

**CITY OF FANNING SPRINGS, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
September 30, 2023

**CITY OF FANNING SPRINGS, FLORIDA**  
**ANNUAL FINANCIAL REPORT**  
September 30, 2023

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## **INTRODUCTORY SECTION**

**CITY OF FANNING SPRINGS, FLORIDA**  
**LIST OF PRINCIPAL OFFICIALS**  
September 30, 2023

**MAYOR**

Howard E. Lancaster, III

**CITY CLERK**

Sheila Watson

**CITY COUNCIL**

Tommy Darus

Kayla Davis

Wanda Michaud

Barry Cannon

Wendy Fore

**CITY ATTORNEY**

Stan Griffis

## **FINANCIAL STATEMENTS**



## Powell and Jones CPA

1359 S.W. Main Blvd.  
Lake City, FL 32025  
Phone 386.755.4200  
Fax 386.719.5504

### INDEPENDENT AUDITOR'S REPORT

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

#### Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of September 30, 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 and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter – Adoption of New Accounting Pronouncements and Related Adjustments

As discussed in Note 1, effective October 1, 2022, the City has adopted the provisions contained in the Statements of Governmental Accounting Standards (SGAS) No. 96, Subscription-Based Information Technology Arrangements. The implementation has not resulted in any restatements of prior period balances. Our opinions are not modified with respect to this matter.

#### Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for



placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

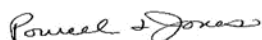
### **Other Information**

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

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

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

In accordance with Government Auditing Standards, we have also issued our report August 16, 2024, on our consideration of the City of Fanning Springs's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Fanning Springs's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in the City of Fanning Springs's internal control over financial reporting and compliance.



**Powell and Jones CPA**  
Lake City, Florida  
August 16, 2024

**CITY OF FANNING SPRINGS, FLORIDA**  
Management's Discussion and Analysis

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

**Report Layout**

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

*Basic Financial Statements*

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

governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

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

## City as a Whole

### Government-wide Financial Statements

#### Net Position at September 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets</b>						
Non-capital assets	\$ 850,055	\$ 862,647	\$ 637,364	\$ 332,963	\$ 1,487,419	\$ 1,195,610
Capital assets	1,349,784	1,376,916	14,407,572	14,893,314	15,757,356	16,270,230
Total assets	<u>2,199,839</u>	<u>2,239,563</u>	<u>15,044,936</u>	<u>15,226,277</u>	<u>17,244,775</u>	<u>17,465,840</u>
Deferred outflows	<u>214,297</u>	<u>110,114</u>	<u>37,817</u>	<u>42,822</u>	<u>252,114</u>	<u>152,936</u>
<b>Liabilities</b>						
Current liabilities	543,857	582,862	297,533	184,192	841,390	767,054
Long term liabilities	612,484	354,012	2,600,456	2,722,605	3,212,940	3,076,617
Total liabilities	<u>1,156,341</u>	<u>936,874</u>	<u>2,897,989</u>	<u>2,906,797</u>	<u>4,054,330</u>	<u>3,843,671</u>
Deferred inflows	<u>33,044</u>	<u>33,460</u>	<u>5,831</u>	<u>13,012</u>	<u>38,875</u>	<u>46,472</u>
<b>Net position</b>						
Net investment in capital assets	1,345,858	1,363,733	11,875,572	12,309,314	13,221,430	13,673,047
Restricted	-	-	132,720	38,857	132,720	43,615
Unrestricted	(121,107)	15,610	170,641	417,869	49,534	428,721
Total net position	<u>\$ 1,224,751</u>	<u>\$ 1,379,343</u>	<u>\$12,178,933</u>	<u>\$12,766,040</u>	<u>\$13,403,684</u>	<u>\$14,145,383</u>

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

The City's net position decreased \$741,701 over the year. This decrease is primarily due to a decrease in grant revenues and the adjustments made in the Florida State Retirement System pension liabilities.

The following schedule provides a summary of the changes in net position. The decrease in Governmental Activities net position is due to decreased rural infrastructure grant activities. The decrease during the year through Business-type Activities net position is primarily due to increase in expenses and the net change in the Florida State Retirement System pension expenses.

A condensed version of the Statement of Activities follows:

**Change in Net Position**  
For the Fiscal Years Ended September 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 37,512	\$ 147,962	\$ 589,204	\$ 576,578	\$ 626,716	\$ 724,540
Capital grants and contributions	43,242	49,529	-	-	43,242	49,529
General revenues						
Property taxes	151,410	255,902	-	-	151,410	255,902
Other taxes and shared revenues	669,124	318,347	-	-	669,124	318,347
Miscellaneous	10,084	1,546	50	-	10,134	1,546
Total revenues	<u>911,372</u>	<u>773,286</u>	<u>589,254</u>	<u>576,578</u>	<u>1,500,626</u>	<u>1,349,864</u>
<b>Expenses</b>						
General government	475,036	577,523	-	-	475,036	577,523
Public safety	421,708	22,828	-	-	421,708	22,828
Transportation	119,893	82,112	-	-	119,893	82,112
Culture and recreation	73,740	32,372	-	-	73,740	32,372
Interest on long-term debt	362	-	71,060	72,465	71,422	72,465
Water	-	-	441,193	359,203	441,193	359,203
Sewer	-	-	644,108	464,991	644,108	464,991
Total expenses	<u>1,090,739</u>	<u>714,835</u>	<u>1,156,361</u>	<u>896,659</u>	<u>2,247,100</u>	<u>1,611,494</u>
(Loss)/Gain on investments	4,775	-	-	-	4,775	-
Interfund transfers	20,000	-	(20,000)	-	-	-
Change in net position	(154,592)	58,451	(587,107)	(320,081)	(741,699)	(261,630)
Beginning net position	1,379,343	1,320,892	12,766,040	13,086,121	14,145,383	14,407,013
Ending net position	<u>\$ 1,224,751</u>	<u>\$ 1,379,343</u>	<u>\$ 12,178,933</u>	<u>\$12,766,040</u>	<u>\$ 13,403,684</u>	<u>\$ 14,145,383</u>

**Governmental activities:**

Property taxes provide 17% of the revenues for Governmental Activities, while other taxes provide 73%. Most of the Governmental Activities resources are spent for General Government (44%), Public Safety (39%), and Transportation (11%).

**Business-type activities:**

Business-type activities decreased the City's net position by \$587,109. This decrease is primarily due to the depreciation, and Florida State Retirement expenses.

**Budgetary Highlights**

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

**Capital Assets and Debt Administration**

**Capital Assets**

At September 30, 2023, the City had \$15.7 million invested in capital assets, including fire equipment, park and recreation facilities, buildings, roads, bridges and water and sewer facilities. This amount represents a net decrease (additions, deductions, and depreciation) of \$512,874 or 3.25% less than last year. This decrease was primarily attributable to construction in progress activities being transferred to the sewer system line. This caused a large increase in depreciation.

## Capital Assets at September 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
<b>Nondepreciable</b>						
Land	\$ 715,283	\$ 715,283	\$ 340,191	\$ 340,191	\$ 1,055,474	\$ 1,055,474
CIP	376,767	376,767	1,078,615	8,543,461	1,455,382	8,920,228
<b>Depreciable</b>						
Buildings and improvements	1,107,692	1,065,521	504,938	504,938	1,612,630	1,570,459
Water plant	-	-	2,450,547	2,450,547	2,450,547	2,450,547
Sewer system	-	-	14,065,296	6,600,450	14,065,296	6,600,450
Streets	38,883	38,883	-	-	38,883	38,883
Equipment	815,466	815,466	144,769	144,769	960,235	960,235
Subtotal	3,054,091	3,011,920	18,584,356	18,584,356	21,638,447	21,596,276
Accumulated depreciation	(1,704,307)	(1,635,004)	(4,176,784)	(3,691,042)	(5,881,091)	(5,326,046)
Capital assets, net	<u>\$ 1,349,784</u>	<u>\$ 1,376,916</u>	<u>\$ 14,407,572</u>	<u>\$ 14,893,314</u>	<u>\$ 15,757,356</u>	<u>\$ 16,270,230</u>

### Debt Outstanding

At year-end, the City had \$3,275,493 in debt outstanding versus \$3,105,313 last year, a increase of \$170,180. The decrease is mainly due to a large increase in net pension liability.

### Debt Outstanding at September 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenue bonds	\$ -	\$ -	\$ 2,532,000	\$ 2,584,000	\$ 2,532,000	\$ 2,584,000
Loan payable	3,926	13,183	-	-	3,926	13,183
	<u>3,926</u>	<u>13,183</u>	<u>2,532,000</u>	<u>2,584,000</u>	<u>2,535,926</u>	<u>2,597,183</u>
Net pension liability	609,830	351,326	107,617	136,627	717,447	487,953
Compensated absences	4,662	13,384	17,458	6,793	22,120	20,177
Total	<u>\$ 614,492</u>	<u>\$ 364,710</u>	<u>\$ 125,075</u>	<u>\$ 143,420</u>	<u>\$ 3,275,493</u>	<u>\$ 3,105,313</u>

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

### OTHER FINANCIAL INFORMATION

#### Economic Factors and Rates

- The current unemployment rate for Gilchrist County is 3.4% and the current unemployment rate for Levy County is 3.7%.
- The official population for the City in 2023 was 1,266 and is estimated to be approximately the same in 2024.
- The ad valorem tax rate for the City was 3.000 mills in 2023.

**Financial Contact**

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

## **BASIC FINANCIAL STATEMENTS**

**CITY OF FANNING SPRINGS, FLORIDA**  
**STATEMENT OF NET POSITION**  
September 30, 2023

	Governmental Activities	Business - type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 672,702	\$ 126,581	\$ 799,283
Investments	71,560	-	71,560
Due from state	21,966	-	21,966
Accounts receivable	-	78,924	78,924
Interfund balances	83,827	(83,827)	-
<b>Total current assets</b>	<b>850,055</b>	<b>121,678</b>	<b>971,733</b>
Restricted cash:			
Bond interest and sinking	-	123,165	123,165
Renewal and replacement	-	167,724	167,724
Customer deposits	-	140,970	140,970
<b>Total restricted assets</b>	<b>-</b>	<b>431,859</b>	<b>431,859</b>
Capital assets:			
Non depreciable	1,092,050	1,418,806	2,510,856
Depreciable, net	257,734	12,988,766	13,246,500
<b>Total capital assets</b>	<b>1,349,784</b>	<b>14,407,572</b>	<b>15,757,356</b>
<b>Total assets</b>	<b>2,199,839</b>	<b>14,961,109</b>	<b>17,160,948</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to pensions	214,297	37,817	252,114
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	9,378	20,371	29,749
Accrued liabilities	12,666	1,931	14,597
Accrued compensated absences, current	2,008	2,619	4,627
Unearned revenue	515,879	-	515,879
Notes payable	3,926	-	3,926
Accrued interest payable	-	5,803	5,803
Customer deposits	-	128,982	128,982
Bond payable, current	-	54,000	54,000
<b>Total current liabilities</b>	<b>543,857</b>	<b>213,706</b>	<b>757,563</b>
	<b>1,078,336</b>	<b>407,041</b>	<b>1,485,377</b>
Long-term liabilities			
Accrued compensated absences, net of current	2,654	14,839	17,493
Bond payable, net of current	-	2,478,000	2,478,000
Net pension liability	609,830	107,617	717,447
<b>Total long-term liabilities</b>	<b>612,484</b>	<b>2,600,456</b>	<b>3,212,940</b>
<b>Total liabilities</b>	<b>1,156,341</b>	<b>2,814,162</b>	<b>3,970,503</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to pensions	33,044	5,831	38,875
<b>NET POSITION</b>			
Net investment in capital assets	1,345,858	11,875,572	13,221,430
Restricted for:			
Debt service	-	132,720	132,720
Unrestricted	(121,107)	170,641	49,534
<b>Total net position</b>	<b>\$ 1,224,751</b>	<b>\$ 12,178,933</b>	<b>\$ 13,403,684</b>

See notes to financial statements



**CITY OF FANNING SPRINGS, FLORIDA**  
**STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Governmental activities</b>							
General government	\$ 475,398	\$ -	\$ -	\$ -	(475,398)	\$ -	\$ (475,398)
Public safety	421,708	-	-	-	(421,708)	-	(421,708)
Transportation	119,893	-	-	-	(119,893)	-	(119,893)
Culture and recreation	73,740	-	\$ 1,071	\$ 42,171	(30,498)	-	(30,498)
<b>Total governmental activities</b>	<b>1,090,739</b>	<b>-</b>	<b>1,071</b>	<b>42,171</b>	<b>(1,047,497)</b>	<b>-</b>	<b>(1,047,497)</b>
<b>Business-type activities</b>							
Water and sewer services	1,085,301	589,254	-	-	-	(496,047)	(496,047)
Interest expense	71,060	-	-	-	-	(71,060)	(71,060)
<b>Total business-type activities</b>	<b>1,156,361</b>	<b>589,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(567,107)</b>	<b>(567,107)</b>
<b>Total government</b>	<b>\$ 2,247,100</b>	<b>\$ 589,254</b>	<b>\$ 1,071</b>	<b>\$ 42,171</b>	<b>(1,047,497)</b>	<b>(567,107)</b>	<b>(1,614,604)</b>
<b>General revenues</b>							
Property taxes					151,410	-	151,410
Other taxes					359,977	-	359,977
Intergovernmental					218,957	-	218,957
Franchise fees					90,190	-	90,190
Licenses and permits					35,681	-	35,681
Fines and forfeitures					1,831	-	1,831
Interest					4,775	-	4,775
Other fees and miscellaneous					10,084	-	10,084
<b>Total general revenues</b>					<b>872,905</b>	<b>-</b>	<b>872,905</b>
Interfund transfers					20,000	(20,000)	-
Change in net position					(154,592)	(587,107)	(741,699)
Net position at beginning of year					1,379,343	12,766,040	14,145,383
Net position at end of year					<b>\$ 1,224,751</b>	<b>\$ 12,178,933</b>	<b>\$ 13,403,684</b>

See notes to financial statements

**CITY OF FANNING SPRINGS, FLORIDA**  
**GOVERNMENTAL FUND**  
**BALANCE SHEET**  
**September 30, 2023**

	General Fund
<b>ASSETS</b>	
Cash	\$ 672,702
Investments	71,560
Due from state	21,966
Due from other funds	83,827
Total assets	850,055
<b>LIABILITIES</b>	
Accounts payable	9,378
Accrued liabilities	12,666
Unearned revenue	515,879
Total liabilities	537,923
<b>FUND BALANCES</b>	
Committed	56,364
Unassigned	255,768
Total fund balances	\$ 312,132
 Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	1,349,784
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds	214,297
Deferred inflows of resources represent an acquisition of fund equity that will be recognized as an inflow of resources in a future period and therefore are not reported in the governmental funds	(33,044)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(618,418)
Net position of governmental activities	\$ 1,224,751

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA**  
**GOVERNMENTAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
For the Fiscal Year Ended September 30, 2023

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes, levied for general purposes	\$ 151,410
Other taxes	359,977
Intergovernmental	218,957
Franchise fees	90,190
Licenses and permits	35,681
Fines and forfeitures	1,831
Grant revenue	43,242
Other fees and miscellaneous	10,084
<b>Total revenues</b>	<b>911,372</b>
<b>EXPENDITURES</b>	
Current	
General government	407,246
Public safety	302,581
Transportation	119,141
Culture and recreation	46,923
Capital outlay	
Culture and recreation	42,171
Debt service	
Principal	9,257
Interest	362
<b>Total expenditures</b>	<b>927,681</b>
Excess of expenditures over revenues	(16,309)
<b>OTHER FINANCING SOURCES (USES)</b>	
Interest	4,775
Interfund transfers	20,000
<b>Total other financing sources</b>	<b>24,775</b>
Net change in fund balance	8,466
Fund balance at beginning of year	303,666
<b>Fund balance at end of year</b>	<b>\$ 312,132</b>

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2023

Net change in fund balance - governmental fund	\$	8,466
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Expenditures for capital assets	\$ 42,171	
Less current year depreciation	<u>(69,303)</u>	(27,132)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. In addition, recognition of certain obligations related to prior and subsequent periods are not recognized in the statement of activities.</p>		
Compensated absences	8,722	
Net change in pension liability	(258,504)	
Loan principal payments	<u>9,257</u>	(240,525)
<p>Recognition of certain obligations related to prior and future periods are not recognized in governmental funds.</p>		
Change in deferred outflows	104,183	
Change in deferred inflows	<u>416</u>	<u>104,599</u>
Change in net position of governmental activities	\$	<u><u>(154,592)</u></u>

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF NET POSITION**  
September 30, 2023

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 126,581
Accounts receivable, net	78,924
Total current assets	205,505
Restricted cash and cash equivalents	
Bond interest and sinking	123,165
Renewal and replacement	167,724
Customer deposits	140,970
Total restricted cash and cash equivalents	431,859
Capital assets	
Non depreciable:	
Land	340,191
Construction in progress	1,078,615
Depreciable:	
Property, plant, and equipment	17,165,550
Accumulated depreciation	(4,176,784)
Total fixed assets, net	14,407,572
Total assets	15,044,936
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	37,817
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	20,371
Accrued liabilities	1,931
Due to other funds	83,827
Accrued interest payable	5,803
Customer deposits	128,982
Bond payable, current	54,000
Accrued compensated absences, current	2,619
Total current liabilities	297,533
Long-term liabilities	
Bond payable, less current portion	2,478,000
Accrued compensated absences, net of current	14,839
Net pension liability	107,617
Total long-term liabilities	2,600,456
Total liabilities	2,897,989

(continued)  
See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF NET POSITION (continued)**  
**September 30, 2023**

	<u>Enterprise Fund</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	\$ 5,831
<b>NET POSITION</b>	
Net investment in capital assets	11,875,572
Restricted for:	
Debt service	132,720
Unrestricted	170,641
Total net position	\$ 12,178,933

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Fiscal Year Ended September 30, 2023

	Enterprise Fund
<b>OPERATING REVENUES</b>	
Water sales	\$ 283,939
Sewer fees	257,486
Other utility charges	47,779
Miscellaneous income	50
Total operating revenues	589,254
 <b>OPERATING EXPENSES</b>	
Water utility	
Personnel services	59,414
Operating expenses	280,594
Depreciation expense	101,185
Sewer utility	
Personnel services	72,710
Operating expenses	186,840
Depreciation expense	384,558
Total operating expenses	1,085,301
 Operating loss	(496,047)
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest expense	(71,060)
Interfund transfers out	(20,000)
Total nonoperating revenues (expenses)	(91,060)
 Change in net position	(587,107)
 Net position at beginning of year	12,766,040
Net position at end of year	\$ 12,178,933

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 2023

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers, including cash deposits	\$ 593,628
Cash paid to suppliers	(450,104)
Cash paid to employees	(208,852)
Net cash provided by operating activities	(65,328)
 Cash flows from non-capital related financing activities:	
Transfers to other funds	12,295
Net cash used in non-capital related financing activities	12,295
 Cash flows from capital and related financing activities:	
Principal payments	(52,000)
Interest payments	(71,296)
Net cash provided by capital and related financing activities	(123,296)
 Net change in cash	(176,329)
 Cash at beginning of year	734,769
 Cash at end of year	\$ 558,440
 Shown in financial statements as:	
Current assets	
Cash	\$ 126,581
Restricted cash and cash equivalents	
Bond interest and sinking	123,165
Renewal and replacement	167,724
Customer deposits	140,970
	431,859
Total cash as shown in financial statements	\$ 558,440

(Continued)  
See notes to financial statements.



**CITY OF FANNING SPRINGS, FLORIDA**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS (continued)**  
For the Fiscal Year Ended September 30, 2023

	<u>Enterprise Fund</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:	
Operating loss	\$ (496,047)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	485,743
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	(12,447)
Accounts payable	17,330
Deferred outflows	5,005
Accrued liabilities	(56,208)
Compensated absences	10,665
Customer deposits	16,822
Deferred inflows	(7,181)
Net pension liability	(29,010)
Total adjustments	430,719
 Net cash provided by (used in) operating activities	 \$ (65,328)

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

## **2. Fund Financial Statements**

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

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

**Governmental Funds** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay

liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the City.

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

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

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

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

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

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

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

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

**1. Governmental Major Fund:**

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

**2. Proprietary Major Fund:**

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

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

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

**2. Cash Equivalents** - For purposes of the statement of cash flows, the City considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. As of September 30, 2023, the City's cash consisted solely of checking accounts and money market accounts; it has no other cash equivalents.

**3. Allowance for Doubtful Accounts** - The City provides an allowance for Enterprise Fund accounts receivable that may become uncollectible. At September 30, 2023, this allowance account totaled \$30,705 based upon prior collection history. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered to be fully collectible.

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

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

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

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

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

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

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

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

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

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

9. **Capitalization of Interest** - Interest related to borrowings are capitalized during the construction period. These costs are netted against applicable interest earnings on construction fund investments. During the current period, the City did not have any capitalized interest.
10. **Unearned Revenues** - Unearned revenues reported in government-wide financial statements represent unearned revenues. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. During the current period, the City did not have any unearned revenues.
11. **Accrued Compensated Absences** - The City accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and government-wide presentation.
12. **Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on pensions in the government-wide statement of net position. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the City's proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement

date are also deferred and reduce net pension liability in the subsequent year.

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

**13. Fund Balances**

**A. Governmental Funds**

As of September 30, 2023, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

As of September 30, 2023, fund balances are composed of the following:

	<u>General Fund</u>
Assigned, historical park	\$ 1,826
Assigned, fire protection	2,932
Assigned, future expenses	51,606
Unassigned	255,768
	<u>\$ 312,132</u>

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

## B. Proprietary Funds

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

As of September 30, 2023, net position balances are composed of the following:

	Amount
Invested in capital assets, net of related debt	\$ 11,875,572
Restricted, Debt service	172,536
Unrestricted	130,825
	<u>\$ 12,178,933</u>

### 14. New Accounting Pronouncement

In May 2020, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards (SGAS) No. 96 Subscription-Based Information Technology Arrangements. SGAS No. 96 defines a Subscription-Based Information Technology Arrangement (SBITA) and requires the recognition by government end users (governments) of right-to-use subscription assets and subscription liabilities that arise from material SBITA transactions, except for SBITAs with a term of 12 months or less. The government's accounting model under SGAS No. 96 results in SBITAs with a term of more than 12 months being accounted for in substantially the same manner as the existing accounting for leases under SGAS No. 87. SGAS No. 96 also requires additional note disclosures regarding SBITAs. The Authority adopted the provisions of SGAS No. 96 as of October 1, 2022. Coinciding with the implementation of SGAS No. 96, the Authority added SBITAs to its capitalization policy that was established for leases when SGAS No 87 was implemented. This policy aligns the treatment of SBITAs and leases with the treatment of the City's other capitalizable assets. The implementation of SGAS No. 96 did not result in restatement of the prior year's net assets.

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

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

"Total fund balances" of the City's governmental funds \$312,132 differs from "net position" of governmental activities \$1,224,751 long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

#### Capital related items

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

Cost of capital assets	\$ 3,054,091
Accumulated depreciation	(1,704,307)
Total	<u>\$ 1,349,784</u>

#### Long-term debt transactions



Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2023, were:

Notes payable	\$ (3,926)
Compensated absences	(4,662)
Net pension liability	<u>(609,830)</u>
	<u>\$ (618,418)</u>

Deferred outflows/inflows of resources

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

Deferred inflows	(33,044)
Deferred outflows	<u>214,297</u>
	<u>\$ 181,253</u>

**CITY OF FANNING SPRINGS, FLORIDA**

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long - Term Debt Transactions	Statement of Net Position
<b>ASSETS</b>					
Cash	\$ 672,702	\$ -	\$ -	\$ -	\$ 672,702
Investments	71,560	-	-	-	71,560
Due from state	21,966	-	-	-	21,966
Due from other funds	83,827	-	-	-	83,827
Capital asset - net	-	1,349,784	-	-	1,349,784
<b>Total assets</b>	<b>850,055</b>	<b>1,349,784</b>	<b>-</b>	<b>-</b>	<b>2,199,839</b>
<b>DEFERRED OUTFLOWS</b>					
	-	-	214,297	-	214,297
<b>LIABILITIES AND FUND BALANCE/NET POSITION</b>					
<b>LIABILITIES</b>					
Accounts payable	9,378	-	-	-	9,378
Accrued liabilities	12,666	-	-	-	12,666
Notes payable, net	-	-	-	3,926	3,926
Compensated absences	-	-	-	4,662	4,662
Deffered revenue	515,879	-	-	-	515,879
Net pension liability	-	-	-	609,830	609,830
<b>Total liabilities</b>	<b>537,923</b>	<b>-</b>	<b>-</b>	<b>618,418</b>	<b>1,156,341</b>
<b>DEFERRED INFLOWS</b>					
	-	-	33,044	-	33,044
<b>Fund balance/net position</b>	<b>\$ 312,132</b>	<b>\$ 1,349,784</b>	<b>\$ 181,253</b>	<b>\$ (618,418)</b>	<b>\$ 1,224,751</b>

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

The “net change in fund balances” for governmental funds \$25,778 differs from the “change in net position” for governmental activities \$58,451 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Capital outlay	\$ 42,171
Depreciation expense	(69,303)
Difference	<u>\$ (27,132)</u>

Long-term debt related items

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

Net decrease in compensated absences	\$ 8,722
Net increase in net pension liability	(258,504)
Loan principal payments	9,257
	<u>\$ (240,525)</u>

Deferred outflows/inflows of resources

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

Net increase in deferred outflows	\$ 104,183
Net decrease in deferred inflows	416
	<u>\$ 104,599</u>

**CITY OF FANNING SPRINGS, FLORIDA**

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

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

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows	Long-Term Debt Transactions	Statement of Activities
<b>REVENUES</b>					
Property taxes, levied for general purposes	\$ 151,410	\$ -	\$ -	\$ -	\$ 151,410
Other taxes	359,977	-	-	-	359,977
Intergovernmental	218,957	-	-	-	218,957
Franchise fees	90,190	-	-	-	90,190
Licenses and permits	35,681	-	-	-	35,681
Fines and forfeiture	1,831	-	-	-	1,831
Other fees and miscellaneous	10,084	-	-	-	10,084
<b>Total revenues</b>	<b>911,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>911,372</b>
<b>EXPENDITURES</b>					
Current expenditures					
General government	407,246	8,265	(42,886)	102,411	475,036
Public safety	302,581	33,469	(61,713)	147,371	421,708
Transportation	119,141	752	-	-	119,893
Culture and recreation	46,923	26,817	-	-	73,740
Capital outlay					
Culture and recreation	42,171	(42,171)	-	-	-
Debt Service					
Principal	9,257	-	-	(9,257)	-
Interest	362	-	-	-	362
<b>Total expenditures</b>	<b>927,681</b>	<b>27,132</b>	<b>(104,599)</b>	<b>240,525</b>	<b>1,090,739</b>
Excess of revenues over expenditures	(16,309)	(27,132)	104,599	(240,525)	(179,367)
<b>OTHER FINANCING SOURCES (USES)</b>					
Grant expense	-	-	-	-	-
Grant revenue	-	-	-	-	-
Interfund transfers	20,000	-	-	-	20,000
Interest	4,775	-	-	-	4,775
<b>Total other financing sources (uses)</b>	<b>24,775</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,775</b>
Net change in fund balance	8,466	(27,132)	104,599	(240,525)	(154,592)
Fund balance at beginning of year	303,666	1,376,916	76,654	(377,893)	1,379,343
<b>Fund balance at end of year</b>	<b>\$ 312,132</b>	<b>\$ 1,349,784</b>	<b>\$ 181,253</b>	<b>\$ (618,418)</b>	<b>\$ 1,224,751</b>

### **NOTE 3. LEGAL COMPLIANCE–BUDGETS**

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

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

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

Deposits. The bank balances of the City deposits totaling \$1,282,743 were insured by federal depository insurance or pledged collateral under state law.

At year end the City also had a portfolio of investments which totaled \$71,560 stated at fair market value. Fair value is based on quoted prices. These investments are not authorized by state law, but rather by a City ordinance. These investments are uncollateralized and are classified as Category 1 in accordance with GASB Standard No. 3.

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

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

## NOTE 6. CAPITAL ASSETS

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

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
<b>Governmental activities:</b>					
Nondepreciable capital assets					
Land	\$ 715,283	\$ -	\$ -	\$ -	\$ 715,283
Construction in progress	376,767	-	-	-	376,767
Total nondepreciable capital assets	<u>1,092,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,092,050</u>
Depreciable capital assets					
Streets	38,883	-	-	-	38,883
Buildings and improvements	1,065,521	42,171	-	-	1,107,692
Equipment and vehicles	815,466	-	-	-	815,466
Total depreciable capital assets	<u>1,919,870</u>	<u>42,171</u>	<u>-</u>	<u>-</u>	<u>1,962,041</u>
Less accumulated depreciation	<u>(1,635,004)</u>	<u>(69,303)</u>	<u>-</u>	<u>-</u>	<u>(1,704,307)</u>
Total depreciable capital assets, net	<u>284,866</u>	<u>(27,132)</u>	<u>-</u>	<u>-</u>	<u>257,734</u>
Total capital assets, net	<u>\$ 1,376,916</u>	<u>\$ (27,132)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,349,784</u>
<b>Business-type activities:</b>					
Nondepreciable capital assets					
Land	\$ 340,191	\$ -	\$ -	\$ -	\$ 340,191
Construction in progress	8,543,461	-	(7,464,846)	-	1,078,615
Total nondepreciable capital assets	<u>8,883,652</u>	<u>-</u>	<u>(7,464,846)</u>	<u>-</u>	<u>1,418,806</u>
Depreciable capital assets					
Water plant	2,450,547	-	-	-	2,450,547
Sewer system	6,600,450	-	7,464,846	-	14,065,296
Water/sewer improvements	504,938	-	-	-	504,938
Equipment	144,769	-	-	-	144,769
Total depreciable capital assets	<u>9,700,704</u>	<u>-</u>	<u>7,464,846</u>	<u>-</u>	<u>17,165,550</u>
Less accumulated depreciation	<u>(3,691,042)</u>	<u>(485,742)</u>	<u>-</u>	<u>-</u>	<u>(4,176,784)</u>
Total capital assets being depreciated, net	<u>6,009,662</u>	<u>(485,742)</u>	<u>7,464,846</u>	<u>-</u>	<u>12,988,766</u>
Total capital assets, net	<u>\$ 14,893,314</u>	<u>\$ (485,742)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,407,572</u>

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

<b>Governmental activities:</b>	
General Government	\$ 8,265
Public Safety	33,469
Transportation	752
Parks and recreation	26,817
Total depreciation expense - governmental entities	<u>\$ 69,303</u>
<b>Business-type activities:</b>	
Water	\$ 101,185
Sewer	384,558
	<u>\$ 485,743</u>

**NOTE 7. INTERFUND RECEIVABLES/PAYABLES**

The following is a schedule of interfund receivables and payables at September 30, 2023.

Fund	Receivable	Payable
General	\$ 83,827	\$ -
Enterprise	-	83,827
	<u>\$ 83,827</u>	<u>\$ 83,827</u>

**NOTE 8. RECEIVABLE AND PAYABLE BALANCES**

**Receivables**

Receivables at September 30, 2023, were as follows:

	Account	Due from Others/ Governmental Units	Total Receivables
Governmental activities:	\$ -	\$ 21,966	\$ 21,966
Business-type activities:	78,924	-	78,924
	<u>\$ 78,924</u>	<u>\$ 21,966</u>	<u>\$ 100,890</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$30,705.

**Payables**

Payables at September 30, 2023, were as follows:

	Vendors
Governmental activities:	\$ 9,378
Business-type activities:	20,371
	<u>\$ 29,749</u>

**NOTE 9. LONG-TERM LIABILITIES**

**Governmental Activities**

**Summary of changes in governmental activities long-term liabilities**

The following summarizes the changes in the City's governmental long-term liabilities during the year ended September 30, 2023:

	Balance October 1, 2022	Increases	Decreases	Balance September 30, 2023	Due Within One Year
Compensated absences	\$ 13,384	\$ -	\$ (8,722)	\$ 4,662	\$ 2,008
Net pension liability	351,326	258,504	-	609,830	-
New Capital City note	13,183	-	(9,257)	3,926	3,926
	<u>\$ 377,893</u>	<u>\$ 258,504</u>	<u>\$ (17,979)</u>	<u>\$ 618,418</u>	<u>\$ 5,934</u>

**Loan Payable** – In February of 2022, the City closed on a loan agreement with Capital City Bank in the amount of \$47,000. The proceeds of this loan were used to purchase a vehicle to use for general government operations. This loan has no specific identified collateral and is being paid from the General Fund revenues. The City is paying off 48 equal monthly principal and interest payments of \$835, including interest at 4.26%. The loan schedule is as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2024	\$ 3,926	\$ 28	\$ 3,954

Upon default the lender has the right to take all actions necessary to collect the amount due.

**Business-type Activities**

A summary of proprietary fund debt as of September 30, 2023, follows:

	Balance October 1 2022	Increases	Decreases	Balance September 30 2023	Due Within One Year
Bonds payable	\$ 2,584,000	\$ -	\$ (52,000)	\$ 2,532,000	\$ 54,000
Compensated absences	6,793	10,665		17,458	2,619
Net pension liability	351,326	-	(243,709)	107,617	-
	<u>\$ 2,942,119</u>	<u>\$ 10,665</u>	<u>\$ (295,709)</u>	<u>\$ 2,657,075</u>	<u>\$ 56,619</u>

**USDA Water and Sewer Revenue Bonds 2012** - Gross revenues of the water and sewer system primarily, and secondarily the City’s proceeds of its utility services taxes are pledged to service this debt. The outstanding balance at September 30, 2023, is \$2,532,000. These funds were used to improve the City’s water infrastructure.

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

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

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



Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
2024	54,000	69,630	123,630
2025	56,000	68,145	124,145
2026	57,000	67,423	124,423
2027	59,000	65,038	124,038
2028	61,000	63,415	124,415
2029	63,000	61,738	124,738
2030-2034	348,000	281,518	629,518
2035-2039	408,000	230,478	638,478
2040-2044	480,000	170,500	650,500
2045-2049	562,000	100,183	662,183
2050-2052	384,000	21,340	405,340
	<u>\$ 2,532,000</u>	<u>\$ 1,199,406</u>	<u>\$ 3,731,406</u>

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

**Florida Retirement System**

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

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

## **Pension Plan**

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

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

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

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

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

**Contributions** – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to

member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively, were as follows: Regular—11.91% and 13.57%; Special Risk Administrative Support—38.65% and 39.82%; Special Risk—27.83% and 32.67%; Senior Management Service—31.57% and 34.52%; Elected Officials—43.77% and 44.89%; and DROP participants—18.60% and 21.13%. These employer contribution rates include a 1.66% and 2.00% HIS Plan subsidy for the periods October 1, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$87,844 for the fiscal year ended September 30, 2023.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At September 30, 2023, the City reported a liability of \$547,755 for its proportionate share of the Pension Plan's net pension liability. 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 July 1, 2023. The City's proportionate share of the net pension liability was based on the City's 2022-23 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. At June 30, 2023, the City's proportionate share was 0.001374652%, which was an increase of 25.73% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the City recognized pension expense of \$66,130. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 51,429	\$ -
Changes in assumptions	35,707	-
Net difference between projected and actual earnings on Pension Plan investments	22,876	-
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	81,778	19,185
Town Pension Plan contributions subsequent to the measurement date	18,066	-
<b>Total</b>	<b>\$ 209,856</b>	<b>\$ 19,185</b>

The deferred outflows of resources related to the Pension Plan, totaling \$18,066 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2024	\$ 41,742
2025	15,751
2026	(14,096)
2027	122,650
2028	6,558
Thereafter	-
	<u>\$ 172,605</u>

**Actuarial Assumptions** – The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Discount Rate	6.70%

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

The actuarial assumptions used in the July 1, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.1%
Fixed income	19.0%	4.5%	4.4%	3.4%
Global equity	54.2%	8.7%	7.1%	18.1%
Real estate (property)	10.3%	7.6%	6.6%	14.8%
Private equity	11.1%	12.0%	8.8%	26.3%
Strategic investments	4.4%	6.3%	6.1%	7.7%
Total	<u>100.00%</u>			
Assumed Inflation - Mean			2.4%	1.4%

(1) As outlined in the Pension Plan's investment policy

**Discount Rate** - The discount rate used to measure the total pension liability was 6.80%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
City's proportionate share of the net pension liability	\$ 935,677	\$ 547,755	\$ 223,212

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

**Payables to the Pension Plan** - At September 30, 2023, the City had \$6,642 payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2023.

### **HIS Plan**

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

**Benefits Provided** - For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**Contributions** - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2023, the HIS contribution for the period October 1, 2021 through June 30, 2023 and from July 1, 2023 through September 30, 2023 was 1.66% and 2.00%, respectively. The Town contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions including employee contributions to the HIS Plan totaled \$13,673 for the fiscal year ended September 30, 2023.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At September 30, 2023, the City reported a liability of \$169,692 for its proportionate share of the HIS Plan's net pension liability. 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 July 1, 2023. The City's proportionate share of the net pension liability was based on the City's 2022-23 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. At June 30, 2023, the City's proportionate share was 0.001068500%percent, which was an increase of 39.45% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the City recognized pension expense of \$7,029. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,484	\$ 398
Changes in assumptions	4,461	14,704
Net difference between projected and actual earnings on HIS Plan investments	88	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	33,134	4,588
Town HIS Plan contributions subsequent to the measurement date	2,091	-
<b>Total</b>	<b>\$ 42,258</b>	<b>\$ 19,690</b>

The deferred outflows of resources related to the HIS Plan, totaling \$2,091 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2024	\$ 5,089
2025	2,744
2026	1,255
2027	2,003
2028	6,447
Thereafter	2,937
	<u>\$ 20,475</u>

**Actuarial Assumptions** – The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.65%

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

The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018

**Discount Rate** - The discount rate used to measure the total pension liability was 3.54%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**Sensitivity of the Cooperative's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the Cooperative's proportionate share of the net pension liability calculated using the discount rate of 3.65%, as well as what the Cooperative's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
City's proportionate share of the net pension liability	<u>\$ 193,592</u>	<u>\$ 169,692</u>	<u>\$ 149,880</u>

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

**Payables to the Pension Plan** - At September 30, 2023, the City had \$706 payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2023.

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

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

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

#### **NOTE 12. RISK MANAGEMENT**

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

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

#### **NOTE 13. CONTINGENT LIABILITIES**

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



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF FANNING SPRINGS, FLORIDA**  
**GOVERNMENTAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**BUDGET AND ACTUAL**  
For the Fiscal Year Ended September 30, 2023

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property taxes, levied for general purposes	\$ 154,238	\$ 151,410	\$ (2,828)
Other taxes	364,197	359,977	(4,220)
Intergovernmental	156,274	218,957	62,683
Franchise fees	83,000	90,190	7,190
Licenses and permits	20,900	35,681	14,781
Fines and forfeitures	1,500	1,831	331
Grant revenue	-	43,242	43,242
Other fees and miscellaneous	8,850	10,084	1,234
<b>Total revenues</b>	<b>788,959</b>	<b>911,372</b>	<b>122,413</b>
<b>EXPENDITURES</b>			
Current			
General government			
Personnel	247,938	270,815	(22,877)
Operating	171,901	81,566	90,335
Legal council	35,000	54,865	(19,865)
Public safety			
Personnel	212,948	188,089	24,859
Operating	98,121	114,492	(16,371)
Transportation			
Personnel	32,400	30,000	2,400
Operating	103,050	89,141	13,909
Culture and recreation			
Operating	31,600	46,923	(15,323)
Capital outlay			
Culture and recreation	-	42,171	(42,171)
Debt service			
Principal	-	9,257	(9,257)
Interest	-	362	(362)
<b>Total expenditures</b>	<b>932,958</b>	<b>927,681</b>	<b>5,277</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(143,999)</b>	<b>(16,309)</b>	<b>127,690</b>
<b>OTHER FINANCING SOURCES/(USES)</b>			
Interest	-	4,775	4,775
Net interfund transfers	-	20,000	20,000
<b>Total other financing sources/(uses)</b>	<b>-</b>	<b>24,775</b>	<b>24,775</b>
<b>Net change in fund balance</b>	<b>(143,999)</b>	<b>8,466</b>	<b>152,465</b>
<b>Fund balance at beginning of year</b>	<b>303,666</b>	<b>303,666</b>	<b>-</b>
<b>Fund balance at end of year</b>	<b>\$ 159,667</b>	<b>\$ 312,132</b>	<b>\$ 152,465</b>

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEUDLE**  
**SEPTEMBER 30, 2023**

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

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

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

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

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

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

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the FRS net pension liability (asset)	0.001374652%	0.001093307%	0.001086547%	0.001216131%	0.001114592%	0.000966014%	0.088628000%	0.000983871%	0.001042617%	0.000903152%
City's proportionate share of the FRS net pension liability (asset)	\$ 547,755	\$ 406,798	\$ 82,076	\$ 527,089	\$ 383,850	\$ 290,968	\$ 262,156	\$ 248,427	\$ 134,668	\$ 55,106
City's proportion of the HIS net pension liability (asset)	0.001068500%	0.000766216%	0.000743994%	0.000814616%	0.000774347%	0.000785405%	0.000746129%	0.000771794%	0.000728194%	0.000705333%
City's proportionate share of the HIS net pension liability (asset)	169,692	81,155	91,262	99,463	86,642	83,128	79,780	89,949	74,264	65,950
City's proportionate share of the total net pension liability (asset)	\$ 717,447	\$ 487,953	\$ 173,338	\$ 626,552	\$ 470,492	\$ 374,096	\$ 341,936	\$ 338,376	\$ 208,932	\$ 121,056
City's covered-employee payroll	\$ 328,667	\$ 284,743	\$ 269,430	\$ 274,802	\$ 270,485	\$ 263,747	\$ 291,647	\$ 244,952	\$ 225,725	\$ 207,502
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	218.29%	171.37%	64.34%	228.00%	173.94%	141.84%	117.24%	138.14%	92.56%	58.34%
Plan fiduciary net position as a percentage of the total pension liability	77.04%	79.09%	91.09%	74.46%	78.22%	79.86%	79.30%	85.85%	92.00%	96.09%

Notes to schedule

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

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 87,844	\$ 57,147	\$ 50,191	\$ 50,367	\$ 48,517	\$ 38,147	\$ 31,333	\$ 32,803	\$ 26,156	\$ 21,575
Contractually required HIS contribution	9,337	5,679	5,831	5,851	6,037	5,901	5,363	5,340	3,908	3,224
<b>Total Contractually Required Contributions</b>	<b>97,181</b>	<b>62,826</b>	<b>56,022</b>	<b>56,218</b>	<b>54,554</b>	<b>44,048</b>	<b>36,696</b>	<b>38,143</b>	<b>30,064</b>	<b>24,799</b>
Contributions in relation to the contractually required contribution	(97,181)	(62,826)	(56,022)	(56,218)	(54,554)	(44,048)	(36,696)	(38,143)	(30,064)	(24,799)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 328,667	\$ 284,743	\$ 269,430	\$ 274,802	\$ 270,485	\$ 263,747	\$ 291,647	\$ 244,952	\$ 225,725	\$ 207,502
Contributions as a percentage of covered-employee payroll	29.57%	22.06%	20.79%	20.46%	20.17%	16.70%	12.58%	15.57%	13.32%	11.95%

Notes to schedule

1. See notes to financial statements for changes in assumptions

## **OTHER INFORMATION**

**CITY OF FANNING SPRINGS, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**  
**For the Fiscal Year Ended September 30, 2023**

<u>GRANTOR/PROGRAM TITLE</u>	<u>ALN/ CFSA #</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Reported in Prior Years</u>	<u>Expenditures Recognized in Current Year</u>	<u>Accrual / (Deferral)</u>
Federal Financial Assistance <i>Department of the Treasury passed-through Florida Division of Emergency Management Coronavirus Local Fiscal Recovery Grant</i>	21.027	Y5330	\$ 515,879	\$ -	\$ -	\$ 515,879
<i>Florida Department of Environmental Protection Rural Infrastructure Grant</i>	40.012	B-11-DC-12-0001	415,700	193,294	42,171	-
Total federal awards			931,579	193,294	42,171	515,879

See notes to schedule of expenditure of Federal Awards and State Financial Assistance.

**CITY OF FANNING SPRINGS, FLORIDA**  
Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended September 30, 2023

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

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

**A. Reporting Entity**

The reporting entity consists of the City of Fanning Springs. The city includes a schedule of expenditures of federal awards in the Single Audit and Compliance Section.

**B. Basis of Accounting**

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

**C. Subrecipients**

The City had no subrecipients during the fiscal year.

**D. Indirect Cost Rate**

The Council did not elect to use the de minimis indirect cost rate the fiscal year ended September 30, 2023.



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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities and the major funds of the City of Fanning Springs, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Fanning Springs, Florida’s basic financial statements and have issued our report thereof dated August 16, 2024.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify the following deficiency in internal control, described in the accompanying schedule of audit findings as item 2013–1, that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fanning Springs, Florida’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which

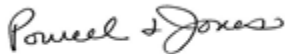
could have a direct and material effect on the determination of financial statement amounts.

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

We also noted certain matters that we reported to management of the City of Fanning Springs, Florida, in a separate "Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General" dated August 16, 2024

### **Purpose of this Report**

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



**Powell and Jones CPA**  
Lake City, Florida  
August 16, 2024

## MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of the City of Fanning Springs, Florida, (The City) for the year ended September 30, 2023, we considered the City's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

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

### PRIOR YEAR FINDINGS

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

Finding Number	FY 2023 Status
2013-1	Repeated as 2013-1

### AUDITOR GENERAL AND OTHER COMPLIANCE MATTERS

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

**Financial Condition Assessment** - Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Fanning Springs. It is management's responsibility to monitor the City of Fanning Springs' financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. During our assessment we found the following conditions which qualify as "deteriorating financial conditions" as of September 30, 2023:

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

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Operating Income/(Loss)	(496,047)	(247,616)	(125,274)	(79,493)	(163,347)
Unrestricted Net Position	170,641	417,869	865,983	678,337	506,522
Cash Balance	558,440	734,769	1,112,330	843,640	694,161
Change in cash	(176,329)	(377,561)	268,690	149,479	(3,119)

In the General Fund we found that there has been a trend of expenditures exceeding revenues:

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Excess of revenues over (under) expenditures	(16,309)	25,778	(81,196)	(66,861)	(4,011)
Fund balance	312,132	303,666	277,888	339,084	405,945

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

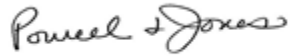
Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

**Rural Economic and Community Development Requirements** - We are providing the following additional information relative to our examination of the financial statements of the City of Fanning Springs, Florida, for the year ended September 30, 2023, as provided in the audit requirements for USDA-Rural Development borrowers.

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

## **CONCLUSION**

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

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

**Powell and Jones CPA**  
Lake City, Florida  
August 16, 2024

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

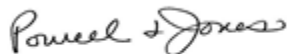
To the Mayor and  
Members of the City Council  
City of Fanning Springs, Florida

We have examined the City of Fanning Springs', Florida's (The City) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2023. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

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



**Powell and Jones CPA**  
Lake City, Florida  
August 16, 2024

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the City of Fanning Springs, Florida for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Fanning Springs, Florida are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

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

#### *Corrected and Uncorrected Misstatements*

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

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 16, 2024.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

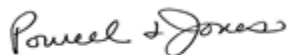
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses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

Other Information in Documents Containing Audited Financial Statements

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

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

Very truly yours,



**Powell and Jones CPA**  
Lake City, Florida  
August 16, 2024



## SCHEDULE OF FINDINGS

### CURRENT YEAR FINDINGS

#### **2013-1 (Excess of second consecutive year)**

##### **Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency exists when the City does not have the expertise necessary to prevent, detect, and correct misstatements. There is a deficiency in internal control because the City is not capable of drafting the financial statements and all required footnote disclosures in accordance with general accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required preparing the financial statements and disclosures.

### **MANAGEMENT'S RESPONSE**

*We agree with this finding. We are a very small government and have used our available resources to employ competent bookkeepers who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the City Council review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the City Council. At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required*

*This response was not subjected to the audit procedures applied in the audit and thus we express no opinion on it.*