedule presents a summary of general, special revenue, and enterprise fund revenues and expenses for the fiscal year ended September 30, 2021 and 2020.

| | Governmental | |
|----------------------------------|---------------------|---------------------|
| | 2020 | 2021 |
| Program Revenues | | |
| Charges for Services | \$ 358,579 | \$ 363,296 |
| Capital Grants and Contributions | 920,654 | 122,719 |
| General Revenues | | |
| Taxes | 2,220,715 | 2,360,920 |
| Licenses and permits | 109,923 | 204,789 |
| Fines and forfeitures | 7,422 | 14,922 |
| State-shared | 225,690 | 265,292 |
| Investment income | 30,325 | 18,660 |
| Miscellaneous | 110,745 | 22,215 |
| | <u>\$ 3,984,053</u> | <u>\$ 3,372,813</u> |

Governmental revenue decreased 15.3 percent when compared with the prior year. Charges for Services increased 1.3 percent. Taxes increased 6.3 percent. State-shared Revenue increased 17.5 percent.

Operating Expenses

| Governmental | |
|---------------------|---------------------|
| 2020 | 2021 |
| <u>\$ 2,323,063</u> | <u>\$ 1,931,637</u> |

Expenses in the governmental activities fund decreased by 16.8 percent for the year ended September 30, 2021 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total General Fund revenues for the year increased or were higher than budget amounts by 17.89 percent or \$466,427.

Total General Fund expenditures for the year were less than budgeted amounts by 31.08 percent or \$1,230,926.

CAPITAL ASSETS

As of September 30, 2021, the City had \$5,318,086 invested in capital assets including police equipment, buildings, park facilities, roads (See table below). This represents a net increase of \$863,681 or 19.39 percent, over the prior year.

| | Governmental | |
|--------------------------|--------------|--------------|
| | Activities | |
| | 2020 | 2021 |
| Capital Assets | \$ 7,049,775 | \$ 8,139,702 |
| Construction in Progress | 111,999 | 53,599 |
| Less Accumulated | | |
| Depreciation | (2,707,369) | (2,875,215) |
| Total | \$ 4,454,405 | \$ 5,318,086 |

This year's largest additions to capital assets were to the improvements to infrastructure.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Office at 20750 River Drive, Dunnellon, Florida.

Jan Smith

Jan Smith
Finance Officer

BASIC FINANCIAL STATEMENTS

CITY OF DUNNELLON, FLORIDA
STATEMENT OF NET POSITION
September 30, 2021

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and investments | \$ 6,238,807 |
| Receivables, net | 175,399 |
| Due from other governments | 106,172 |
| Net pension asset | 2,247,306 |
| Capital assets, not being depreciated | 3,237,912 |
| Capital assets, being depreciated | 4,955,389 |
| Less accumulated depreciation | <u>(2,875,215)</u> |
| Total assets | <u>14,085,770</u> |
| | |
| DEFERRED OUTFLOWS | <u>128,890</u> |
| | |
| LIABILITIES | |
| Accounts payable and accrued liabilities | 222,660 |
| Payable from restricted assets: | |
| Unearned revenue | 32,959 |
| Long-term liabilities: | |
| Due within one year | 231,810 |
| Due in more than one year | <u>1,860,515</u> |
| Total liabilities | <u>2,347,944</u> |
| | |
| DEFERRED INFLOWS | <u>791,734</u> |
| | |
| NET POSITION | |
| Invested in capital assets, Net of related debt | 3,349,336 |
| Restricted for: | |
| Debt service | 43,750 |
| Capital projects | 117,590 |
| Infrastructure | 375,491 |
| Roads and streets | 1,208,278 |
| Public safety | 32,451 |
| Community redevelopment | 610,709 |
| Cemetery perpetual care | 59,878 |
| Tree fund | 1,598 |
| Pension trust funds | 2,247,306 |
| Emergency reserve | 662,693 |
| Unrestricted | <u>2,365,902</u> |
| Total net position | <u>\$ 11,074,982</u> |

See notes to financial statements.

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

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Change in Net Position Primary Government | |
|--|---------------------|----------------------------|--|--|----------------------|
| | | Charges for Services | Capital Grants and Contributions | Governmental Activities | Total |
| Governmental activities | | | | | |
| General government | \$ 834,448 | \$ 6,710 | \$ 122,719 | \$ (705,019) | \$ (705,019) |
| Public safety | 475,506 | 32,024 | - | (443,482) | (443,482) |
| Physical environment | 205,122 | 297,269 | - | 92,147 | 92,147 |
| Transportation | 221,674 | 17,556 | - | (204,118) | (204,118) |
| Economic environment | 102,868 | - | - | (102,868) | (102,868) |
| Culture and recreation | 4,861 | 9,738 | - | 4,877 | 4,877 |
| Human services | 87,158 | - | - | (87,158) | (87,158) |
| Total governmental activities | 1,931,637 | 363,297 | 122,719 | (1,445,621) | (1,445,621) |
| Total primary government | \$ 1,931,637 | \$ 363,297 | \$ 122,719 | (1,445,621) | (1,445,621) |
| General revenues | | | | | |
| Taxes: | | | | | |
| Property taxes | | | | 1,269,488 | 1,269,488 |
| Franchise taxes | | | | 224,997 | 224,997 |
| Public service taxes | | | | 445,359 | 445,359 |
| Fuel taxes | | | | 137,851 | 137,851 |
| Discretionary sales surtax | | | | 283,225 | 283,225 |
| State-shared revenues | | | | 265,292 | 265,292 |
| Licenses and permits | | | | 204,789 | 204,789 |
| Fines and forfeitures | | | | 14,922 | 14,922 |
| Investment income | | | | 18,660 | 18,660 |
| Miscellaneous | | | | 22,215 | 22,215 |
| Total general revenues | | | | 2,886,798 | 2,886,798 |
| Change in net position | | | | 1,441,177 | 1,441,177 |
| Net position, beginning of year | | | | 9,633,805 | 9,633,805 |
| Net position, end of year | | | | \$ 11,074,982 | \$ 11,074,982 |

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2021

| | General Fund | Tax Increment Financing District Fund | Total Governmental Funds |
|--|-------------------------|--|---|
| Assets | | | |
| Cash and investments | \$ 5,566,367 | \$ 672,439 | \$ 6,238,806 |
| Accounts receivable, net | 175,399 | - | 175,399 |
| Due from other governments | 106,172 | - | 106,172 |
| Total assets | \$ 5,847,938 | \$ 672,439 | \$ 6,520,377 |
| Liabilities and Fund Balances | | | |
| Liabilities | | | |
| Accounts payable | \$ 105,394 | \$ 60,527 | \$ 165,921 |
| Accrued liabilities | 55,536 | 1,203 | 56,739 |
| Unearned revenue | 32,959 | - | 32,959 |
| Total liabilities | 193,889 | 61,730 | 255,619 |
| Fund balances | | | |
| Restricted for: | | | |
| Public safety | 31,775 | - | 31,775 |
| Roads and streets, operations | 72,251 | - | 72,251 |
| Roads and streets, capital projects | 1,136,027 | - | 1,136,027 |
| Community redevelopment | - | 610,709 | 610,709 |
| Committed for: | | | |
| Public safety | 676 | - | 676 |
| Infrastructure | 375,491 | - | 375,491 |
| Cemetery perpetual care | 59,878 | - | 59,878 |
| Tree fund | 1,598 | - | 1,598 |
| Emergency reserve | 662,693 | - | 662,693 |
| Assigned for: | | | |
| Capital projects | 117,590 | - | 117,590 |
| Debt service | 43,750 | - | 43,750 |
| Unassigned | 3,152,320 | - | 3,152,320 |
| Total fund balances | 5,654,049 | 610,709 | 6,264,758 |
| Total liabilities and fund balances | \$ 5,847,938 | \$ 672,439 | \$ 6,520,377 |

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
September 30, 2021

Fund balances - total governmental funds \$ 6,264,758

Amounts reported for governmental activities in the Statement of Net Position are different because:

Other assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Net pension asset 2,247,306

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$8,193,301 and the accumulated depreciation is \$2,875,215. 5,318,086

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 governmental funds.

| | | |
|----------------------------------|----------------|---------|
| OPEB obligations | 18,598 | |
| Special risk pension obligations | <u>110,292</u> | 128,890 |

Long-term liabilities are not due and payable in the current period, and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year end consist of:

| | | |
|-----------------------|-----------------|-------------|
| Revenue bonds payable | (1,968,750) | |
| OPEB payable | (37,884) | |
| Compensated absences | <u>(85,691)</u> | (2,092,325) |

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 governmental funds.

| | | |
|----------------------------------|------------------|------------------|
| OPEB obligations | (24,333) | |
| Special risk pension obligations | <u>(767,401)</u> | <u>(791,733)</u> |

Total net position of governmental activities \$ 11,074,982

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2021

| | General Fund | Tax Increment Financing District Fund | Total Governmental Funds |
|---|-------------------------|--|---|
| Revenues | | | |
| Taxes | \$ 2,061,752 | \$ 299,169 | \$ 2,360,921 |
| Licenses and permits | 204,789 | - | 204,789 |
| Intergovernmental revenues | 388,011 | - | 388,011 |
| Charges for service | 363,296 | - | 363,296 |
| Fines and forfeitures | 14,922 | - | 14,922 |
| Miscellaneous revenue | 40,779 | 96 | 40,875 |
| Total revenues | 3,073,549 | 299,265 | 3,372,814 |
| Expenditures | | | |
| Current: | | | |
| General government | 874,894 | - | 874,894 |
| Public safety | 641,854 | - | 641,854 |
| Physical environment | 201,324 | - | 201,324 |
| Transportation | 196,603 | - | 196,603 |
| Economic environment | - | 104,011 | 104,011 |
| Human services | 4,725 | - | 4,725 |
| Culture and recreation | 64,960 | - | 64,960 |
| Capital outlay | | | |
| Public safety | 406,847 | - | 406,847 |
| Transportation | 160,404 | - | 160,404 |
| Economic environment | - | 492,567 | 492,567 |
| Debt service | | | |
| Principal payments | 175,000 | - | 175,000 |
| Total expenditures | 2,726,611 | 596,578 | 3,323,189 |
| Excess of revenues over expenditures | 346,938 | (297,313) | 49,625 |
| Net change in fund balances | 346,938 | (297,313) | 49,625 |
| Fund balances, beginning of year | 5,307,111 | 908,022 | 6,215,133 |
| Fund balances, end of year | \$ 5,654,049 | \$ 610,709 | \$ 6,264,758 |

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2021

Net change in fund balances - total governmental funds \$ 49,625

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

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

Net change in special risk net pension asset 469,138

Governmental funds report capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense:

| | | |
|-------------------------------------|------------------|---------|
| Net expenditures for capital assets | 1,031,528 | |
| (Current year depreciation) | <u>(167,846)</u> | 863,682 |

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

| | | |
|------------------------------------|--------------|---------|
| Net change in compensated absences | 116,291 | |
| Revenue bond payments | 175,000 | |
| Net change in OPEB liability | <u>9,432</u> | 300,723 |

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

Net change in deferred outflows/inflows (241,991)

Change in net position of governmental activities \$ 1,441,177

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
PENSION TRUST FUNDS
STATEMENT OF NET POSITION
September 30, 2021

| | Pension Trust Funds |
|-----------------------------|--------------------------------|
| Assets | |
| Cash and investments | <u>\$ 4,972,183</u> |
| Total assets | <u><u>\$ 4,972,183</u></u> |
| | |
| Net position | |
| Reserved for: | |
| Employees' pension benefits | <u>\$ 4,972,183</u> |
| Total net position | <u><u>\$ 4,972,183</u></u> |

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
PENSION TRUST FUNDS
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Year Ended September 30, 2021

| | Pension Trust Funds |
|---|--------------------------------|
| Additions | |
| Contributions | |
| Employer | \$ 33,819 |
| State | 59,628 |
| Employees | 165,594 |
| Total contributions | 259,041 |
| | |
| Net investment income | 789,795 |
| Total additions | 1,048,836 |
| | |
| Deductions | |
| Pension benefit payments and refunds | (194,739) |
| General and administrative | (25,161) |
| Total deductions | (219,900) |
| | |
| Increase in net position | 828,936 |
| | |
| Net position reserved for employees' pension benefits: | |
| | |
| Net position, beginning of year | 4,143,247 |
| | |
| Net position, end of year | \$ 4,972,183 |

See notes to the financial statements.

CITY OF DUNNELLON, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2021

NOTE 1. DESCRIPTION OF FUNDS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity - The City of Dunnellon (the City) is a Florida municipality governed by an elected five-member City Council. The City provides services to its citizens including sanitation, police protection, parks and recreation, streets, and other general governmental activities. The City was established by Laws of Florida 71-616.

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable funds administered by the City Council of the City and its component unit in accordance with governmental accounting standards. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Financial accountability is present if the City Council appoints a voting majority of a component unit's governing body and has the ability to impose its will on that organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

Blended component unit. The financial activity of the City of Dunnellon, Florida Community Redevelopment Agency (the Agency), is included in the financial reporting entity as a blended component unit. The Agency was established by Ordinances #00-3 and #2011-07 as provided in Chapter 163, *Florida Statutes*, for the fostering of economic development in the downtown area of the City. The City Council serves as the Agency's governing board. The Agency is fiscally dependent on the City, and the City Council approves the Agency's annual budget as a component of the City's budget. The Agency is presented as a governmental fund type.

1. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are allocated automatically and certain indirect costs are included in program expenses reported for individual functions and activities. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are not included in the government-wide financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue

in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues.

At year end the City had no proprietary funds.

2. Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental Funds - Governmental funds are used to account for all or most of a government's general activities. The City operates the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Fund

The **Special Revenue Fund** is used to account for revenue sources that are legally restricted to expenditures for specific purposes.

Fiduciary Funds

Pension trust funds are used to account for assets held by the City in a trustee capacity. The types of fiduciary funds used by the City are the general employees' pension trust fund and the special risk employees' pension trust fund.

Summary of Significant Accounting Policies

The City conforms all significant accounting policies to generally accepted accounting principles applicable to government units. The following is a summary of the more significant principles and practices used in the preparation of these financial statements.

Budgeting

The annual operating budget serves as legal authorization for expenditures and the proposed means of financing them. The 2021 annual operating budget was prepared for all funds, except the pension trust funds, which are not budgeted annually by the City Council.

The City's procedures in preparing and adopting the annual budget are as follows:

- The City Clerk is responsible for preparing a proposed operating budget for the upcoming year prior to September 30 that includes estimated revenues, proposed expenditures, and other financing sources and uses.
- Public hearings are held to obtain taxpayer comments and suggestions. The budget is enacted through passage of a resolution.
- The City Clerk is authorized to transfer budgeted amounts within any fund, but may not revise total fund expenditures without the approval of the City Council. The budgetary data presented is in agreement with the originally adopted budget.
- Budgets are adopted on a basis consistent with generally accepted accounting principles. Total budgeted fund expenditures within the governmental fund type may not be exceeded legally. Appropriations lapse at the end of the year. Encumbrance accounting is not used by the City.

Investments

The City accounts for investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*. Under this provision, investments are recorded at fair value on the balance sheets. Investment income, including changes in the fair value of investments, is reported as revenue in the statements of revenues, expenses, and changes in fund balances.

In accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the investments within the pension trust funds are stated at market value.

Receivables

Governmental receivables are comprised generally of amounts due from customers. Customer accounts receivable are recorded at their net realizable value reduced by an allowance for uncollectible accounts. Other receivables in the General Fund consist primarily of franchise fees and receivables from miscellaneous services.

Payables

Accounts Payable in the Governmental Funds consists primarily of amounts due to vendors.

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 two items that qualify for reporting in this category. The first 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. The second is the deferred charge of bond issue costs. Bond issue costs include the professional fees and registration fees associated with the issuance of bonds. These amounts will be amortized over the life of the bonds.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The 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.

Due from Other Governments

Due from other governments represents amounts due from the State of Florida or Marion County for shared revenues or costs. Due from Other Governments is considered to be fully collectible.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are recorded at historical cost, except \$249,192 of assets in the general fund, acquired prior to 1975, which are valued at estimated historical cost. Donated capital assets are valued at their acquisition value at the time of acquisition. Capital asset purchases are recorded as capital outlay expenditures in the fund level governmental funds in the year of acquisition. Property, plant, and equipment and infrastructure are depreciated using the straight-line method over the following estimated useful lives:

| | |
|------------------------------------|---------------|
| Plant, buildings, and improvements | 10 - 40 years |
| Machinery, vehicles, and equipment | 5 - 7 years |
| Infrastructure | 30 years |

Construction interest cost is generally not capitalized, and there was none such interest expensed during the fiscal year.

The City has opted out of retroactively recording and depreciating major infrastructure assets.

Expenditures for ordinary repairs and maintenance are charged to expense as incurred.

Transfers

Transfers are recognized in the accounting period in which the interfund receivable or payable arise.

Compensated Absences

In governmental fund financial statements, the amount of compensated absences associated with employee vacations that are recorded as expenditures represent the amounts paid during the year, plus the amount accrued at year-end that would normally be liquidated with available spendable resources. Only the amount of compensated absence liability that would normally be liquidated with current expendable available resources in the next fiscal year is recorded in the fund financial statements of governmental funds. In the government-wide financial statements, all governmental fund compensated absences are recorded and split between the current and noncurrent portions.

In proprietary funds, the amount of compensated absences associated with employee vacations that are recorded as expenses represent the amounts paid during the year and accrued at year-end. The entire liability for compensated absences of these funds is reflected in the respective financial statements split between the current and noncurrent portions.

Prior to August 1999, no accrual was made for unpaid vacation since City policy did not allow for carryover of vacation time unless by special permission from City Council. For all employees, (who are not within a union bargaining unit) they may accumulate and carry over a maximum of twenty work days. An accrual has been made for unpaid sick pay under the City's policy to pay an employee in good standing 50% of all unused sick pay, upon retirement or voluntary resignation. There is a \$5,000 maximum of unused sick pay. Employees with 25 years or more of service in good standing will receive 100% of accrued sick pay upon retirement.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. *Florida Statutes* permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2021 was 6.50 mills.

The tax levy of the City is established by the City Council prior to October 1 of each year, and the Marion County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements.

All property is assessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of *Florida Statutes*.

All taxes are assessed on November 1 of each year, or as soon thereafter, as the assessment roll is certified and delivered to the County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest of 0-18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County.

Delinquent taxes on personal property bear interest of 0-18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

The City does not accrue its portion of the County held tax sale certificates or personal property tax warrants because such amounts are not measurable and available as of the balance sheet date.

Franchise Fees

Continuing franchise fees are reported as revenues as the fees are earned and become receivable from the franchise.

Capital Grants and Contributions

Accounts receivable from other governments include amounts due from grantors. Program and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable costs are incurred. Revenues received in advance of costs being incurred are deferred.

Fund Balances

A. Governmental Funds

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

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

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

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

Unassigned – all other spendable amounts.

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

| | | |
|-------------------------------------|----|------------------|
| Restricted for: | | |
| Community redevelopment | \$ | 610,709 |
| Roads and streets, operating | | 72,251 |
| Roads and streets, capital projects | | 1,136,027 |
| Public safety | | 31,775 |
| Committed for: | | |
| Public safety | | 676 |
| Infrastructure | | 375,491 |
| Cemetery perpetual care | | 59,878 |
| Tree fund | | 1,598 |
| Emergency reserve | | 662,693 |
| Assigned for: | | |
| Capital improvements | | 117,590 |
| Debt service | | 43,750 |
| Unassigned | | 3,152,320 |
| | \$ | <u>6,264,758</u> |

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

NOTE 2. CASH DEPOSITS AND INVESTMENTS

For the fiscal year ending September 30, 2021, the City is required to utilize the financial statement disclosure standard issued by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, which required additional disclosures concerning investment and deposit risk as stated below.

Pooled Cash and Investments

The City maintains a cash and investment pool, which carries substantially all cash and investments of the City, and is used by all funds except the pension trust funds. Each fund's portion of the pool is displayed in the accompanying financial statements as "Cash and Investments". The cash and investments of the pension trust funds are held separately from those other funds of the City.

Cash Deposits

Chapter 280 of the *Florida Statutes* requires, in general, that all public deposits (including those of the City) be made in qualified public depositories within the state of Florida. Per statute, no qualified public depository may hold public deposits exceeding 10% of that qualified public depository's total deposits received in this state, or 10% of the total public deposits held by all qualified public depositories of the same type. Additionally, no qualified public depository may accept or retain any public deposit in excess of deposit insurance limits unless it pledges eligible collateral having a market value equal to 50% of the public deposits held by the depository.

In the event of a default or insolvency of a qualified public depository, the loss to public depositors shall be satisfied, first through any applicable deposit insurance and then through the sale of securities pledged by the defaulting depository. If the loss to public depositors is not covered by such insurance or the proceeds of such sale, the State Treasurer shall provide coverage of the remaining loss by assessment against the other qualified public depositories of the same type as the depository in default.

All of the City's cash deposits (excluding investments) at September 30, 2021, were held by qualified public depositories within the state of Florida and are considered to be fully insured. Total deposits as of September 30, 2021, are \$6,081,695.

Restricted Cash

Customer deposits, renewal and replacement, and unspent use benefit fees are shown as restricted cash due to legal limitations imposed on them.

Investments

Investments are recorded in all funds of the City at fair value. The deposits and investments of the pension trust funds are held separately from those of other City funds and are recorded at fair value.

The City's investment policy allows the City to invest surplus money in instruments provided by *Florida Statutes*. Among them are U.S. Treasury bills, bonds, notes and their derivatives, federal agency securities, local government surplus trust fund, domestic time deposits, bankers acceptance notes, repurchase agreements, federal securities trusts, collateralized mortgage obligations, assets-backed securities, taxable and tax-exempt securities, and mortgage securities mutual funds.

As of September 30, 2021, the City had the following investments and maturities:

| Investments | Fair Value |
|--|----------------------|
| State Board of Administration (SBA) | |
| Local Government Surplus Funds Trust Fund | \$ 157,112 |
| Pension Funds | |
| Florida Municipal Pension Trust Fund - Firefighters and Police Officers (FMIvT) | 3,719,206 |
| Florida Municipal Pension Trust Fund - General Employees (CitiStreet) | 1,252,977 |
| Total | <u>4,972,183</u> |
| Cash deposits | 6,081,694 |
| Total cash and investments | <u>\$ 11,210,989</u> |

As shown on the accompanying financial statements as:

| | |
|--|----------------------|
| Cash and investments - entity-wide | \$ 6,238,806 |
| Cash and investments - fiduciary funds | 4,972,183 |
| Total cash and investments | <u>\$ 11,210,989</u> |

State Board of Administration

Investments placed with the State Board of Administration for participation in the Local Government Surplus Funds Trust Fund investment pool created by Sections 218.405 and 218.417, *Florida Statutes*, is not registered with the Securities and Exchange Commission. The local investments operate under the guidelines established by Section 218.415, *Florida Statutes*. The Council's investments in the Pool, which the State Board of Administration indicates is a Securities and Exchange Commission Rule 2a7-like external investment pool, as of September 30, 2021, are similar to money market funds in which shares are owned in the fund rather than the underlying investments. These investments are reported at fair value, which is amortized cost.

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed-income securities.

Florida Municipal Pension Trust Fund – Police and Firefighters Pension Fund

| <u>Fixed Income Fund:</u> | <u>Fitch Rating</u> |
|-------------------------------------|---------------------|
| 0-2 Year High Quality Bond Fund | AAAf/S1 |
| 1-3 Year High Quality Bond Fund | AAAf/S2 |
| Intermediate High Quality Bond Fund | AAAf/S3 |
| Broad Market High Quality Bond Fund | AAf/S4 |
| Expanded High Yield Bond Fund | Not Rated |
| Core Plus Fixed Income Fund | Not Rated |

| <u>Equity Funds:</u> | |
|---|-----------|
| Diversified Large Cap Equity Portfolio | Not Rated |
| Diversified Small to Mid Cap Equity Portfolio | Not Rated |
| International Equity Portfolio | Not Rated |
| Core Real Estate Portfolio | Not Rated |

Florida Municipal Pension Trust Fund – General Employees' Pension Fund

| <u>Fixed Income Funds:</u> | <u>Fitch Rating</u> |
|--------------------------------------|---------------------|
| Vanguard Federal Money Market | Not Rated |
| Vanguard Interm-Term Bond Index Adm | Not Rated |
| Vanguard Total Bond Market Index Adm | Not Rated |
| Vanguard Long-term U.S. Treasury Adm | Not Rated |

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's pension funds are held in the name of an outside party.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. GASB Statement No. 40 requires that interest rate risk be stated using a prescribed method.

Florida Municipal Pension Trust Fund – Police and Firefighters Pension Fund

| <u>Fixed Income Funds:</u> | <u>Modified Duration</u> | <u>WAM</u> |
|-------------------------------------|--------------------------|------------|
| 0-2 Year High Quality Bond Fund | 0.70 years | 0.80 years |
| 1-3 Year High Quality Bond Fund | 1.42 years | 1.50 years |
| Intermediate High Quality Bond Fund | 3.60 years | 3.90 years |
| Broad Market High Quality Bond Fund | 5.39 years | 6.30 years |
| Expanded High Yield Bond fund | 3.90 years | 6.24 years |
| Core Plus Fixed Income Fund | 3.98 years | 8.21 years |

Florida Municipal Pension Trust Fund – General Employees’ Pension Fund

| | <u>Interest Rate Risk Information in Years</u> | |
|---|--|------------|
| | <u>Effective Duration</u> | <u>WAM</u> |
| <u>Fixed Income Funds:</u> | | |
| Vanguard Federal Money Market (FMFXX) | * | 0.11 |
| Vanguard Retirement Savings Trust | * | * |
| Vanguard Total Bond Market Index Adm (VBTLX) | 6.84 | 8.70 |
| Vanguard Intermediate Term Investment Grade Adm (VFI) | 6.46 | 7.10 |
| Vanguard Total International Bond Index Adm (VTABX) | 8.46 | 9.70 |
| <u>Lifestyle Funds:</u> | | |
| Vanguard Wellington Adm (VWENX) | 7.96 | 10.50 |
| Vanguard Target Retirement Income (VTINX) | 5.53 | 6.78 |
| Vanguard Target Retirement 2015 (VTXVX) | 5.56 | 6.84 |
| Vanguard Target Retirement 2020 (VTWNX) | 5.84 | 7.21 |
| Vanguard Target Retirement 2025 (VTTVX) | 6.58 | 8.31 |
| Vanguard Target Retirement 2030 (VTHRXX) | 6.84 | 8.70 |
| Vanguard Target Retirement 2035 (VTTHX) | 6.84 | 8.70 |
| Vanguard Target Retirement 2040 (VFORX) | 6.84 | 8.70 |
| Vanguard Target Retirement 2045 (VTIVX) | 6.84 | 8.70 |
| Vanguard Target Retirement 2050 (VFIFX) | 6.84 | 8.70 |
| Vanguard Target Retirement 2055 (VFFVX) | 6.84 | 8.70 |
| Vanguard Target Retirement 2060 (VFTSX) | 6.84 | 8.70 |

State Board of Administration Investments

Surplus Funds Trust Fund Investment Pool

39 day average

Concentration Risk

If 5% or more of the total assets of the portfolio are invested with issuer, that information per issuer and the percentage of total assets are to be disclosed excluding investments issued or guaranteed by the U.S. government and investments in mutual funds or pools. Since the City’s pension funds are invested in pooled funds, the City is excluded from this disclosure.

GASB 72, Fair Value Measurement and Application

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 amends the definitions of both fair value and investments, provides guidance for determining a fair value measurement for assets and

liabilities required to be reported at fair value, provides guidance for applying fair value to certain investments, and provides additional disclosure for all fair value measurements. GASB 72 is effective for periods beginning after June 15, 2015.

The FMIvT, administered by the Florida League of Cities, Inc. is an interlocal government entity created under the laws of the State of Florida. The FMIvT is an Authorized Investment under § 163.01 *Florida Statutes*. The FMIvT is a Local Government Investment Pool (LGIP) and is considered an external investment pool for GASB reporting purposes. The City owns shares in one or more FMIvT portfolios. The City's investment is the FMIvT portfolio, not the individual securities held within each FMIvY portfolio.

GASB 72 requires the City to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires the City to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. The new disclosures are in addition to the disclosures currently required by GASB Statements No. 3, 31, 40, and 53 and should be organized by type of assets or liability instead of reporting entity segment.

GASB 72 establishes a three-tier fair value hierarchy:

Level 1 Inputs – directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.

Level 3 Inputs – unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

The following information has been prepared for each FMIvT fund or portfolio:

FMIvT Broad Market High Quality Bond Fund

This fund invests mainly in US government and agency securities, asset-backed securities and corporate bonds and notes. The underlying securities have observable level 1 quoted pricing inputs or observable level 2 significant other observable pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

FMIvT Core Plus Fixed Income Fund

This fund invests in two underlying funds, the Franklin Templeton Global Multi-Sector Plus Fund, LP and the Pioneer Institutional Multi-Sector Fixed Income Portfolio, LLC. Shares of these funds are not publicly quoted. These underlying funds invest in a variety of financial investments, including equity investments, asset-backed securities, debt securities, swaps, forward exchange contracts,

credit-linked notes, escrow accounts, litigation trusts for both U.S. and foreign companies and governments. Members should consider reporting shares of this fund as level 3, since the value is based on unobservable inputs.

FMIvT High Quality Growth Portfolio

This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

FMIvT Large Cap Diversified Value Portfolio

This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is nor publicly quoted. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

FMIvT Russell 1000 Enhanced Index Portfolio

This portfolio invests in a single underlying fund, the Intech U.S. Broad Enhanced Plus Fund, LLC (Intech Fund), shares of which are not publicly quoted. The Intech Fund invests mainly in domestic stocks, all of which have observable level 1 quoted pricing inputs. The value of the portfolio's shares of the Intech Fund investment are determined based on the net asset value provided by the Intech Fund, which was calculated in accordance with generally accepted accounting principles. Members should consider reporting these shares as level 2, since the value is based on market-corroborated data.

FVIvT Diversified Small to Mid Cap Equity Portfolio

This portfolio invests mainly in domestic stocks. The majority of the underlying securities have observable level 1 quoted pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted market prices, the net asset value of the portfolio is not publicly quoted. Members should consider reporting these shares as level 1, since the value is based on market-corroborated data,

FMIvT International Equity Portfolio

This portfolio invests in a single underlying fund, the Investec International Dynamic Equity Fund, LLC (Investec Fund), shares of which are not publicly quoted. The Investec Fund invests in stocks sold on U.S. and international exchanges, all of which have observable level 1 quoted pricing inputs. The value of the portfolio's shares of the Investec Fund investment are determined based on the net asset value provided by the Investec Fund, which was calculated in accordance with generally accepted accounting principles. Members should consider reporting these shares as level 2 since the value is based on market-corroborated data.

NOTE 3. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2021 were as follows:

| | <u>Accounts</u> | <u>Due from Other Governmental Units</u> | <u>Total</u> |
|--------------------------|-------------------|--|-------------------|
| Governmental activities: | | | |
| General | \$ 175,399 | \$ 106,172 | \$ 281,571 |
| | <u>\$ 175,399</u> | <u>\$ 106,172</u> | <u>\$ 281,571</u> |

Payables

Payables at September 30, 2021 were as follows:

| | <u>Accounts</u> | <u>Accrual Liabilities</u> | <u>Total</u> |
|-------------------------------------|-------------------|--------------------------------|-------------------|
| Governmental activities: | | | |
| General | \$ 105,394 | \$ 55,536 | \$ 160,930 |
| Tax Increment Financing District | 60,527 | 1,203 | 61,730 |
| | <u>\$ 165,921</u> | <u>\$ 56,739</u> | <u>\$ 222,660</u> |

NOTE 4. CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land and improvements | \$ 3,184,313 | \$ - | \$ - | \$ 3,184,313 |
| Construction in progress | 111,999 | 53,599 | (111,999) | 53,599 |
| Total capital assets not being depreciated | <u>3,296,312</u> | <u>53,599</u> | <u>(111,999)</u> | <u>3,237,912</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 1,015,467 | - | - | 1,015,467 |
| Improvements other than buildings | 995,137 | 980,253 | - | 1,975,390 |
| Furniture, equipment and machinery | 1,854,858 | 109,674 | - | 1,964,532 |
| Total capital assets being depreciated | <u>3,865,462</u> | <u>1,089,927</u> | <u>-</u> | <u>4,955,389</u> |
| Less accumulated depreciation: | <u>(2,707,369)</u> | <u>(167,846)</u> | <u>-</u> | <u>(2,875,215)</u> |
| Total capital assets being depreciated, net | <u>1,158,093</u> | <u>922,081</u> | <u>-</u> | <u>2,080,174</u> |
| Governmental activities capital assets, net | <u>4,454,405</u> | <u>975,680</u> | <u>(111,999)</u> | <u>5,318,086</u> |
| Depreciation expense: | | | | |
| Governmental activities | | | | |
| General government and administration | | | | \$ 43,474 |
| Public safety | | | | 74,540 |
| Physical environment | | | | 3,107 |
| Transportation | | | | 24,623 |
| Culture and recreation | | | | 22,102 |
| Total depreciation expense - governmental activities | | | | <u>\$ 167,846</u> |

NOTE 5. LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2021, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Due Within One Year |
|-------------------------------|---------------------|------------------|---------------------|---------------------|---------------------|
| Governmental Activities | | | | | |
| Revenue bonds payable | \$ 2,143,750 | \$ - | \$ (175,000) | \$ 1,968,750 | \$ 175,000 |
| Compensated absences | 201,982 | 52,268 | (168,559) | 85,691 | 56,810 |
| OPEB payable | 47,316 | - | (9,432) | 37,884 | - |
| Total Governmental Activities | <u>\$ 2,803,552</u> | <u>\$ 52,268</u> | <u>\$ (352,991)</u> | <u>\$ 2,092,325</u> | <u>\$ 231,810</u> |

A. Governmental Activities

Telecommunications Revenue Bonds

On November 18, 2010, the City closed on bond issues from Regions Bank in the amounts of \$3,300,000 and \$2,200,000 with terms ranging to 15 years. These proceeds were utilized to construct the City's telecommunications utility. Although certain general revenues were pledged on this debt, the City anticipated full repayment to be made from future telecommunications revenues. In November 2012, the City refinanced the bond in the amount of \$2,200,000, extending repayment from five years to 10 years, with an interest rate of 3.20%, requiring a down payment of \$275,000. The City was also issued a line of credit from Regions Bank in the amount of \$1,850,000 with the terms due in one year. These proceeds were utilized to cover operating expenses of the City's telecommunications utility. At September 30, 2013 the balance on this loan was \$1,650,000. In November 2012, the City signed an extension which required a down payment of \$200,000 with the remaining balance plus interest due on November 1, 2013. On March 31, 2014, the City signed a settlement agreement which restructured the debt to a total amount due of \$3,468,750. A new payment schedule provided for a payment of \$200,000 due no later than April 1, 2014, followed by another payment of \$75,000 due no later than September 1, 2014. Subsequent payments in the amount of \$43,750 shall be paid quarterly beginning on December 31, 2014 and continue through and including December 31, 2032. The effective interest rate is 0.0%. The terms of this arrangement are contingent upon timely payments. Maturity on this bond agreement for the years ending September 30, is as follows:

| September 30 | Principal | Interest | Total |
|--------------|---------------------|-------------|---------------------|
| 2022 | \$ 175,000 | \$ - | \$ 175,000 |
| 2023 | 175,000 | - | 175,000 |
| 2024 | 175,000 | - | 175,000 |
| 2025 | 175,000 | - | 175,000 |
| 2026 | 175,000 | - | 175,000 |
| 2027-2031 | 700,000 | - | 700,000 |
| 2032-2033 | 393,750 | - | 393,750 |
| | <u>\$ 1,968,750</u> | <u>\$ -</u> | <u>\$ 1,968,750</u> |

This debt service is budgeted and paid from General Fund revenues.

NOTE 6. OPERATING LEASES

The City has various operating leases for office equipment under non-cancellable operating lease agreements. Lease expenditures for the year ended September 30, 2021, amounted to \$6,188. The future minimum lease payments for leases are as follows:

| Year ending September 30, | Amount |
|------------------------------|------------------|
| 2022 | \$ 6,210 |
| 2023 | 4,335 |
| 2024 | 2,171 |
| 2025 | 471 |
| | <u>\$ 13,187</u> |

NOTE 7. DEFINED BENEFIT/DEFINED CONTRIBUTION PENSION PLANS

Florida Municipal Pension Trust Fund (Defined Contribution Plan)

In January 1996, the City adopted the Florida Municipal Pension Trust Fund Pension Plan administered by the Florida League of Cities. The plan is available to all general employees hired beginning January 1, 1996, and who have remained employed for at least six months. The City will contribute 5% of the eligible employee’s salary. Additionally, the City will contribute 1% for each 1% the employee contributes for a maximum of 10% of employer contribution.

Employee contributions are voluntary and have certain contribution limits. Vesting in the plan is determined by the number of years of service. Employees vest at 25% at two years of service increasing incrementally by 25% each year thereafter. Vesting of 100% occurs at five years.

At September 30, 2021, there were 10 active members in the plan.

Florida Municipal Pension Trust Fund (Defined Benefit Plan)

Plan Description

In January 1996, the City adopted the Florida Municipal Pension Trust Fund Pension Plan administered by the Florida League of Cities. The plan is available to all full-time police officers and full-time firefighters hired by the City beginning January 1, 1996. Eligibility becomes immediate after hire date.

The firefighters’ and police officers’ pension plan covers all full-time officers and firefighters. Members of the firefighters’ and police officers’ pension plan do not vest in their pension benefits until they have completed ten years of service. Firefighters and police officers that retire at the earlier age of fifty-five and have completed ten years of service, or age fifty-two and twenty-five years of credited service are entitled to a monthly retirement benefit, payable for life or a minimum of ten years, in an amount equal to 2% of their final monthly compensation for years served and purchased before October 1, 2011, and 2.5% of their final monthly compensation for years served and purchased after September 30, 2011. The plan also provides for death and disability benefits. Administrative costs are financed through investment earnings.

Contributions

Firefighters and police officers were required to contribute 1% of their annual salary to the plan for the year ended September 30, 2021. The City is required to contribute the remaining amounts necessary to fund the plan, using the actuarial determined amounts. Insurance excise taxes remitted by the state to the pension plan are available to offset City contributions up to the 1997 base amount. The increment above the base amount is to provide extra benefits to the firefighters and police officers.

As of the most recent actuarial reports dated October 1, 2020, the plan had the following number of participants:

| | |
|--|------------------|
| Active | 8 |
| Retired, disabled, vested terminations and beneficiaries | <u>10</u> |
| Total number of participants | <u><u>18</u></u> |

Annual Pension Costs and Net Pension Liability

Net Pension Liability as of September 30, 2021

| | |
|-------------------------------|------------------------------|
| Total pension liability | \$ 1,433,700 |
| Less fiduciary net position | <u>(3,681,006)</u> |
| Net pension liability (asset) | <u><u>\$ (2,247,306)</u></u> |

The City's annual pension costs and net pension obligation to the Firefighters' and Police Officers' Defined Benefit Plan based on the most recent actuarial information (valuation date October 1, 2020) was as follows:

| | |
|--|----------------------------|
| Service cost | \$ 80,608 |
| Other recognized changes in net pension liability: | |
| Expected interest growth | (120,205) |
| Investment gain/loss | (99,809) |
| Demographic gain/loss | (62,070) |
| Employee contributions | (4,290) |
| Administrative expenses | 19,421 |
| Assumption changes | <u>5,181</u> |
| Pension expense (benefit) | <u><u>\$ (181,164)</u></u> |

DISCLOSURES RELATED TO THE PUBLIC SAFETY PENSION PLAN

Deferred Inflow and Outflow of Resources

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|----------------------------------|---|--|
| Balance as of September 30, 2020 | \$ 109,590 | \$ 538,353 |
| Change due to: | | |
| Amortization payments | (22,628) | (179,326) |
| Investment gain/loss | 23,330 | 383,293 |
| Demographic gain/loss | - | 25,081 |
| Balance as of September 30, 2021 | <u>\$ 110,292</u> | <u>\$ 767,401</u> |

Balance Equation

| | |
|--|-----------------------|
| Net pension benefit as of September 30, 2020 | \$ (1,778,168) |
| Plus pension expense for the 2020/21 fiscal year | (181,164) |
| Minus employer contribution for the 2020/21 fiscal year | (59,628) |
| Plus change in balance of deferred outflows of resources | 702 |
| Minus change in balance of deferred inflows of resources | (229,048) |
| Net pension benefit as of September 30, 2021 | <u>\$ (2,247,306)</u> |

Amortization Schedule for Deferred Outflows and Inflows of Resources

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Balance as of September 30, 2021 | \$ 110,292 | \$ 767,401 |
| Amount recognized in the 2021/22 pension expense: | | |
| Investment gain/loss | 11,688 | 80,529 |
| Demographic gain/loss | 2,994 | 65,064 |
| Assumption changes | 7,946 | 2,765 |
| | <u>\$ 22,628</u> | <u>\$ 148,358</u> |
| Balance as of September 30, 2022 | <u>\$ 87,664</u> | <u>\$ 619,043</u> |
| Amount recognized in the 2022/23 pension expense: | | |
| Investment gain/loss | 11,688 | 76,659 |
| Demographic gain/loss | 2,994 | 65,064 |
| Assumption changes | 7,946 | 2,765 |
| | <u>\$ 22,628</u> | <u>\$ 144,488</u> |
| Balance as of September 30, 2023 | <u>\$ 65,036</u> | <u>\$ 474,555</u> |
| Amount recognized in the 2023/24 pension expense: | | |
| Investment gain/loss | 2,824 | 76,659 |
| Demographic gain/loss | 2,994 | 65,064 |
| Assumption changes | 7,946 | 2,765 |
| | <u>\$ 13,764</u> | <u>\$ 144,488</u> |
| Balance as of September 30, 2024 | <u>\$ 51,272</u> | <u>\$ 330,067</u> |
| Amount recognized in the 2024/25 pension expense: | | |
| Investment gain/loss | - | 76,657 |
| Demographic gain/loss | 2,994 | 65,064 |
| Assumption changes | 7,946 | 2,765 |
| | <u>\$ 10,940</u> | <u>\$ 144,486</u> |
| Balance as of September 30, 2025 | <u>\$ 40,332</u> | <u>\$ 185,581</u> |
| Amount recognized in the 2025/26 pension expense: | | |
| Demographic gain/loss | 2,994 | 65,064 |
| Assumption changes | 7,946 | 2,765 |
| | <u>\$ 10,940</u> | <u>\$ 67,829</u> |
| Balance as of September 30, 2026 | <u>\$ 29,392</u> | <u>\$ 117,752</u> |

Changes in the Net Pension Liability (Benefit)

| | <u>Total Pension Liability</u> | <u>Fiduciary Net Position</u> | <u>Net Pension Liability</u> |
|----------------------------------|------------------------------------|-----------------------------------|----------------------------------|
| Balance as of September 30, 2020 | \$ 1,298,106 | \$ (3,076,274) | \$ (1,778,168) |
| Change due to: | | | |
| Service cost | 80,608 | - | 80,608 |
| Expected interest growth | 95,337 | (215,542) | (120,205) |
| Unexpected investment income | - | (383,293) | (383,293) |
| Demographic experience | 23,330 | - | 23,330 |
| Employer contributions | - | (59,628) | (59,628) |
| Employee contributions | - | (4,290) | (4,290) |
| Benefit payments and refunds | (38,600) | 38,600 | - |
| Administrative expenses | - | 19,421 | 19,421 |
| Assumption changes | (25,081) | - | (25,081) |
| Balance as of September 30, 2021 | <u>\$ 1,433,700</u> | <u>\$ (3,681,006)</u> | <u>\$ (2,247,306)</u> |

Comparison of Net Pension Liability Using Alternative Discount Rates

| | <u>Discount Rate Minus 1.00%</u> | <u>7% Discount Rate</u> | <u>Discount Rate Plus 1.00%</u> |
|-----------------------------|--------------------------------------|-----------------------------|-------------------------------------|
| Total pension liability | \$ 1,634,906 | \$ 1,433,700 | \$ 1,268,173 |
| Less fiduciary net position | (3,681,006) | (3,681,006) | (3,681,006) |
| Net pension liability | <u>\$ (2,046,100)</u> | <u>\$ (2,247,306)</u> | <u>\$ (2,412,833)</u> |

Historical Trend Information

| Measurement Date | Total Pension Liability | Fiduciary Net Position | Net Pension Liability | Funded Percentage | Covered Payroll | Net Pension |
|---------------------|----------------------------|---------------------------|--------------------------|----------------------|----------------------|--|
| | | | | | | Liability (Asset) as a % of Covered Payroll |
| September 30, 2021 | \$ 1,433,700 | \$ 3,681,006 | \$(2,247,306) | 256.75% | \$ 420,863 | Not applicable |
| September 30, 2020 | \$ 1,298,106 | \$ 3,076,274 | \$(1,778,168) | 236.98% | \$ 343,616 | Not applicable |
| September 30, 2019 | \$ 1,180,554 | \$ 2,893,779 | \$(1,713,225) | 245.12% | \$ 310,556 | Not applicable |
| September 30, 2018 | \$ 1,217,314 | \$ 2,743,652 | \$(1,526,338) | 225.39% | \$ 417,838 | Not applicable |
| September 30, 2017 | \$ 1,333,148 | \$ 2,414,303 | \$(1,081,155) | 181.10% | <i>Not available</i> | Not applicable |
| September 30, 2016 | \$ 1,213,513 | \$ 2,071,789 | \$ (858,276) | 170.73% | \$ 429,146 | Not applicable |
| September 30, 2015 | \$ 1,363,180 | \$ 1,882,404 | \$ (519,224) | 138.09% | \$ 614,903 | Not applicable |
| September 30, 2014 | \$ 1,094,714 | \$ 1,844,903 | \$ (750,189) | 168.53% | \$ 614,903 | Not applicable |
| September 30, 2013 | \$ 934,534 | \$ 1,656,010 | \$ (721,476) | 177.20% | \$ 614,903 | Not applicable |
| October 1, 2011 | \$ 758,063 | \$ 802,214 | \$ (44,151) | 105.82% | \$ 565,373 | Not applicable |
| October 1, 2009 | \$ 716,547 | \$ 547,459 | \$ 169,088 | 76.40% | \$ 500,405 | 33.79% |
| October 1, 2007 | \$ 392,293 | \$ 565,801 | \$ (173,508) | 144.23% | \$ 470,515 | Not applicable |

Historical Trend Information (continued)

| Fiscal Year | Service Cost | Expected Interest Growth | Unexpected Investment Income | Demographic Experience | Employer Contributions |
|-------------|--------------|--------------------------|------------------------------|------------------------|------------------------|
| 2020/21 | \$ 80,608 | \$ (120,205) | \$ (383,293) | \$ 23,330 | \$ (59,628) |
| 2019/20 | 65,116 | (116,356) | 14,120 | (165) | (56,156) |
| 2018/19 | 56,566 | (104,150) | 44,320 | (147,795) | (49,689) |
| 2017/18 | 75,032 | (75,856) | (19,350) | (279,426) | (189,890) |
| 2016/17 | 78,329 | (57,649) | (154,836) | - | (64,055) |
| 2015/16 | 78,329 | (32,236) | (35,281) | (308,352) | (51,722) |
| 2014/15 | 119,186 | (46,414) | 130,362 | 6,197 | (66,928) |
| 2013/14 | 106,900 | (52,049) | (21,562) | - | (57,346) |

| Fiscal Year | Employee and Refunds | Benefit/Payments and Refunds | Administrative Expenses | Changes in Benefit Terms | Assumption Changes |
|-------------|----------------------|------------------------------|-------------------------|--------------------------|--------------------|
| 2020/21 | \$ (4,290) | \$ - | \$ 19,421 | \$ - | \$ (25,081) |
| 2019/20 | (3,752) | - | 32,250 | - | - |
| 2018/19 | (3,301) | - | 17,162 | - | - |
| 2017/18 | (2,914) | - | 21,367 | - | 25,854 |
| 2016/17 | (4,183) | (30,525) | 10,040 | - | - |
| 2015/16 | (3,810) | - | 14,020 | - | - |
| 2014/15 | (4,684) | - | 10,281 | - | 82,965 |
| 2013/14 | (5,349) | (13,131) | 13,824 | - | - |

Historical Trend Information (continued)

| Fiscal Year End | (1) Actuarially Determined Contribution | (2) Contributions Recognized By the Plan | (3) Difference Between (1) and (2) | Covered Payroll | Column (2) as a % of Covered Payroll |
|--------------------|--|---|---------------------------------------|-----------------|--------------------------------------|
| September 30, 2021 | \$ - | \$ 59,628 | \$59,628 | \$ 420,863 | 14.17% |
| September 30, 2020 | - | 56,156 | 56,156 | 343,316 | 16.36% |
| September 30, 2019 | - | 49,689 | 49,689 | 310,556 | 16.00% |
| September 30, 2018 | - | 189,890 | 189,890 | 417,838 | 45.45% |
| September 30, 2017 | - | 64,055 | 64,055 | Not available | Not available |
| September 30, 2016 | - | 51,722 | 51,722 | 429,146 | 12.05% |
| September 30, 2015 | 63,134 | 66,928 | 3,794 | 614,903 | 10.88% |
| September 30, 2014 | 72,106 | 57,346 | (14,760) | 614,903 | 9.33% |
| September 30, 2013 | 373,978 | 397,437 | 23,459 | Not available | Not available |
| September 30, 2012 | 77,030 | 77,030 | - | 565,373 | 13.62% |

Other Pension Plan Information

The annual required contribution for the current year was determined as part of the October 1, 2020 actuarial valuation. The actuarial assumptions include the following:

- Interest (or Discount) Rate – 7.00% per annum (2.77% per annum is attributable to long-term inflation)
- Salary Increases – Plan compensation is assumed to increase at the rate of 4.00% per annum, unless actual plan compensation is known for a prior plan year.
- Cost-of-living increases – None assumed
- Mortality basis – Sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected by Scale BB, as published in the Internal Revenue Service (IRS) for purpose of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected.
- Retirement – Retirement is assumed to occur at the most valuable retirement age.
- Decrements – None assumed
- Future contributions – Contributions from the employer and employees are assumed to be made as legally required.
- Changes – No assumptions or methods have changed since the prior measurement date.

Determination of the Long-term Expected Rate of Return on Plan Assets

| <u>Investment Category</u> | <u>Target Allocation</u> | <u>Expected Long-Term Real Return</u> |
|--------------------------------------|--------------------------|---------------------------------------|
| Core bonds | 15.00% | 1.60% per annum |
| Core plus | 15.00% | 2.10% per annum |
| U.S. large cap equity | 25.00% | 4.60% per annum |
| U.S. small cap equity | 14.00% | 5.50% per annum |
| Non-U.S. equity | 21.00% | 6.70% per annum |
| Core real estate | 10.00% | 5.00% per annum |
| Total or weighted arithmetic average | 100.00% | 4.38% per annum |

Schedule of Changes in Pension Plan Net Position as of September 30, 2021

| | Pension Trust Funds | | |
|---|----------------------|---------------------|---------------------|
| | General Employees | Special Risk | Total |
| Assets | | | |
| Cash and Investments | \$ 1,252,977 | \$ 3,719,206 | \$ 4,972,183 |
| Total Assets | <u>1,252,977</u> | <u>3,719,206</u> | <u>4,972,183</u> |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Assets | | | |
| Reserved for: | | | |
| Employees' Pension Benefits | <u>1,252,977</u> | <u>3,719,206</u> | <u>4,972,183</u> |
| Total Liabilities and Net Assets | <u>\$ 1,252,977</u> | <u>\$ 3,719,206</u> | <u>\$ 4,972,183</u> |
| Additions | | | |
| Contributions: | | | |
| Employer | \$ 33,819 | \$ - | \$ 33,819 |
| Net Employer Contributions | 33,819 | - | 33,819 |
| State | - | 59,628 | 59,628 |
| Employee | <u>161,304</u> | <u>4,290</u> | <u>165,594</u> |
| Total Contributions | <u>195,123</u> | <u>63,918</u> | <u>259,041</u> |
| Investment Income* | 189,841 | 599,954 | 789,795 |
| Total Additions | <u>384,964</u> | <u>663,872</u> | <u>1,048,836</u> |
| Deductions | | | |
| Pension benefit payment and refunds | 156,139 | 38,600 | 194,739 |
| General and administrative | <u>5,740</u> | <u>19,421</u> | <u>25,161</u> |
| Total Deductions | <u>161,879</u> | <u>58,021</u> | <u>219,900</u> |
| Increase (decrease) in fiduciary net assets | <u>223,085</u> | <u>605,851</u> | <u>828,936</u> |
| Net position reserved for employees pension benefit: | | | |
| Beginning of year | <u>1,029,892</u> | <u>3,113,355</u> | <u>4,143,247</u> |
| End of year | <u>\$ 1,252,977</u> | <u>\$ 3,719,206</u> | <u>\$ 4,972,183</u> |

Other Postemployment Benefits (OPEB)

Plan Description

The City has previously established and maintains an employee group health insurance plan (the Plan) that it makes available to eligible retirees in accordance with the State of Florida law and City ordinance. The Plan is a single employer, experience rated insurance plan that provides medical, dental and vision benefits to eligible retirees and their eligible dependents. The postretirement benefit portion of the Plan refers to the medical, dental and vision benefits applicable to current and future retirees and their eligible dependents. The Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

Membership of each plan consisted of the following:

| | |
|---|------------------|
| Date of Actuarial Valuation | <u>10/1/2020</u> |
| Retirees and Beneficiaries Receiving Benefits | - |
| Active Plan Members | <u>16</u> |
| Total | <u><u>16</u></u> |

Funding Policy

In prior years, the City has followed a pay-as-you-go funding policy, contributing only those amounts necessary to provide for its portion of current year benefit cost and expenses. The contribution requirements of plan members, if any, are established by the City. Eligible retirees pay the full cost of blended rate premiums associated with the medical plan elected; no direct City subsidy is currently applicable. However, there are implicit costs of the medical plan for retirees, as their claims experience is higher than the blended rate premiums. State of Florida Law prohibits the City from separately rating retirees and active employees specifically for medical plan benefits. The City, therefore, assigns eligible active employees and eligible retirees equal, blended-rate premiums and makes available to both groups the same plan options. Although both groups are assigned the same blended rate premiums, generally accepted auditing principles (GAAP) requires the actuarial liabilities presented below to be calculated using age-adjusted premiums approximating claim costs for eligible retirees separate from active eligible members. The use of age-adjusted premiums results in the full expected retiree obligation recognized in this disclosure.

Basis Accounting

The OPEB is recorded in the government-wide financial statements, and the enterprise fund financial statements.

Annual OPEB Costs and Net OPEB Obligation

The Annual OPEB Cost is the amount that was expensed for the fiscal year. For the year ended September 30, 2021, the City recognized an OPEB expense of (\$9,432). Since the City's OPEB plan is currently unfunded, the offset to that expense comes from subsidies paid on behalf of the current retirees and their dependents for the current year. This offset is called the Employer Contribution, and equals the total age-adjusted premiums paid by the City for coverage for the retirees and their dependents for the year (net of the retiree's own payments for the year). The cumulative difference between the Annual OPEB Cost for the year and the Employer Contribution for the year is called the Net OPEB Obligation. The Net OPEB Obligation is reflected as a liability in the statement of net position.

Total OPEB Liability – The City’s total OPEB liability as of September 30, 2021 was determined by an actuarial valuation as of October 1, 2020 using September 30, 2021 as the measurement date. The actuarial assumptions used in the October 1, 2020 valuation were as follows:

Total OPEB Liability

| | |
|-----------------------------|------------------------------------|
| Inflation | Same as healthcare cost trend rate |
| Salary Increases | 3.00% |
| Discount Rate | 2.43% |
| Initial Trend Rate | 8.00% |
| Ultimate Trend Rate | 5.00% |
| Year to Ultimate Trend Rate | 5 |

Mortality rates were based on the PUB-2010 mortality table with the MP 2020 mortality improvement scale.

The discount rate used to discount all future benefit payments is 2.43% per annum and is based on the return of the S&P Municipal Bond 20-year High Grade Index as of the measurement date.

Changes in the Total OPEB Liability:

| | |
|--|-------------------------------------|
| | Total OPEB Liability |
| Reporting period ending September 30, 2020 | \$ 47,316 |
| Changes for the year: | |
| Service cost | 5,237 |
| Expected interest growth | 1,254 |
| Experience (gain/loss) amortization | (12,880) |
| Benefit payments | (1,910) |
| Assumption changes | (1,133) |
| Net changes | <u>(9,432)</u> |
| Reporting period ending September 30, 2021 | <u>\$ 37,884</u> |

Sensitivity of the total OPEB liability to changes in the discount rate – The following table presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.43%) or 1-percentage-point higher (3.43%) than the current discount rate.

| | | | |
|--|-------------------|------------------|-------------------|
| | 1% Decrease | Current | 1% Increase |
| | (1.43%) | Discount Rate | (3.43%) |
| | <u> </u> | <u>(2.43%)</u> | <u> </u> |
| Total other postemployment benefits liability | <u>\$ 42,082</u> | <u>\$ 37,884</u> | <u>\$ 34,267</u> |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following table presents the total OPEB liability of the City, as well as what the City’s total OPEB liability

would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.00% to 7.00%) or 1-percentage-point higher (6.00% to 9.00%) than the current healthcare cost trend rates:

| | <u>1% Decrease</u> <u>(7.00% to 4.00%)</u> | <u>Current</u> <u>Discount Rate</u> <u>(8.00% to 5.00%)</u> | <u>1% Increase</u> <u>(9.00% to 6.00%)</u> |
|---|---|---|---|
| Total other postemployment benefits liability | <u>\$ 32,765</u> | <u>\$ 37,884</u> | <u>\$ 44,209</u> |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2021, the City reported an amount of \$37,884 for its OPEB liability.

The following are schedules of the Net OPEB Liability and the OPEB expenses for the fiscal year ended September 30, 2021:

Net OPEB Liability as of September 30, 2021

| | |
|-----------------------------|------------------|
| Total OPEB liability | \$ 37,884 |
| Less fiduciary net position | - |
| Net OPEB liability | <u>\$ 37,884</u> |

OPEB expense for the 2020/2021 fiscal year

| | |
|--|-----------------|
| Total OPEB Liability | |
| Service cost | \$ 5,237 |
| Other recognized changes in net pension liability: | |
| Expected interest growth | 1,254 |
| Demographic experience | (3,463) |
| Assumption changes | 3,095 |
| OPEB expense | <u>\$ 6,123</u> |

For the fiscal year ended September 30, 2021, the City recognized OPEB expense of (\$9,432). Also, the City did have deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows</u> <u>Of Resources</u> | <u>Deferred Inflows</u> <u>Of Resources</u> |
|----------------------------------|---|--|
| Balance as of September 30, 2020 | \$ 22,221 | \$ 14,311 |
| Change due to: | | |
| Amoritzation payments | (3,623) | (3,991) |
| Demographic gain/loss | - | 12,880 |
| Assumption changes | - | 1,133 |
| Total change | <u>(3,623)</u> | <u>10,022</u> |
| Balance as of September 30, 2021 | <u>\$ 18,598</u> | <u>\$ 24,333</u> |

NOTE 8. COMMITMENTS AND CONTINGENCIES

Grants and Loans

Under the terms of federal and state grants and loans, periodic audits are required and certain costs may be questioned as not allowable as expenditures under the terms of the grants which could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, will not be material.

Covid-19

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

NOTE 9. 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 through the Florida League of Cities, Inc., and Preferred Government Insurance Trust for the following types of risk:

- Workers' Compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment
- Dishonesty bond

The City's coverage for workers' compensation is under a retrospectively rated policy. Premiums are accrued based on the ultimate cost to-date of the City's experience for this type of risk.

The City is covered for health insurance under a group policy with a commercial carrier with premiums reassessed annually.

NOTE 10. LITIGATION

The City is not currently a defendant in any significant pending or threatened litigation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUND – GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------------------|-------------------|---|
| Revenues | | | |
| Taxes | | | |
| Ad valorem | \$ 976,615 | \$ 970,319 | \$ (6,296) |
| Non ad valorem tax | - | 1 | 1 |
| Local option gas tax | 129,824 | 137,851 | 8,027 |
| Discretionary sales surtax | 52,260 | 283,225 | 230,965 |
| Franchise tax: | | | |
| Electricity | 194,014 | 224,997 | 30,983 |
| Communication service tax | 95,749 | 130,321 | 34,572 |
| Utility tax : | | | |
| Electricity | 255,732 | 288,345 | 32,613 |
| Propane | 35,507 | 26,693 | (8,814) |
| Total taxes | 1,739,701 | 2,061,752 | 322,051 |
| Licenses and permits | | | |
| Professional and occupational | 28,607 | 31,747 | 3,140 |
| Building permits | 102,974 | 158,889 | 55,915 |
| Other licenses and permits | 20,738 | 14,153 | (6,585) |
| Total licenses and permits | 152,319 | 204,789 | 52,470 |
| Intergovernmental revenue | | | |
| State, federal and local grants | 84,600 | 122,719 | 38,119 |
| State shared revenues: | | | |
| State revenue sharing | 64,130 | 65,351 | 1,221 |
| Mobile home licenses | 6,671 | 7,496 | 825 |
| Alcoholic beverage licenses | 10,882 | 12,918 | 2,036 |
| Local government one-half cent sales tax | 122,934 | 159,292 | 36,358 |
| Motor fuel tax | 18,151 | 18,176 | 25 |
| Motor fuel tax rebate | 1,272 | 2,059 | 787 |
| Total intergovernmental revenue | 308,640 | 388,011 | 79,371 |
| Charges for services | | | |
| Copying and records search | 7,088 | 6,710 | (378) |
| Garbage and solid waste | 244,738 | 250,863 | 6,125 |
| Cemetery fees and lots | 30,196 | 46,406 | 16,210 |
| Transportation services | 17,555 | 17,556 | 1 |
| City beach user fees | 10,000 | 9,738 | (262) |
| Other miscellaneous charges | 30,538 | 32,023 | 1,485 |
| Total charges for services | 340,115 | 363,296 | 23,181 |

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUND – GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021
(Continued)

| | Original and Final Budget | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|---------------------------------|---------------------|---|
| Fines and forfeitures | | | |
| Court fines | \$ 10,357 | \$ 12,346 | \$ 1,989 |
| Other fines | 851 | 2,576 | 1,725 |
| Total fines and forfeitures | <u>11,208</u> | <u>14,922</u> | <u>3,714</u> |
| Miscellaneous revenue | | | |
| Investment earnings | 20,339 | 18,180 | (2,159) |
| Contributions and donations | - | (119) | (119) |
| Other miscellaneous | 34,800 | 22,718 | (12,082) |
| Total miscellaneous revenue | <u>55,139</u> | <u>40,779</u> | <u>(14,360)</u> |
| Total revenues | <u>\$ 2,607,122</u> | <u>\$ 3,073,549</u> | <u>\$ 466,427</u> |
| Expenditures | | | |
| General government | | | |
| Legislative: | | | |
| Personnel services | \$ 10,197 | \$ 9,697 | \$ 500 |
| Operating expenses | 99,608 | 39,477 | 60,131 |
| Capital outlay | 2,400 | - | 2,400 |
| Debt service | 175,000 | 175,000 | - |
| Total legislative | <u>287,205</u> | <u>224,174</u> | <u>63,031</u> |
| Executive: | | | |
| Personnel services | 123,842 | 111,837 | 12,005 |
| Operating expenses | 19,538 | 2,315 | 17,223 |
| Capital outlay | 1,400 | - | 1,400 |
| Total executive | <u>144,780</u> | <u>114,152</u> | <u>30,628</u> |
| Financial and administrative: | | | |
| Personnel services | 260,695 | 316,004 | (55,309) |
| Operating expenses | 109,442 | 102,899 | 6,543 |
| Capital outlay | 19,953 | - | 19,953 |
| Total Financial and administrative | <u>390,090</u> | <u>418,903</u> | <u>(28,813)</u> |
| Legal counsel: | | | |
| Operating expenses | 63,100 | 106,136 | (43,036) |
| Comprehensive planning: | | | |
| Personnel services | 72,665 | 46,505 | 26,160 |
| Operating expenses | 71,023 | 57,511 | 13,512 |
| Capital outlay | 7,738 | - | 7,738 |
| Total comprehensive planning | <u>151,426</u> | <u>104,016</u> | <u>47,410</u> |
| Other general government | | | |
| Personnel services | 36,747 | 39,870 | (3,123) |
| Operating expenses | 39,540 | 42,643 | (3,103) |
| Capital outlay | 2,400 | - | 2,400 |
| Total other general government | <u>78,687</u> | <u>82,513</u> | <u>(6,226)</u> |
| Total general government | <u>\$ 1,115,288</u> | <u>\$ 1,049,894</u> | <u>\$ 62,994</u> |

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUND – GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021
(Continued)

| | Original and Final Budget | Actual Amounts | Variance With Final Budget Positive (Negative) |
|--------------------------------------|---------------------------------|-------------------|---|
| <i>Expenditures (continued)</i> | | | |
| Public safety | | | |
| Law enforcement: | | | |
| Personnel services | \$ 613,563 | \$ 610,493 | \$ 3,070 |
| Operating expenses | 140,354 | 138,956 | 1,398 |
| Capital outlay | 488,774 | 406,847 | 81,927 |
| Total law enforcement | 1,242,691 | 1,156,296 | 86,395 |
| Fire control: | | | |
| Operating expenses | 7,300 | (199,672) | 206,972 |
| Total fire control | 7,300 | (199,672) | 206,972 |
| Protective inspections: | | | |
| Personnel services | 102,260 | 53,895 | 48,365 |
| Operating expenses | 63,660 | 38,182 | 25,478 |
| Total protective inspections | 165,920 | 92,077 | 73,843 |
| Total public safety | 1,415,911 | 1,048,701 | 367,210 |
| Physical environment | | | |
| Garbage and solid waste: | | | |
| Personnel services | 3,805 | 3,666 | 139 |
| Operating expenses | 175,715 | 171,906 | 3,809 |
| Total garbage and solid waste | 179,520 | 175,572 | 3,948 |
| Cemetery: | | | |
| Personnel services | 25,245 | 21,043 | 4,202 |
| Operating expenses | 6,415 | 4,709 | 1,706 |
| Total Cemetery | 31,660 | 25,752 | 5,908 |
| Total physical environment | 211,180 | 201,324 | 9,856 |
| Transportation | | | |
| Roads and streets: | | | |
| Personnel services | 79,489 | 71,213 | 8,276 |
| Operating expenses | 138,041 | 125,390 | 12,651 |
| Capital Outlay | 912,000 | 160,404 | 751,596 |
| Total transportation | 1,129,530 | 357,007 | 772,523 |
| Human services | | | |
| Animal control: | | | |
| Personnel services | 3,046 | 3,298 | (252) |
| Operating expenses | 1,980 | 723 | 1,257 |
| Total human services | 5,026 | 4,021 | 1,005 |

CITY OF DUNNELLON, FLORIDA
GOVERNMENTAL FUND – GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021
(Continued)

| | Original and Final Budget | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|---------------------------------|---------------------|---|
| <i>Expenditures (concluded)</i> | | | |
| Human services | | | |
| Mosquito control: | | | |
| Personnel services | \$ 999 | \$ 677 | \$ 322 |
| Operating expenses | 518 | \$ 27 | 491 |
| Total mosquito control | <u>1,517</u> | <u>704</u> | <u>813</u> |
| | | | |
| Culture and recreation | | | |
| Parks and recreation: | | | |
| Personnel services | \$ 33,047 | \$ 26,352 | \$ 6,695 |
| Operating expenses | 32,251 | 38,608 | (6,357) |
| Capital Outlay | 17,000 | - | 17,000 |
| Total culture and recreation | <u>82,298</u> | <u>64,960</u> | <u>17,338</u> |
| | | | |
| Total expenditures | <u>3,960,750</u> | <u>2,726,611</u> | <u>1,230,926</u> |
| - | | | |
| Excess of revenues over (under) expenditures | <u>(1,353,628)</u> | <u>346,938</u> | <u>1,700,566</u> |
| | | | |
| Other financing sources and (uses) | | | |
| Interfund transfers | 1,311,262 | - | (1,311,262) |
| Total other financing sources and (uses) | | | |
| | | | |
| Net change in fund balance | (42,366) | 346,938 | 389,304 |
| Fund balance, beginning of year | 5,307,111 | 5,307,111 | - |
| Fund balance, end of year | <u>\$ 5,264,745</u> | <u>\$ 5,654,049</u> | <u>\$ 389,304</u> |

See notes to financial statements.

GOVERNMENTAL FUND – TAX INCREMENT FINANCING DISTRICT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2021

| | Original and Final Budget | Actual Amounts | Variance With Budget Positive (Negative) |
|---|---------------------------------|-----------------------|---|
| Revenues | | | |
| Taxes: | | | |
| Ad valorem | \$ 716,952 | \$ 299,169 | \$ (417,783) |
| Other | 841 | 96 | (745) |
| Total revenues | <u>717,793</u> | <u>299,265</u> | <u>(418,528)</u> |
| Expenditures | | | |
| Economic environment | | | |
| Industry development: | | | |
| Personnel services | 34,810 | 26,838 | 7,972 |
| Operating expenses | 66,639 | 77,173 | (10,534) |
| Capital outlay | 633,647 | 492,567 | 141,080 |
| Total expenditures | <u>735,096</u> | <u>596,578</u> | <u>138,518</u> |
| Excess of revenues over (under) expenditures | <u>(17,303)</u> | <u>(297,313)</u> | <u>(280,010)</u> |
| Net change in fund balance | (17,303) | (297,313) | (280,010) |
| Fund balances, beginning of year | <u>908,022</u> | <u>908,022</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 890,719</u> | <u>\$ 610,709</u> | <u>\$ (280,010)</u> |

See notes to financial statements.

CITY OF DUNNELLON, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

I. Stewardship, Compliance, and Accountability

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

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

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

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

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

1. Prior to September 1, the Finance Officer and City Clerk submit 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 September to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of a resolution.
4. The legal level of budgetary control is the department level; however, the City Clerk may transfer appropriations between departments. Surplus revenues not appropriated in the budget require formal motion by City Council 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 DUNNELLON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SPECIAL RISK PENSION TRUST FUND
SEPTEMBER 30, 2021

Schedule of Net Pension Liability as a Percentage of Covered Payroll

| Measurement Date | Total Pension Liability | Fiduciary Net Position | Net Pension Liability (excess) | Funded Percentage | Covered Payroll | Net Pension Liability as a % of Covered Payroll |
|--------------------|-------------------------|------------------------|--------------------------------|-------------------|-----------------|---|
| September 30, 2021 | \$ 1,433,700 | \$ 3,681,006 | \$ (2,247,306) | 256.75% | \$ 420,863 | N/A |
| September 30, 2020 | 1,298,106 | 3,076,274 | (1,778,168) | 236.98% | \$ 343,316 | N/A |
| September 30, 2019 | 1,180,554 | 2,893,779 | (1,713,225) | 245.12% | 310,556 | N/A |
| September 30, 2018 | 1,217,314 | 2,743,652 | (1,526,338) | 225.39% | 417,838 | N/A |
| September 30, 2017 | 1,333,148 | 2,414,303 | (1,081,155) | 181.10% | Not available | N/A |
| September 30, 2016 | 1,213,513 | 2,071,789 | (859,276) | 170.73% | 429,146 | N/A |
| September 30, 2015 | 1,363,180 | 1,822,404 | (59,224) | 138.09% | 614,903 | N/A |
| September 30, 2014 | 1,094,714 | 1,844,903 | (7,150,184) | 168.53% | 614,903 | N/A |
| September 30, 2013 | 934,584 | 1,656,010 | (721,476) | 177.20% | 614,903 | N/A |
| October 1, 2011 | 758,063 | 802,214 | (44,151) | 105.82% | 565,373 | N/A |

Schedule of Required Contributions

| Fiscal Year End | (1) Actuarially Determined Contribution | (2) Contributions Recognized By the Plan | (3) Difference Between (1) and (2) | Covered Payroll | Column (2) as a % of Covered Payroll |
|--------------------|--|---|---------------------------------------|-----------------|--------------------------------------|
| September 30, 2021 | \$ - | \$ 59,628 | \$59,628 | \$ 420,863 | 14.17% |
| September 30, 2020 | - | 56,156 | 56,156 | 343,316 | 16.36% |
| September 30, 2019 | - | 49,689 | 49,689 | 310,556 | 16.00% |
| September 30, 2018 | - | 189,890 | 189,890 | 417,838 | 45.45% |
| September 30, 2017 | - | 64,055 | 64,055 | Not available | Not available |
| September 30, 2016 | - | 51,722 | 51,722 | 429,146 | 12.05% |
| September 30, 2015 | 63,134 | 66,928 | 3,794 | 614,903 | 10.88% |
| September 30, 2014 | 72,106 | 57,346 | (14,760) | 614,903 | 9.33% |
| September 30, 2013 | 373,978 | 397,437 | 23,459 | Not available | Not available |
| September 30, 2012 | 77,030 | 77,030 | - | 565,373 | 13.62% |

Includes contributions by excise tax on certain insurance policies collected by the State of Florida. The City is required to contribute to the balance of the ARC.

In each year except 2014, the City contribution was greater than required. The excess contribution was placed in the surplus contribution account.

The City obtains an actuarial report every two years. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated.

**CITY OF DUNNELLON, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS PLAN
SEPTEMBER 30, 2021**

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) (2) - (1) | Funded Ratio (1) - (2) | Covered Payroll | UAAL As % of Covered Payroll (3) - (4) |
|--------------------------|---------------------------|-----------------------------------|-------------------------------|------------------------|-----------------|--|
| October 1, 2010 | \$ - | \$ 98,000 | \$ 98,000 | 0.0% | \$1,445,000 | 6.8% |
| November 1, 2012 | - | 38,000 | 38,000 | 0.0% | 2,107,000 | 1.8% |
| July 1, 2014 | - | 41,000 | 41,000 | 0.0% | 2,219,000 | 1.8% |
| October 1, 2016 | - | 19,000 | 19,000 | 0.0% | 1,199,000 | 1.6% |
| October 1, 2018 | - | 40,937 | 40,937 | 0.0% | 720,393 | 5.68% |
| October 1, 2019 | - | 47,316 | 47,316 | 0.0% | 768,083 | 6.16% |
| October 1, 2020 | - | 37,884 | 37,884 | 0.0% | 712,293 | 5.32% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Year Ended September 30, | ARC | % Contributed | Annual OPEB Cost | % Contributed |
|--------------------------|-----------|---------------|------------------|---------------|
| 2015 | \$ 12,000 | 25% | \$ 9,000 | 33% |
| 2016 | 5,000 | 20% | 2,000 | 50% |
| 2017 | 5,000 | 20% | 1,000 | 100% |
| 2018 | - | 100% | 6,705 | 100% |
| 2019 | - | 100% | 6,379 | 100% |
| 2020 | - | 100% | 9,432 | 100% |

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY

| Measurement date | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 |
|---------------------------------------|-----------|-----------|-----------|-----------|
| Reporting period ending | 9/30/2021 | 9/30/2020 | 9/30/2019 | 9/30/2018 |
| Total OPEB Liability | | | | |
| Service cost | \$ 5,237 | \$ 5,237 | \$ 4,475 | \$ 2,687 |
| Expected interest growth | 1,254 | 987 | 1,057 | 915 |
| Demographic experience | (12,880) | 1,540 | (17,343) | - |
| Benefit payments and refunds | (1,910) | (139) | (69) | (1,309) |
| Assumption changes | (1,133) | (1,246) | 27,732 | (294) |
| Net change in total pension liability | (9,432) | 6,379 | 15,852 | 1,999 |
| Total OPEB liability, beginning | 47,316 | 40,937 | 25,085 | 23,086 |
| Total OPEB liability, ending | \$ 37,884 | \$ 47,316 | \$ 40,937 | \$ 25,085 |

ANNUAL MONEY-WEIGHTED RATE OF RETURN

| Year Ended September 30, | Money-weighted Rate of Return |
|--------------------------|-------------------------------|
| 2017 | 9.23% |
| 2018 | 7.09% |
| 2019 | 9.63% |
| 2020 | 6.18% |
| 2021 | 19.38% |

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

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

| GRANTOR/PROGRAM TITLE | CFDA #/ CSFA # | Grant Number | Amount | Reported in Prior Years | Expenditures Recognized in Current Year | Accrual (Deferral) in Current Year |
|--|-------------------|-------------------------|-------------------|-------------------------------|---|--|
| Federal Awards | | | | | | |
| <i>U.S. Department of Housing & Urban Development</i> | | | | | | |
| <i>Passed through Florida Department Economic Opportunity</i> | | | | | | |
| <i>Community Development Block Grant</i> | 14.228 | 18DB-OM-05-52-02-N18 | 650,000 | 641,835 | 4,750 | - |
| <i>U.S. Department of Justice</i> | | | | | | |
| <i>Passed through Florida Department of Law Enforcement</i> | | | | | | |
| <i>Byrne JAG Program</i> | 16.738 | 2020-JAGD-MARI-1-Y6 | 1,000 | 1,000 | - | - |
| | 16.738 | 2020-JAGC-MARI-3-Y5-146 | 7,000 | 6,759 | 1,369 | - |
| <i>U.S. Department of Agriculture</i> | | | | | | |
| <i>Community Facilities Grant</i> | 10.766 | N/A | 81,600 | - | 81,600 | - |
| Total federal awards | | | <u>\$ 739,600</u> | <u>\$ 649,594</u> | <u>\$ 87,719</u> | <u>\$ -</u> |
| State Financial Assistance | | | | | | |
| Department of Environmental Protection | | | | | | |
| <i>Technical Assistance-Historic District Enhancement Plan</i> | 40.038 | P0396 | 35,000 | - | 35,000 | - |
| Total State Awards | | | <u>\$ 35,000</u> | <u>\$ -</u> | <u>\$ 35,000</u> | <u>\$ -</u> |
| Total Federal financial awards and state assistance | | | <u>\$ 774,600</u> | <u>\$ 649,594</u> | <u>\$ 122,719</u> | <u>\$ -</u> |

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

CITY OF DUNNELLON, FLORIDA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

For the Year Ended September 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards and State Financial Assistance of the City of Dunnellon, Florida, (the "City") have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards by Title 2 U.S. Code of Federal Regulations (CFR) Part 200.

A. Reporting Entity

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

B. Basis of Accounting

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

The modified accrual basis of accounting is followed in the Schedule of Expenditures of Federal Awards and State Financial Assistance. Under the modified accrual basis, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

C. Subrecipients

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

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

To the City Council
City of Dunnellon, 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 of the City of Dunnellon, Florida, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Dunnellon, Florida's basic financial statements, and have issued our report thereon dated April 15, 2022.

Internal Control Over Financial Reporting

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

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

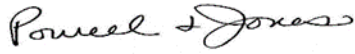
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



POWELL & JONES
Certified Public Accountants
Lake City, Florida
April 15, 2022

MANAGEMENT LETTER

To The City Council
City of Dunnellon, Florida

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

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

PRIOR YEAR FINDINGS

There were no reportable findings in the prior year.

CURRENT YEAR FINDINGS

There were no reportable findings in the current year.

AUDITOR GENERAL COMPLIANCE MATTERS

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

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

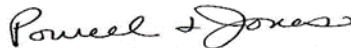
Dependent Special District - As required by Section 218.39(3)(c), *Florida Statutes* and Section 10.554(1)(i)6 *Rules of the Auditor General*, the Dunnellon Community Redevelopment Agency (CRA) reported:

| <u>Data Element</u> | <u>Reference</u> | <u>Comment</u> |
|---|-------------------------------|--|
| The total number of CRA employees compensated in the last pay period of the CRA's fiscal year being reported. | Section 218.32(1)(e)(2)(a) | 5 |
| The total number of independent contractors to whom nonemployee compensation was paid in the last month of the CRA's fiscal year being reported. | Section 218.32(1)(e)(2)(b) | 6 |
| All compensation earned by or awarded to the CRA employees, whether paid or accrued, regardless of contingency. | Section 218.32(1)(e)(2)(c) | \$ 26,836 |
| Budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the CRA amended a final adopted budget under Section 189.016(6), Florida Statutes. | Section 218.32(1)(e)(3) | See page 55 of this annual financial report. |
| Each construction project with a total cost of at least \$65,000 approved by the CRA that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project. | Section 218.32(1)(e)(2)(e) | \$ 492,567 |

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 our audit of the City. We appreciate the helpful assistance and courtesy afforded us by all City employees and look forward to working with you in the future.



POWELL & JONES
Certified Public Accountants
Lake City, Florida
April 15, 2022

INDEPENDENT ACCOUNTANT'S REPORT

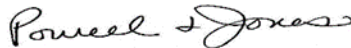
To The City Council
City of Dunnellon, Florida

We have examined the City of Dunnellon, Florida's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2021. We also examined the City's compliance with Sections 163.387(6) and (7), *Florida Statutes* regarding the Dunnellon Community Redevelopment Agency during the year ended September 30, 2021. 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 examinations.

Our examinations were 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 examinations provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

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

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



POWELL & JONES
Certified Public Accountants
Lake City, Florida
April 15, 2022



**City of Dunnellon Management Response To
Auditors' Management Letter Comment
Annual Audit FYE 9/30/21**

Honorable Mayor and City Council
City of Dunnellon
Dunnellon, Florida

We have reviewed the audit report for fiscal year ending September 30, 2021 including the management letter and are pleased there were no reportable findings. We believe the audit, as prepared and presented by Powell & Jones, CPA's, to be an accurate representation of the City's current financial status.

Jan Smith

Jan Smith
Finance Officer

Communication with Those Charged with Governance

To the City Council
City of Dunnellon, Florida

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

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Dunnellon, Florida are described in Note 1 to the financial statements. 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 Dunnellon, Florida's financial statements.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 15, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

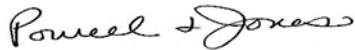
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Information in Documents Containing Audited Financial Statements

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

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

Very truly yours,



POWELL & JONES
Certified Public Accountants
Lake City, Florida
April 15, 2022