

TOWN OF CROSS CITY, FLORIDA
FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Principal Officials as of the Financial Statement Date

TOWN COUNCIL

Kenneth Lee, Mayor
Ryan Fulford, Vice Mayor
Angela Carter
Kirk Marhefka
Charlie Heidelberg Jr.

TOWN CLERK
Angie Bush

TOWN MANAGER
John Driggers

**TOWN OF CROSS CITY, FLORIDA
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Town Council
Town of Cross City, Florida:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Cross City, Florida (the Town), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Unmodified Opinion on the General Fund

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the General Fund of the Town as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Qualified Opinions on the Governmental Activities, Business-type Activities, and Water & Sewer Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the Water & Sewer Fund of the Town as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinions on Governmental Activities, Business-type Activities, and Water & Sewer Fund

As discussed in Note (9) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities, business-type activities, and Water & Sewer Fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, the business-type activities, and the Water & Sewer Fund has not been determined.

Responsibilities for the Management for the Financial Statements

The Town's 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

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

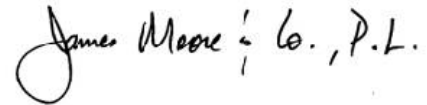
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, 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.

Management has omitted the schedule of changes in the Town's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. Our opinion on the basic financial statements are not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2024, on our consideration of the Town'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 the 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 Town's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large, looped initial 'J'.

Gainesville, Florida
October 25, 2024

**TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

This discussion and analysis of the Town of Cross City's financial performance provides an overview of the Town's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the Town's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2023:

- The Town follows GASB Statement No. 68 and reported a net pension liability of \$1,565,060 at September 30, 2023.
- The Town's overall net position decreased by (\$598,522). Net position of business-type activities decreased by (\$552,380) while net position of governmental activities decreased by (\$46,142).
- Total ending unrestricted net position was \$3,099,628.

Overview of the basic Financial Statements

This annual report contains government-wide financial statements that report on the Town's activities as a whole and fund financial statements that report on the Town's two individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the Town's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets and liabilities – can be used to measure the Town's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the Town's financial health is improving or deteriorating. However, other non-financial factors, such as road conditions or changes in the tax base, must also be considered when assessing the overall health of the Town.

In these statements, the Town's activities are divided as follows:

- Governmental activities – Most of the Town's basic services are reported here, including administration, fire services, road and bridge, and maintenance. Taxes and charges for services finance most of these activities.
- Business-type activities – These activities are financed in whole or in part by fees charged to external parties for goods or services. The activities of the water system and garbage collections are reported as business-type activities.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the Town's funds.

TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(Continued)

- Governmental funds – The General Fund is the Town’s only governmental fund. This fund is accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund’s financial position. A reconciliation is provided with these statements, which helps to explain the difference between the fund financial statements and the government-wide financial statements.
- Proprietary funds – The Water & Sewer Fund is the Town’s only proprietary fund. Proprietary funds are reported using the accrual basis of accounting and, accordingly, there is a correlation between the amounts reported in the fund financial statements and the amounts reported in the government-wide financial statements.

CONDENSED FINANCIAL INFORMATION The following tables present condensed, government-wide comparative data about net position and changes in net position.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
Assets:						
Non-capital assets	\$1,867,957	\$1,976,939	\$ 4,695,109	\$ 4,343,421	\$ 6,563,066	\$ 6,320,360
Capital assets	1,251,379	1,191,421	14,572,180	14,289,650	15,823,559	15,481,071
Total assets	3,119,336	3,168,360	19,267,289	18,633,071	22,386,625	21,801,431
Deferred outflows	308,032	287,242	64,821	92,005	372,853	379,247
Liabilities:						
Current liabilities	188,018	199,872	463,716	435,523	651,734	635,395
Long-term liabilities	1,119,172	1,202,101	3,134,575	3,107,178	4,253,747	4,309,279
Total liabilities	1,307,190	1,401,973	3,598,291	3,542,701	4,905,481	4,944,674
Deferred inflow of resources:						
Pension related	68,008	47,601	14,311	15,247	82,319	62,848
Total deferred inflows	68,008	47,601	14,311	15,247	82,319	62,848
Net position:						
Net investment in capital assets	1,227,026	1,177,899	11,504,995	11,389,819	12,732,021	12,567,718
Restricted	-	-	1,361,311	1,505,810	1,361,311	1,505,810
Unrestricted	825,144	828,129	2,853,202	2,271,499	3,678,346	3,099,628
Total net position	\$2,052,170	\$2,006,028	\$15,719,508	\$15,167,128	\$17,771,678	\$17,173,156

TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(Continued)

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
Program revenues:						
Charges for services	\$ 332,879	\$ 345,152	\$ 1,317,704	\$ 1,295,426	\$ 1,650,583	\$ 1,640,578
Operating grants & contributions	421,141	204,111	-	-	421,141	204,111
Capital grants & contributions	823,142	-	356,435	80,731	1,179,577	80,731
General revenues:						
Property taxes	193,714	197,024	-	-	193,714	197,024
Other taxes	731,464	820,148	-	-	731,464	820,148
Investment earnings	270	518	1,466	3,165	1,736	3,683
Miscellaneous	14,971	4,167	-	-	14,971	4,167
Gain (loss) on disposition of capital asset	-	-	-	-	-	-
Total revenues	2,517,581	1,571,120	1,675,605	1,379,322	4,193,186	2,950,442
Program expenses:						
General government	436,937	521,062	-	-	436,937	521,062
Public safety	496,790	590,646	-	-	496,790	590,646
Physical environment	309,897	341,644	-	-	309,897	341,644
Transportation	947,323	109,120	-	-	947,323	109,120
Human services	4,000	4,000	-	-	4,000	4,000
Culture and recreation	27,506	50,790	-	-	27,506	50,790
Water & sewer	-	-	1,681,824	1,931,702	1,681,824	1,931,702
Total expenses	2,222,453	1,617,262	1,681,824	1,931,702	3,904,277	3,548,964
Transfers	-	-	-	-	-	-
Change in net position	295,128	(46,142)	(6,219)	(552,380)	288,909	(598,522)
Beginning net position	1,757,042	2,052,170	15,725,727	15,719,508	17,482,769	17,771,678
Ending net position	\$2,052,170	\$2,006,028	\$15,719,508	\$15,167,128	\$17,771,678	\$17,173,156

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$549,263 in program revenues and \$1,021,857 of general revenues and incurred \$1,617,262 of expenses. This resulted in a (\$46,142) decrease in net position.

Business-type Activities

Revenues of the Water & Sewer Fund were \$1,379,322 compared to expenses of \$1,931,702. This resulted in a decrease in net position of (\$552,380).

THE TOWN'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance increased by \$126,175 from \$1,718,267 to \$1,844,442.

TOWN OF CROSS CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023
(Continued)

Water & Sewer Fund

The Water & Sewer Fund's net position decreased by (\$552,380), from \$15,719,508 to \$15,167,128.

BUDGETARY HIGHLIGHTS

There was no change between the original and final budgets for the General Fund.

Revenues of the General Fund were more than budgeted amounts by \$329,970.

General Fund expenditures were less than budgeted amounts by \$3,395,674. This was largely the result of the Town not receiving two anticipated large public safety grants in the fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town purchased a new vehicle for its police department in the amount of \$43,021 and other public safety equipment in the amount of \$14,569. For further information on smaller purchases, please refer to the note to the accompanying financial statements entitled *Capital Assets*.

Debt Administration

The Town's long-term debt was reduced by \$178,185 during the current year. Please refer to the note to the accompanying financial statement entitled *Long-term Debt* for more detailed information about the Town's debt activity.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the Town's financial position or results of operations.

Contacting the Town's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Town Hall at PO Box 417, Cross City, Florida.

TOWN OF CROSS CITY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 1,816,540	\$ 2,199,978	\$ 4,016,518
Investments	154,213	328,145	482,358
Receivables, net	29,040	184,134	213,174
Internal balances	(89,412)	89,412	-
Due from other governments	62,896	-	62,896
Inventories	-	25,682	25,682
Prepays	3,662	3,858	7,520
Restricted assets:			
Cash and cash equivalents	-	1,262,926	1,262,926
Investments	-	249,286	249,286
Capital assets:			
Depreciable, net	920,109	12,672,901	13,593,010
Non-depreciable	271,312	1,616,749	1,888,061
Total assets	<u>\$ 3,168,360</u>	<u>\$ 18,633,071</u>	<u>\$ 21,801,431</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 287,242</u>	<u>\$ 92,005</u>	<u>\$ 379,247</u>
LIABILITIES			
Accounts payable	\$ 82,534	\$ 62,604	\$ 145,138
Accrued expenses	49,768	10,387	60,155
Customer deposits	-	142,642	142,642
Unearned revenue	195	7,950	8,145
Accrued interest payable	-	6,402	6,402
Noncurrent liabilities:			
Due within one year:			
Bonds and Notes payable	11,200	176,605	187,805
Compensated absences	56,175	28,933	85,108
Due in more than one year:			
Bonds and Notes payable	2,322	2,723,226	2,725,548
Compensated absences	14,400	4,271	18,671
Net pension liability	1,185,379	379,681	1,565,060
Total liabilities	<u>\$ 1,401,973</u>	<u>\$ 3,542,701</u>	<u>\$ 4,944,674</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 47,601</u>	<u>\$ 15,247</u>	<u>\$ 62,848</u>
Total deferred inflows	<u>\$ 47,601</u>	<u>\$ 15,247</u>	<u>\$ 62,848</u>
NET POSITION			
Net investment in capital assets	\$ 1,177,899	\$ 11,389,819	\$ 12,567,718
Restricted for:			
Debt service	-	439,751	439,751
Construction	-	1,066,059	1,066,059
Unrestricted	828,129	2,271,499	3,099,628
Total net position	<u>\$ 2,006,028</u>	<u>\$ 15,167,128</u>	<u>\$ 17,173,156</u>

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

**TOWN OF CROSS CITY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 521,062	\$ -	\$ 125,256	\$ -	\$ (395,806)	\$ -	\$ (395,806)
Public safety	590,646	45,000	-	-	(545,646)	-	(545,646)
Physical environment	341,644	300,152	-	-	(41,492)	-	(41,492)
Transportation	109,120	-	78,855	-	(30,265)	-	(30,265)
Human services	4,000	-	-	-	(4,000)	-	(4,000)
Culture and recreation	50,790	-	-	-	(50,790)	-	(50,790)
Total governmental activities	<u>1,617,262</u>	<u>345,152</u>	<u>204,111</u>	<u>-</u>	<u>(1,067,999)</u>	<u>-</u>	<u>(1,067,999)</u>
Business-type activities:							
Water and sewer	1,931,702	1,295,426	-	80,731	-	(555,545)	(555,545)
Total business-type activities	<u>1,931,702</u>	<u>1,295,426</u>	<u>-</u>	<u>80,731</u>	<u>-</u>	<u>(555,545)</u>	<u>(555,545)</u>
Total primary government	<u>\$ 3,548,964</u>	<u>\$ 1,640,578</u>	<u>\$ 204,111</u>	<u>\$ 80,731</u>	<u>(1,067,999)</u>	<u>(555,545)</u>	<u>(1,623,544)</u>
General revenues:							
Property taxes					197,024	-	197,024
Sales and use taxes					182,518	-	182,518
Franchise and utility taxes					149,727	-	149,727
Public service taxes					289,844	-	289,844
Other taxes					285	-	285
State revenue sharing					179,805	-	179,805
Other intergovernmental revenues					17,969	-	17,969
Investment earnings (loss)					518	3,165	3,683
Miscellaneous revenues					4,167	-	4,167
Total general revenues					<u>1,021,857</u>	<u>3,165</u>	<u>1,025,022</u>
Change in net position					(46,142)	(552,380)	(598,522)
Net position - beginning					2,052,170	15,719,508	17,771,678
Net position - ending					<u>\$ 2,006,028</u>	<u>\$ 15,167,128</u>	<u>\$ 17,173,156</u>

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

**TOWN OF CROSS CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,816,540
Investments	154,213
Receivables, net	29,040
Due from other governments	62,896
Prepaid items	3,662
Total assets	\$ 2,066,351
LIABILITIES	
Accounts payable	\$ 82,534
Accrued expenses	49,768
Unearned revenue	195
Due to other funds	89,412
Total liabilities	221,909
FUND BALANCES	
Nonspendable:	
Prepaid items	3,662
Assigned to:	
American Rescue Plan Act	428,981
Subsequent year's budget	209,650
Unassigned	1,202,149
Total fund balances	1,844,442
Total liabilities and fund balances	\$ 2,066,351

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

**TOWN OF CROSS CITY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

Fund balances - total governmental funds		\$ 1,844,442
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	3,621,124	
Less: accumulated depreciation	<u>(2,429,703)</u>	1,191,421
On the governmental fund statements, a net pension liability is not recorded unless an amount is due and payable. On the statement of net position, the Town's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(1,185,379)	
Deferred outflows related to pensions	287,242	
Deferred inflows related to pensions	<u>(47,601)</u>	(945,738)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities and other long-term liabilities consist of the following:		
Bonds and notes payable	(13,522)	
Compensated absences	<u>(70,575)</u>	(84,097)
Net position of governmental activities		<u><u>\$ 2,006,028</u></u>

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

TOWN OF CROSS CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund
Revenues	
Taxes	\$ 748,526
Licenses, permits, and special assessments	149,727
Intergovernmental	323,030
Charges for services	345,152
Miscellaneous	4,685
Total revenues	1,571,120
Expenditures	
Current:	
General government	433,803
Public safety	501,877
Physical environment	328,179
Transportation	77,666
Human services	4,000
Culture and recreation	29,576
Capital outlay	57,590
Debt service	
Principal	10,831
Interest and fiscal charges	1,423
Total expenditures	1,444,945
Excess (deficiency) of revenues over expenditures	126,175
Net change in fund balances	126,175
Fund balances, beginning of year	1,718,267
Fund balances, end of year	\$ 1,844,442

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

**TOWN OF CROSS CITY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balances - total governmental funds	\$ 126,175
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Capital outlay expenditures	57,590
Depreciation expense	(117,548)
Bond and loan proceeds are reported as financing sources in the governmental funds. However, the issuance of debt is reported as long-term debt payable in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment of debt principal reduces long-term liabilities in the statement of net position.	
Principal repayment of general long-term debt	10,831
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.	
Change in net pension liability (asset) and deferred inflows/outflows related to pensions	(90,095)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:	
Change in compensated absences liability	(33,095)
Change in net position of governmental activities	<u>\$ (46,142)</u>

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

**TOWN OF CROSS CITY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2023**

	Water & Sewer Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,199,978
Restricted cash	183,007
Accounts receivable, net	184,134
Inventory	25,682
Prepaid items	3,858
Due from other funds	89,412
Total current assets	2,686,071
Noncurrent assets:	
Restricted cash	1,079,919
Unrestricted investments	328,145
Restricted investments	249,286
Capital assets:	
Land	1,368,071
Construction in progress	248,678
Buildings and improvements	538,161
Infrastructure (other than buildings)	24,475,191
Equipment	399,839
Accumulated depreciation	(12,740,290)
Total noncurrent assets	15,947,000
Total assets	\$ 18,633,071
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	\$ 92,005
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 62,604
Accrued expenses	10,387
Deposits	142,642
Unearned revenue	7,950
Compensated absences	28,933
Payable from restricted assets:	
Accrued interest payable	6,402
Current maturities on long-term debt	176,605
Total current liabilities	435,523
Noncurrent liabilities:	
Bonds and notes payable	2,723,226
Compensated absences	4,271
Net pension liability	379,681
Total noncurrent liabilities	3,107,178
Total liabilities	\$ 3,542,701
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	\$ 15,247
Total deferred inflows	\$ 15,247
NET POSITION	
Net investment in capital assets	\$ 11,389,819
Restricted for:	
Debt service	439,751
Construction	1,066,059
Unrestricted	2,271,499
Total net position	\$ 15,167,128

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

TOWN OF CROSS CITY, FLORIDA
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Water & Sewer Fund
Operating revenues	
Charges for services	\$ 1,293,186
Miscellaneous income	2,240
Total operating revenues	1,295,426
Operating expenses	
Personnel services	432,917
Contractual services	814,086
Depreciation	605,547
Total operating expenses	1,852,550
Operating income (loss)	(557,124)
Nonoperating revenues (expenses)	
Interest earnings	3,165
Interest expense	(79,152)
Total nonoperating revenues (expenses)	(75,987)
Income (loss) before capital contributions and transfers	(633,111)
Capital grants	78,981
Capital contributions and impact fees	1,750
Change in net position	(552,380)
Net position , beginning of year	15,719,508
Net position , end of year	\$ 15,167,128

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

**TOWN OF CROSS CITY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	Water & Sewer Fund
Cash flows from operating activities	
Cash received from customers	\$ 1,237,241
Cash paid to employees	(305,605)
Cash paid to suppliers	(779,756)
Net cash provided by (used in) operating activities	151,880
Cash flows from noncapital financing activities	
Interfund loans	312,976
Net cash provided by (used in) noncapital financing activities	312,976
Cash flows from capital and related financing activities	
Capital contributions and impact fees	1,750
Acquisition and construction of capital assets	(323,017)
Capital grants	78,981
Principal payments of long-term debt	(167,354)
Interest paid	(79,925)
Net cash provided by (used in) capital and related financing activities	(489,565)
Cash flows from investing activities	
Interest received	2,415
Net cash provided by (used in) investing activities	2,415
Net change in cash and cash equivalents	(22,294)
Cash and cash equivalents, beginning of year	3,485,198
Cash and cash equivalents, end of year	\$ 3,462,904
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	\$ (557,124)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	605,547
Changes in assets and liabilities:	
Accounts receivable	18,980
Inventories and prepaids	(1,812)
Accounts payable and accrued expenses	36,142
Deposits	4,710
Unearned revenue	(81,875)
Compensated absences	4,447
Net pension liability	122,865
Net cash provided by (used in) operating activities	\$ 151,880
Cash and cash equivalents classified as:	
Unrestricted	\$ 2,199,978
Restricted	1,262,926
Total cash and cash equivalents	\$ 3,462,904

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

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) Summary of Significant Accounting Policies:

The financial statements of the Town of Cross City, Florida (the Town), have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the Town's significant accounting policies:

(a) **Reporting entity**—The Town of Cross City, Florida (the “Town”), was established under Section 10426, Laws of Florida, in 1925.

As required by generally accepted accounting principles, the accompanying financial statements present the Town as a primary government. Component units are entities for which the Town is considered to be financially accountable or entities that would be misleading to exclude. There are no blended or discretely presented component units included in the Town's financial reporting.

(b) **Government-wide and fund financial statements**—The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues.

Generally, internal interfund activity has been eliminated from the government-wide financial statements. However, charges between the Town's water and sewer fund and other governmental functions are not eliminated because elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The Statement of Net Position reports the Town's financial position as of the end of the fiscal year. In this statement, the Town's net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The Statement of Activities is displayed using a net cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: charges for services that are directly related to a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and other revenues not properly included among program revenues.

(c) **Measurement focus and basis of accounting**—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 revenues 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.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

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 property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and pensions, are recorded only when payment is due.

Taxes, intergovernmental revenue, licenses and permits, charges for services, 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.

(d) **Financial statement presentation**—The financial transactions of the Town are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Town reports the following major governmental fund:

The ***General Fund*** accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the Town other than proprietary fund activities are financed through revenues received by the General Fund.

The Town reports the following major proprietary fund:

The ***Water & Sewer Fund*** accounts for the financial activities of the Town's water and sewer system.

(e) **Budgets and budgetary accounting**—Annual budgets for all governmental and proprietary funds were adopted in compliance with Florida law. The basis on which the budgets are prepared is consistent with the basis of accounting utilized by the various fund types. The governmental funds' budgets are prepared on the modified accrual basis of accounting. The proprietary funds' budgets are prepared on a full accrual basis of accounting.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(f) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(g) **Deposits and investments**—The Town’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

(h) **Receivables and payables**—Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends. Utility operating sales are generally recognized on the basis of cycle billings rendered quarterly. Unbilled accounts receivable are accrued by the Town at year-end to recognize the sales revenues earned through the end of the fiscal year. All unpaid property taxes receivable at year end are at least 180 days past due, at which time the applicable property is subject to lien, and penalties and interest are assessed.

(i) **Capital assets**—Capital assets include property, plant, equipment and infrastructure assets. The terms general capital assets and general infrastructure assets relate only to the assets associated with governmental activities, whereas the terms capital assets and infrastructure assets relate to all such assets belonging to the Town.

Capital assets are defined by the Town as assets with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations and easements or other intangible rights of use, are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Buildings and improvements	30 years
Furniture and equipment	3 – 10 years
Water and sewer system	40 – 50 years

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Compensated absences**—The Town’s personnel policies allow for limited vesting of employee vacation pay and accumulated sick leave. The liability for compensated absences is accrued when incurred in the government-wide financial statements. In the fund financial statements, for the General Fund, a liability for compensated absences is reported to the extent that the liability will be liquidated with expendable available financial resources.

(k) **Property taxes**—The Dixie County Tax Collector bills and collects property taxes for the Town. In governmental funds, property tax revenues are recognized when levied, to the extent that they result in current receivables.

Lien Date	January 1
Levy Date:	October 1
Due Date:	March 31, of the following year
Delinquency Date:	April 1, of the following year

(l) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Debt issuance costs are expensed when paid.

(m) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, 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. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (8).

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 or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the one item in this category is deferred inflows of resources related to pensions, as discussed further in Note (8).

(n) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as the fund balance of the permanent fund which was restricted in perpetuity by referendum.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(1) **Summary of Significant Accounting Policies:** (Continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e., when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the Town Council are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the Town removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the Town Council or (b) a body or official to which the Town Council has delegated the authority to assign amounts to be used for specific purposes.

Unassigned – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, is the Town's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(o) **Net position flow assumption**—Sometimes, the Town will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the Town's policy to consider restricted net position to have been used before unrestricted net position is applied.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(3) Deposits and Investments:

The Town’s cash and cash equivalents and investments consist of legally authorized demand deposits and certificates of deposit. The institutions in which these deposits are kept are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, in addition to applicable Federal Depository Insurance Corporation (FDIC) insurance, these balances on deposit at September 30, 2023, are insured or collateralized through the Bureau of Collateral Management, Florida Department of Financial Services.

State statutes authorize the Town to invest excess funds in time deposits, obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government, commercial paper, corporate bonds, repurchase agreements and/or the State Board of Administration (SBA) Local-Government Surplus Trust Fund Investment Pool or other investment vehicles authorized by local ordinance.

The Town held no assets or investments carried at fair value at September 30, 2023, and subject to the required disclosures of GASB 72. All of the Town’s investments were comprised of certificates of deposits, recorded at cost plus accrued interest, which approximates fair value.

(4) Accounts Receivable:

The Town’s accounts receivable consists of the following at September 30, 2023:

	Gross Receivable	Allowance for Doubtful Accounts	Net Receivable
Governmental Activities:			
General Fund			
Accounts receivable	\$ 29,040	\$ -	\$ 29,040
Totals – Governmental Type Activities	29,040	-	29,040
Business-Type Activities			
Water & Sewer Fund			
Accounts receivable	325,134	(141,000)	184,134
Totals – Business-Type Activities	325,134	(141,000)	184,134
Totals	\$ 354,174	\$ (141,000)	\$ 213,174

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(5) Capital Assets:

Capital asset activity for the fiscal year ended September 30, 2023, is as follows:

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 262,051	\$ -	\$ -	\$ 262,051
Construction in progress	9,261	-	-	9,261
Total assets not being depreciated	<u>271,312</u>	<u>-</u>	<u>-</u>	<u>271,312</u>
Capital assets being depreciated:				
Building improvements	444,691	-	-	444,691
Land improvements	1,242,145	-	-	1,242,145
Furniture and equipment	1,605,386	57,590	-	1,662,976
Total assets being depreciated	3,292,222	57,590	-	3,349,812
Less: accumulated depreciation	(2,312,155)	(117,548)	-	(2,429,703)
Total capital assets being depreciated, net	980,067	(59,958)	-	920,109
Governmental activities capital assets, net	<u>\$ 1,251,379</u>	<u>\$ (59,958)</u>	<u>\$ -</u>	<u>\$ 1,191,421</u>

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,368,071	\$ -	\$ -	\$ 1,368,071
Construction in progress	-	248,678	-	248,678
Total assets not being depreciated	<u>1,368,071</u>	<u>248,678</u>	<u>-</u>	<u>1,616,749</u>
Capital assets being depreciated:				
Buildings and improvements	538,161	-	-	538,161
Furniture and equipment	340,130	59,709	-	399,839
Water plant	14,317,034	7,630	-	14,324,664
Sewer plant	10,143,527	7,000	-	10,150,527
Total assets being depreciated	25,338,852	74,339	-	25,413,191
Less: accumulated depreciation	(12,134,743)	(605,547)	-	(12,740,290)
Total capital assets being depreciated, net	13,204,109	(531,208)	-	12,672,901
Business-type activities capital assets, net	<u>\$ 14,572,180</u>	<u>\$ (282,530)</u>	<u>\$ -</u>	<u>\$ 14,289,650</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General governmental	\$ 14,840
Public safety	49,505
Public environment	535
Transportation	31,454
Culture and recreation	21,214
Total depreciation expense - governmental activities	<u>\$ 117,548</u>
Business-type activities:	
Water and sewer	\$ 605,547
Total depreciation expense - business-type activities	<u>\$ 605,547</u>

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(6) Long-Term Debt:

For the fiscal year ended September 30, 2023, a summary of the long-term liability transactions for the Town is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 24,353	\$ -	\$ (10,831)	\$ 13,522	\$ 11,200
Compensated absences	37,480	62,487	(29,392)	70,575	56,175
Governmental activities – Total long-term liabilities	<u>\$ 61,833</u>	<u>\$ 62,487</u>	<u>\$ (40,223)</u>	<u>\$ 84,097</u>	<u>\$ 67,375</u>
Business-type activities:					
Bonds payable	\$ 2,611,000	\$ -	\$ (125,000)	\$ 2,486,000	\$ 133,000
Notes payable	456,185	-	(42,354)	413,831	43,605
Compensated absences	28,757	23,265	(18,818)	33,204	28,933
Business-type activities – Total long-term liabilities	<u>\$ 3,095,942</u>	<u>\$ 23,265</u>	<u>\$ (186,172)</u>	<u>\$ 2,933,035</u>	<u>\$ 205,538</u>

Annual debt service requirements to maturity for the Town’s bonds and notes payable are as follows:

<u>Governmental-type Activities</u>			
<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 11,200	\$ 282	\$ 11,482
2025	2,322	11	2,333
Total	<u>\$ 13,522</u>	<u>\$ 293</u>	<u>\$ 13,815</u>
<u>Business-type Activities</u>			
<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 176,605	\$ 72,567	\$ 249,172
2025	183,879	65,500	249,379
2026	124,190	58,074	182,264
2027	127,539	54,464	182,003
2028	131,928	50,742	182,670
2029-2033	497,690	207,192	704,882
2034-2038	349,000	161,661	510,661
2039-2043	393,000	122,740	515,740
2044-2048	434,000	79,241	513,241
2049-2053	482,000	31,090	513,090
Total	<u>\$ 2,899,831</u>	<u>\$ 903,271</u>	<u>\$ 3,803,102</u>

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(6) **Long-Term Debt:** (Continued)

Long-term debt in the Town's governmental-type activities at September 30, 2023, are comprised of the following obligation:

Note payable, dated January 13, 2021, due in monthly payments of \$957, including interest at 3.35% through January 13, 2025.	\$ 13,522
Total notes payable	<u>\$ 13,522</u>

Long-term debt in the Town's business-type activities at September 30, 2023, are comprised of the following obligations:

State Revolving Fund note payable, dated March 24, 1999, due in semiannual payments of \$27,645, including interest at 2.58% to 2.99% through May 15, 2033. Repayment of loan balance is secured by a pledge of water and sewer revenues.	\$ 413,831
Water and Sewer Bonds (1986 Series); Due in installments of \$7,000 to \$62,000, from September 1, 1988 through September 1, 2025; interest at 6.250%; Repayment of loan balance is secured by a pledge of water and sewer revenues.	120,000
Water and Sewer Bonds (1988 Series); Due in installments of \$4,000 to \$24,000, from September 1, 1990 through September 1, 2028; interest at 5.000%; Repayment of loan balance is secured by a pledge of water and sewer revenues.	108,000
Water and Sewer Bonds (2013 Series); Due in installments of \$44,000 to \$65,000, from September 1, 2014 through September 1, 2053; interest at 2.125%. Repayment of loan balance is secured by a pledge of water and sewer revenues.	2,258,000
Total revenue bonds and notes payable	<u>\$ 2,899,831</u>

(7) **Interfund Balances and Transfers:**

The outstanding balances between funds are short-term loans to cover short-term cash flow needs and expected to be repaid in full over the course of the next fiscal year. Individual fund interfund receivables and payables for the primary government at September 30, 2023, are comprised of the following:

	Due From Other Funds	Due to Other Funds
Governmental Activities:		
General Fund:		
Water and Sewer Fund:	\$ -	\$ 89,412
Business-Type Activities:		
Water and Sewer Fund:		
General Fund	89,412	-
Total – All Funds	<u>\$ 89,412</u>	<u>\$ 89,412</u>

For the year ended September 30, 2023, the Water and Sewer Fund had no transfers to the General Fund.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(8) Employees' Retirement Plans:

A. Florida Retirement System

Plan Description and Administration

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City's full-time employees. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$7.50. The minimum payment is \$45 and the maximum payment is \$225 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

**TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(8) Employees' Retirement Plans: (Continued)

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Contributions

The entity participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2023, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2023	After June 30, 2023
Regular Class	11.91%	13.57%
Special Risk Class	27.83%	32.67%
Senior Management	31.57%	34.52%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, which are included in the above rates.

For the plan year ended June 30, 2023, actual contributions made for employees participating in FRS and HIS were as follows:

Entity Contributions – FRS	\$ 153,665
Entity Contributions – HIS	12,105
Employee Contributions – FRS	21,876

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(8) **Employees' Retirement Plans:** (Continued)

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

At September 30, 2023, the entity reported a liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 1,272,818
HIS	292,242
Total	<u>\$ 1,565,060</u>

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The entity's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2023 and June 30, 2022, the entity's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2023</u>	<u>2022</u>
FRS	0.003194276%	0.003058434%
HIS	0.001840160%	0.001777372%

For the year ended June 30, 2023, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 278,526
HIS	110,963
Total	<u>\$ 389,489</u>

Deferred outflows/inflows related to pensions:

At September 30, 2023, the entity reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 119,507	\$ -	\$ 4,278	\$ (686)
Changes of assumptions	82,973	-	7,683	(25,324)
Net difference between projected and actual investment earnings	53,156	-	151	-
Change in proportionate share	51,514	(35,005)	11,553	(1,833)
Contributions subsequent to measurement date	44,533	-	3,899	-
Total	<u>\$ 351,683</u>	<u>\$ (35,005)</u>	<u>\$ 27,564</u>	<u>\$ (27,843)</u>

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(8) Employees' Retirement Plans: (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from entity contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	FRS	HIS	Total
2024	\$ 42,220	\$ (849)	\$ 41,371
2025	(12,262)	618	(11,644)
2026	207,524	151	207,675
2027	26,794	(2,920)	23,874
2028	7,869	(1,319)	6,550
Thereafter	-	141	141
	\$ 272,145	\$ (4,178)	\$ 267,967

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate is consistent with the prior year rate of 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.65% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.54%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2023, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(8) **Employees' Retirement Plans:** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.6%
Fixed income	19.8%	4.4%
Global equities	54.0%	8.7%
Real estate	10.3%	7.6%
Private equity	11.1%	11.9%
Strategic investments	3.8%	6.3%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the Town calculated using the current discount rates, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.70%	\$ 2,174,232	\$ 1,272,818	\$ 518,677
HIS	3.65%	333,402	292,242	258,123

(9) **Other Postemployment Benefits:**

The Town provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits.

The Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

(10) **Risk Management:**

The Town 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 Town carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year.

The Town is engaged in routine litigation incidental to the conduct of its municipal affairs. In the opinion of the Town's legal counsel, no legal proceedings are pending which would have a material adverse effect on the financial position or results of operations of the Town.

TOWN OF CROSS CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(11) Contingencies and Uncertainties:

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute, a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

The Town is involved in various legal proceedings incidental to the conduct of its affairs. It is the Town's policy to accrue for amounts related to these legal matters if it is possible that a liability has been incurred and an amount is reasonably estimable. At September 30, 2023, no amounts have been accrued.

(12) Recent Accounting Pronouncements:

The Governmental Accounting Standards Board ("GASB") has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the Town's financial statements:

GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends various provisions regarding the calculation methodology and required disclosures related to the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. GASB Statement No. 102 requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. The provisions for GASB 102 are effective for fiscal years beginning after June 15, 2024.

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

TOWN OF CROSS CITY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 543,200	\$ 543,200	\$ 748,526	\$ 205,326
Licenses, permits, and special assessments	100,000	100,000	149,727	49,727
Intergovernmental	288,400	288,400	323,030	34,630
Charges for services	301,100	301,100	345,152	44,052
Fines and forfeitures	3,450	3,450	-	(3,450)
Miscellaneous	5,000	5,000	4,685	(315)
Total revenues	<u>1,241,150</u>	<u>1,241,150</u>	<u>1,571,120</u>	<u>329,970</u>
Expenditures				
Current:				
General government	454,000	454,000	433,803	20,197
Public safety	2,726,000	2,726,000	501,877	2,224,123
Physical environment	288,000	288,000	328,179	(40,179)
Transportation	1,093,000	1,093,000	77,666	1,015,334
Culture and recreation	9,500	9,500	29,576	(20,076)
Human services	4,000	4,000	4,000	-
Capital outlay	252,149	252,149	57,590	194,559
Debt Service:				
Principal	12,000	12,000	10,831	1,169
Interest and fiscal charges	2,000	2,000	1,423	577
Total expenditures	<u>4,840,649</u>	<u>4,840,649</u>	<u>1,444,945</u>	<u>3,395,704</u>
Excess (deficiency) of revenues over expenditures	<u>(3,599,499)</u>	<u>(3,599,499)</u>	<u>126,175</u>	<u>3,725,674</u>
Other financing sources (uses)				
Transfers in	25,000	25,000	-	(25,000)
Total other financing sources (uses)	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Net change in fund balances	<u>(3,574,499)</u>	<u>(3,574,499)</u>	<u>126,175</u>	<u>3,700,674</u>
Fund balances, beginning of year	1,718,267	1,718,267	1,718,267	-
Fund balances, end of year	<u>\$ (1,856,232)</u>	<u>\$ (1,856,232)</u>	<u>\$ 1,844,442</u>	<u>\$ 3,700,674</u>

The accompanying notes to schedule of revenues, expenditures, and changes in fund balance - budget and actual - general fund are an integral part of this schedule.

**TOWN OF CROSS CITY, FLORIDA
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
SEPTEMBER 30, 2023**

The Town adopts an annual budget for the General Fund. The Town generally follows these procedures in establishing the budgetary data reflected in the schedule:

1. Prior to September 1, the Town Clerk submits to the Town Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance.
4. Any revision that alters the expenditures of any fund must be approved by the Town Council. The fund is the legal level of control.

The budget amounts presented in the accompanying financial schedules were prepared on a basis that does not materially differ from the modified accrual basis of accounting.

TOWN OF CROSS CITY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)									
Proportion of the net pension liability	0.003194276%	0.003058434%	0.003072252%	0.003283812%	0.003105879%	0.003134676%	0.002630915%	0.002723169%	0.002677384%
Proportionate share of the net pension liability	\$ 1,272,818	\$ 1,137,983	\$ 232,074	\$ 1,423,253	\$ 1,069,622	\$ 944,181	\$ 778,474	\$ 687,602	\$ 345,820
Covered employee payroll	729,211	647,867	624,545	587,564	564,067	562,184	568,877	551,251	549,337
Proportionate share of the net pension liability as a percentage of covered employee payroll	174.55%	175.65%	37.16%	242.23%	189.63%	167.95%	136.84%	124.73%	62.95%
Plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)									
Proportion of the net pension liability	0.001840160%	0.001777372%	0.001763767%	0.001692582%	0.001686239%	0.001720856%	0.001760723%	0.001783402%	0.001810712%
Proportionate share of the net pension liability	\$ 292,242	\$ 188,252	\$ 216,353	\$ 206,661	\$ 188,673	\$ 182,137	\$ 188,265	\$ 207,848	\$ 184,664
Covered employee payroll	729,211	647,867	624,545	587,564	564,067	562,184	568,877	551,251	549,337
Proportionate share of the net pension liability as a percentage of covered employee payroll	40.08%	29.06%	34.64%	35.17%	33.45%	32.40%	33.09%	37.70%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

**TOWN OF CROSS CITY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS
(UNAUDITED)**

	As of the Plan Year Ended September 30.								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)									
Contractually required contribution	\$ 163,266	\$ 130,509	\$ 119,652	\$ 109,107	\$ 96,305	\$ 89,336	\$ 70,814	\$ 68,753	\$ 64,753
Contributions in relation to the contractually required contribution	(163,266)	(130,509)	(119,652)	(109,107)	(96,305)	(89,336)	(70,814)	(68,753)	(64,753)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 759,239	\$ 647,867	\$ 629,692	\$ 587,564	\$ 564,067	\$ 562,184	\$ 568,877	\$ 551,251	\$ 549,337
Contributions as a percentage of covered payroll	21.50%	20.14%	19.00%	18.57%	17.07%	15.89%	12.45%	12.47%	11.79%
Health Insurance Subsidy Program (HIS)									
Contractually required contribution	\$ 13,266	\$ 10,755	\$ 10,453	\$ 9,754	\$ 9,364	\$ 9,332	\$ 9,094	\$ 9,484	\$ 7,341
Contributions in relation to the contractually required contribution	(13,266)	(10,755)	(10,453)	(9,754)	(9,364)	(9,332)	(9,094)	(9,484)	(7,341)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 759,239	\$ 647,867	\$ 629,692	\$ 587,564	\$ 564,067	\$ 562,184	\$ 568,877	\$ 551,251	\$ 549,337
Contributions as a percentage of covered payroll	1.75%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the Town will present information for only those years for which information is available.

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

To the Honorable Mayor and Town Council,
Town of Cross City, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Cross City, Florida, (the Town) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 25, 2024.

As discussed in Note (9) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and the water and sewer fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and the water and sewer fund, has not been determined.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described as 2023-001 and 2023-002 below, that we consider to be material weaknesses:

2023-001 – Segregation of Duties (Repeat Comment)

Due to the limited number of people working for the Town, many of the critical duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. To mitigate the risk of error and fraud, key financial duties should be segregated to the extent possible.

2023-002 Reconciliation of General Ledger Account Balances

Various audit adjustments were required to correct general ledger account balances due to misclassifications in the original posting, reversal of prior year entries, or missing current-year accruals. The Town's controls should include periodic reconciliations of significant account balances, including full accrual-based reconciliations at fiscal-year end to ensure all amounts have been appropriately recorded and budgeted for. We recommend the Town increase its review of such transactions, including a review for proper cutoff at the fiscal year-end, to help ensure completeness and accuracy of all financial reporting.

Report on Compliance and Other Matters

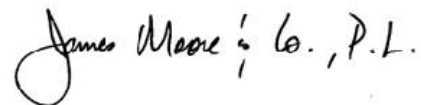
As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

Town's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's responses to the findings identified in our audit and described in the management's response as listed in the table of contents. The Town's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Gainesville, Florida
October 25, 2024

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA
OFFICE OF THE AUDITOR GENERAL**

To the Honorable Mayor and Town Council,
Town of Cross City, Florida:

Report on the Financial Statements

We have audited the financial statements of the Town of Cross City, Florida (the Town), as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated October 25, 2024.

As discussed in Note (9) to the financial statements, the Town has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and the water and sewer fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and the water and sewer fund, has not been determined.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated October 25, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Comments 2023-001 and 2023-004 remain uncorrected from the second preceding audit report. The following is a summary of all findings and recommendations reported in the preceding annual financial audit report:

2022-001 – Segregation of Duties – Corrective action not taken. See repeat recommendation 2023-001. Previously reported as 2021-001 and 2020-001.

2022-003 – Accounting Policies and Procedures – Corrective action partially taken. See repeat recommendation 2023-003.

2022-004 – Impact Fee Accounting – Corrective action not taken. See repeat recommendation 2023-004. Previously reported as 2021-002.

2022-005 – City Manager Contract – Corrective action not taken. See repeat recommendation 2023-005.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we noted the following recommendation:

2023-003 – Accounting Policies and Procedures (Repeat Comment – Modified)

We noted that the Town does not have an accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions that management performs. It will take some time and effort for management to complete this manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

2023-004 – Impact Fee Accounting (Repeat Comment)

At year-end, the Town's impact fees were not being recorded in a separate fund. In fiscal year 2021, the State of Florida adopted a bill modifying Section 163.31801 (4b), Florida Statutes, which requires impact fees to be recorded in a separate accounting fund. We recommend the Town transition its impact fees to a separate fund in fiscal year 2022 and in the fiscal year 2023 budget process.

2023-005 – City Manager Contract (Repeat Comment)

We noted the City Manager does not have a formal contract or agreement with the Town. We recommend that the Town have a formal written agreement in place to ensure the agreed upon wages are paid properly and accurately.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units; therefore, we did not note any such component units that failed to provide the necessary information, nor is any specific special district information required to be reported.

Additional Matters

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

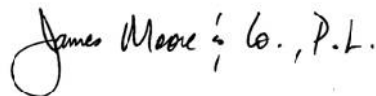
Town's Response to Recommendations

The Town's responses to the recommendations identified in our audit are described in the management's response as listed in the table of contents. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Letter

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

Gainesville, Florida
October 25, 2024

A handwritten signature in black ink that reads "James Moore & Co., P.L." The signature is written in a cursive style with a large initial 'J'.



INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor and Town Council,
Town of Cross City, Florida

We have examined the Town of Cross City, Florida's (the Town) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute), for the year ended September 30, 2023. The Town's management is responsible for the Town's compliance with those requirements. Our responsibility is to obtain reasonable assurance by evaluating the Town's compliance against the Statute, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with attestation standards established for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by evaluating the Town's compliance against the Statute and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the Town's compliance for the year ended September 30, 2023. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that the Town's compliance was not in accordance with the aforementioned requirements, in all material respects, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of Town of Cross City, Florida and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the Town of Cross City, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

A handwritten signature in black ink that reads 'James Moore & Co., P.L.' with a stylized flourish at the end.

Gainesville, Florida
October 25, 2024

Management Responses

2023-001- Segregation of Duties

The Town is in the process of re-assigning the important accounting duties among the Town Clerk and other employees with the goal of maximizing functional segregation of duties. The Town's accountant consultant is assisting with this project. Once implemented, this should maximize internal controls related to segregation of critical accounting duties.

2023-002- Reconciliations of General Ledger Account Balances

Beginning with the new year, the Town's accounting staff will perform monthly cash and other significant account balance reconciliations on a monthly basis. The Town's accountant consultant will review the reconciliations on at least a quarterly basis and notify the City Manager of any necessary corrections needed. The goal of this project is to have accurate cash and related general ledger accounts on a current basis and have substantially adjusted financial records at the time of the annual audit.

2023-003- Accounting Policies and Procedures

During the current year the Town will develop and adopt certain significant accounting policies and procedures such as purchasing, credit card administration, and processing of expenditures and revenue recording. This will be under the oversight of our accountant consultant. As this process continues, the newly adopted policies will form the major portion of a future accounting procedures manual.

2023-004- Impact Fee Accounting

During the current year the Town will implement a separate accounting fund to account for transactions relating to its impact fees as required by Section 163.31801 (4)(b), *Florida Statutes*.

2023-005- City Manager Contract

The Town Council has long considered the City Manager to be a position who serves at the will of the Council, and thus a position not requiring an employment contract. The City Manager's salary, as it changes from time to time, is always voted on by the Town Council and properly recorded in the meeting minutes.

Qualified Opinion on the Financial Statements

During the current year the Town will have an OPEB study performed so that the Town will fully comply with the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.