

CITY OF FANNING SPRINGS, FLORIDA
ANNUAL FINANCIAL REPORT
September 30, 2024

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INTRODUCTORY SECTION

CITY OF FANNING SPRINGS, FLORIDA
LIST OF PRINCIPAL OFFICIALS
September 30, 2024

MAYOR

Howard E. Lancaster, III

CITY CLERK

Sherlene Michaelis

CITY COUNCIL

Jonathan Smith

Kayla Davis

Wanda Michaud

Barry Cannon

CITY ATTORNEY

Stan Griffis

FINANCIAL STATEMENTS



Powell and Jones CPA

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

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Fanning Springs, Florida, (The City) as of and for the year ended September 30, 2024, 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, 2024, 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.

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

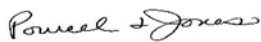
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of contributions be presented to supplement the basic financial statements. 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fanning Springs's basic financial statements. The schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report June 11, 2025, 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
June 11, 2025

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, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets						
Non-capital assets	\$ 730,216	\$ 850,055	\$ 462,702	\$ 637,364	\$ 1,192,918	\$ 1,487,419
Capital assets	1,270,024	1,349,784	14,510,729	14,407,572	15,780,753	15,757,356
Total assets	2,000,240	2,199,839	14,973,431	15,044,936	16,973,671	17,244,775
Deferred outflows	200,801	214,297	35,435	37,817	236,236	252,114
Liabilities						
Current liabilities	24,382	543,857	220,236	297,533	244,618	841,390
Long term liabilities	566,512	612,484	2,540,862	2,600,456	3,107,374	3,212,940
Total liabilities	590,894	1,156,341	2,761,098	2,897,989	3,351,992	4,054,330
Deferred inflows	80,332	33,044	14,176	5,831	94,508	38,875
Net position						
Net investment in capital assets	1,270,024	1,345,858	12,020,783	11,875,572	13,290,807	13,221,430
Restricted	11,587	-	185,808	132,720	197,395	132,720
Unrestricted	248,204	(121,107)	27,001	170,641	275,205	49,534
Total net position	\$ 1,529,815	\$ 1,224,751	\$ 12,233,592	\$12,178,933	\$13,763,407	\$13,403,684

The majority of the City's net position (97%) reflects its investment in capital assets (land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's total net position increased by \$359,723 and unrestricted net position increased by \$225,671. This increase is primarily due to an increase in grant revenues.

The increase in governmental activities net position of \$305,064 is due to the recognition of a previously received American Rescue Plan Act grant, if this temporary grant related increase were excluded from the financial results the governmental activities would have reported a decrease in net position of \$210,815.

The increase in business-type activities net position of \$54,659 is due to a Community Development Block Grant Project, if this temporary grant related increase were excluded from the financial results the business-type activities would have reported a decrease in net position of \$489,032.

A condensed version of the Statement of Activities follows:

Change in Net Position
For the Fiscal Years Ended September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program revenues						
Charges for services	\$ -	\$ 37,512	\$ 601,112	\$ 589,204	\$ 601,112	\$ 626,716
Capital grants and contributions	540,709	43,242	543,961	-	1,084,670	43,242
General revenues						
Property taxes	185,215	151,410	-	-	185,215	151,410
Other taxes and shared revenues	709,668	669,124	-	-	709,668	669,124
Fines and permits	32,287	-	-	-	32,287	-
Miscellaneous	28,915	10,084	16,050	50	44,965	10,134
Interest	12,750	4,775	-	-	12,750	-
Total revenues	<u>1,509,544</u>	<u>916,147</u>	<u>1,161,123</u>	<u>589,254</u>	<u>2,670,667</u>	<u>1,500,626</u>
Expenses						
General government	542,443	475,036	-	-	542,443	475,036
Public safety	526,521	421,708	-	-	526,521	421,708
Transportation	76,762	119,893	-	-	76,762	119,893
Culture and recreation	58,185	73,740	-	-	58,185	73,740
Interest on long-term debt	569	362	69,630	71,060	70,199	71,422
Water	-	-	370,765	441,193	370,765	441,193
Sewer	-	-	666,069	644,108	666,069	644,108
Total expenses	<u>1,204,480</u>	<u>1,090,739</u>	<u>1,106,464</u>	<u>1,156,361</u>	<u>2,310,944</u>	<u>2,247,100</u>
Interfund transfers	-	20,000	-	(20,000)	-	-
Change in net position	305,064	(154,592)	54,659	(587,107)	359,723	(746,474)
Beginning net position	1,224,751	1,379,343	12,178,933	12,766,040	13,403,684	14,145,383
Ending net position	<u>\$ 1,529,815</u>	<u>\$ 1,224,751</u>	<u>\$ 12,233,592</u>	<u>\$ 12,178,933</u>	<u>\$ 13,763,407</u>	<u>\$ 13,398,909</u>

Governmental activities:

Property taxes provide 12% of the revenues for Governmental Activities, while other taxes and shared revenues provide 47%. Most of the Governmental Activities resources are spent for General Government (45%), Public Safety (44%), and Transportation (6%).

Business-type activities:

Business-type activities increased the City's net position by \$54,659. This increase is primarily due to recognizing grant revenue in the current year.

Budgetary Highlights

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

Capital Assets and Debt Administration

Capital Assets

At September 30, 2024, the City had approximately \$15.8 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 increase (additions, deductions, and depreciation) of \$23,396 or 0.15% more than last year. This increase was primarily attributable to additions in Sewer expansion project and Sewer equipment. Increase in depreciation made the total change negligible.

Capital Assets at September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Nondepreciable						
Land	\$ 715,283	\$ 715,283	\$ 340,191	\$ 340,191	\$ 1,055,474	\$ 1,055,474
CIP	-	376,767	1,622,576	1,078,615	1,622,576	1,455,382
Depreciable						
Buildings and improvements	1,107,692	1,107,692	504,938	504,938	1,612,630	1,612,630
Water plant	-	-	2,450,547	2,450,547	2,450,547	2,450,547
Sewer system	-	-	14,065,296	14,065,296	14,065,296	14,065,296
Streets	415,650	38,883	-	-	415,650	38,883
Equipment	815,466	815,466	201,645	144,769	1,017,111	960,235
Subtotal	3,054,091	3,054,091	19,185,193	18,584,356	22,239,284	21,638,447
Accumulated depreciation	(1,784,067)	(1,704,307)	(4,674,464)	(4,176,784)	(6,458,531)	(5,881,091)
Capital assets, net	\$ 1,270,024	\$ 1,349,784	\$ 14,510,729	\$ 14,407,572	\$ 15,780,753	\$ 15,757,356

Long-term Liabilities

At year-end, the City had \$3,173,178 in long-term liabilities outstanding versus \$3,275,493 last year, a decrease of \$102,315. The decrease is mainly due to a large decrease in net pension liability.

Long-term Liabilities Outstanding at September 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Totals	
	2024	2023	2024	2023	2024	2023
Revenue bonds	\$ -	\$ -	\$ 2,478,000	\$ 2,532,000	\$ 2,478,000	\$ 2,532,000
Loan payable	-	3,926	11,946	-	11,946	3,926
Net pension liability	559,698	609,830	98,770	107,617	658,468	717,447
Compensated absences	8,017	4,662	16,747	17,458	24,764	22,120
Total	\$ 567,715	\$ 618,418	\$ 2,605,463	\$ 2,657,075	\$ 3,173,178	\$ 3,275,493

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 3.6% and the current unemployment rate for Levy County is 4.0%.
- The official population for the City in 2024 was 1,341 and is estimated to be approximately the same in 2025.
- The ad valorem tax rate for the City was 3.000 mills in 2024.

Financial Contact

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

BASIC FINANCIAL STATEMENTS

CITY OF FANNING SPRINGS, FLORIDA
STATEMENT OF NET POSITION
September 30, 2024

	Governmental Activities	Business - type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 569,969	\$ 106,736	\$ 676,705
Investments	79,536	-	79,536
Due from state	21,935	-	21,935
Accounts receivable	-	66,797	66,797
Interfund balances	58,776	(58,776)	-
Total current assets	730,216	114,757	844,973
Restricted cash:			
Bond interest and sinking	-	122,999	122,999
Renewal and replacement	-	94,229	94,229
Customer deposits	-	130,717	130,717
Total restricted assets	-	347,945	347,945
Capital assets:			
Non depreciable	715,283	1,962,767	2,678,050
Depreciable, net	554,741	12,547,962	13,102,703
Total capital assets	1,270,024	14,510,729	15,780,753
Total assets	2,000,240	14,973,431	16,973,671
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	200,801	35,435	236,236
LIABILITIES			
Current liabilities			
Accounts payable	7,578	5,771	13,349
Accrued liabilities	15,601	2,266	17,867
Accrued compensated absences, current	1,203	2,512	3,715
Accrued interest payable	-	5,419	5,419
Customer deposits	-	142,179	142,179
Bank loan payable, current	-	6,089	6,089
Bond payable, current	-	56,000	56,000
Total current liabilities	24,382	220,236	244,618
Long-term liabilities			
Accrued compensated absences, net of current	6,814	14,235	21,049
Bond payable, net of current	-	2,422,000	2,422,000
Bank loan payable, net of current	-	5,857	5,857
Net pension liability	559,698	98,770	658,468
Total long-term liabilities	566,512	2,540,862	3,107,374
Total liabilities	590,894	2,761,098	3,351,992
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	80,332	14,176	94,508
NET POSITION			
Net investment in capital assets	1,270,024	12,020,783	13,290,807
Restricted for:			
Debt service	-	185,808	185,808
Roads and streets	11,587	-	11,587
Unrestricted	248,204	27,001	275,205
Total net position	\$ 1,529,815	\$ 12,233,592	\$ 13,763,407

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities							
General government	\$ 543,012	\$ -	\$ 515,879	\$ -	\$ (27,133)	\$ -	\$ (27,133)
Public safety	526,521	-	24,830	-	(501,691)	-	(501,691)
Transportation	76,762	-	-	-	(76,762)	-	(76,762)
Culture and recreation	58,185	-	-	-	(58,185)	-	(58,185)
Total governmental activities	1,204,480	-	540,709	-	(663,771)	-	(663,771)
Business-type activities							
Water and sewer services	1,036,834	601,112	-	543,961	-	108,239	108,239
Interest expense	69,630	-	-	-	-	(69,630)	(69,630)
Total business-type activities	1,106,464	601,112	-	543,961	-	38,609	38,609
Total government	\$ 2,310,944	\$ 601,112	\$ 540,709	\$ 543,961	(663,771)	38,609	(625,162)
General revenues							
Property taxes					185,215	-	185,215
Other taxes					405,978	-	405,978
Intergovernmental					209,280	-	209,280
Franchise fees					94,410	-	94,410
Licenses and permits					30,980	-	30,980
Fines and forfeitures					1,307	-	1,307
Interest					12,750	-	12,750
Other fees and miscellaneous					28,915	16,050	44,965
Total general revenues					968,835	16,050	984,885
Change in net position					305,064	54,659	359,723
Net position at beginning of year					1,224,751	12,178,933	13,403,684
Net position at end of year					\$ 1,529,815	\$ 12,233,592	\$ 13,763,407

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2024

	General Fund
ASSETS	
Cash	\$ 569,969
Investments	79,536
Due from state	21,935
Due from other funds	58,776
Total assets	730,216
LIABILITIES	
Accounts payable	7,578
Accrued liabilities	15,601
Total liabilities	23,179
FUND BALANCES	
Committed	56,364
Restricted	11,587
Unassigned	639,086
Total fund balances	\$ 707,037

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.	1,270,024
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	200,801
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	(80,332)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	(567,715)
Net position of governmental activities	\$ 1,529,815

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, 2024

	General Fund
REVENUES	
Property taxes, levied for general purposes	\$ 185,215
Other taxes	405,978
Intergovernmental	209,280
Franchise fees	94,410
Licenses and permits	30,980
Fines and forfeitures	1,307
Interest	12,750
Grant revenue	540,709
Other fees and miscellaneous	28,915
Total revenues	1,509,544
 EXPENDITURES	
Current	
General government	527,189
Public safety	479,737
Transportation	75,896
Culture and recreation	27,322
Debt service	
Principal	3,926
Interest	569
Total expenditures	1,114,639
 Net change in fund balance	 394,905
 Fund balance at beginning of year	 312,132
Fund balance at end of year	\$ 707,037

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, 2024

Net change in fund balance - governmental fund		\$ 394,905
<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>		
Less current year depreciation	(79,760)	(79,760)
<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	(3,355)	
Net change in pension liability	50,132	
Loan principal payments	3,926	50,703
<p>Recognition of certain obligations related to prior and future periods are not recognized in governmental funds.</p>		
Change in deferred outflows	(47,288)	
Change in deferred inflows	(13,496)	(60,784)
Change in net position of governmental activities		\$ 305,064

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUND
STATEMENT OF NET POSITION
September 30, 2024

	<u>Enterprise Fund</u>
ASSETS	
Current assets	
Cash	\$ 106,736
Accounts receivable, net	66,797
Total current assets	173,533
Restricted cash and cash equivalents	
Bond interest and sinking	122,999
Renewal and replacement	94,229
Customer deposits	130,717
Total restricted cash and cash equivalents	347,945
Capital assets	
Non depreciable	1,962,767
Depreciable, net	12,547,962
Total fixed assets, net	14,510,729
Total assets	15,032,207
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	35,435
LIABILITIES	
Current liabilities	
Accounts payable	5,771
Accrued liabilities	2,266
Due to other funds	58,776
Accrued interest payable	5,419
Bank loan payable, current	6,089
Accrued compensated absences, current	2,512
Total current liabilities	80,833
Current liabilities payable from restricted assets	
Customer deposits	142,179
Bond payable, current	56,000
Total current liabilities payable from restricted assets	198,179
Long-term liabilities	
Bond payable, net of current	2,422,000
Bank loan payable, net of current	5,857
Accrued compensated absences, net of current	14,235
Net pension liability	98,770
Total long-term liabilities	2,540,862
Total liabilities	2,819,874

(continued)

See notes to financial statements.

**CITY OF FANNING SPRINGS, FLORIDA
 PROPRIETARY FUND
 STATEMENT OF NET POSITION (concluded)
 September 30, 2024**

	<u>Enterprise Fund</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	<u>14,176</u>
NET POSITION	
Net investment in capital assets	12,020,783
Restricted for:	
Debt service	185,808
Unrestricted	27,001
Total net position	<u><u>\$ 12,233,592</u></u>

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, 2024

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Water sales	284,882
Sewer fees	282,733
Other utility charges	33,497
Miscellaneous income	16,050
Total operating revenues	617,162
OPERATING EXPENSES	
Water utility	
Personnel services	46,726
Operating expenses	222,629
Depreciation expense	101,410
Sewer utility	
Personnel services	83,943
Operating expenses	185,856
Depreciation expense	396,270
Total operating expenses	1,036,834
Operating loss	(419,672)
NONOPERATING REVENUES (EXPENSES)	
Grant revenue	543,961
Interest expense	(69,630)
Total nonoperating revenues (expenses)	474,331
Change in net position	54,659
Net position at beginning of year	12,178,933
Net position at end of year	\$ 12,233,592

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Fiscal Year Ended September 30, 2024

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Cash received from customers, including cash deposits	\$ 642,486
Cash paid to suppliers	(423,088)
Cash paid to employees	(129,164)
Net cash provided by operating activities	90,234
 Cash flows from non-capital related financing activities:	
Transfers to other funds	(25,051)
Net cash used in non-capital related financing activities	(25,051)
 Cash flows from capital and related financing activities:	
Aquisition and construction of capital assets	(600,837)
Grant receipts	543,963
Principal payments	(42,054)
Interest payments	(70,014)
Net cash provided by capital and related financing activities	(168,942)
 Net change in cash	(103,759)
Cash at beginning of year	558,440
Cash at end of year	\$ 454,681
 Shown in financial statements as:	
Current assets	
Cash	\$ 106,736
Restricted cash and cash equivalents	
Bond interest and sinking	122,999
Renewal and replacement	94,229
Customer deposits	130,717
	347,945
Total cash as shown in financial statements	\$ 454,681

(Continued)
See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (concluded)
For the Fiscal Year Ended September 30, 2024

	<u>Enterprise Fund</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:	
Operating loss	<u>\$ (419,672)</u>
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	497,680
Changes in assets decrease (increase) and liabilities (decrease) increase:	
Accounts receivable, net	12,127
Accounts payable	(14,602)
Deferred outflows	2,382
Accrued liabilities	335
Compensated absences	(711)
Customer deposits	13,197
Deferred inflows	8,345
Net pension liability	(8,847)
Total adjustments	<u>509,906</u>
Net cash provided by (used in) operating activities	<u>\$ 90,234</u>

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2024

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, 2024, 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, 2024, this allowance account totaled \$37,466 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, 2024, 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, 2024, fund balances are composed of the following:

	<u>General Fund</u>
Restricted	11,587
Committed	56,364
Unassigned	639,086
	<u>\$ 707,037</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, 2024, net position balances are composed of the following:

	<u>Amount</u>
Invested in capital assets, net of related debt	\$ 12,020,783
Restricted	185,808
Unrestricted	<u>27,001</u>
	<u>\$ 12,233,592</u>

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 \$707,037 differs from “net position” of governmental activities \$1,529,815 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	<u>(1,784,067)</u>
Total	<u>\$ 1,270,024</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, 2024, were:

Compensated absences	\$ (8,017)
Net pension liability	<u>(559,698)</u>
	<u>\$ (567,715)</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	(80,332)
Deferred outflows	<u>200,801</u>
	<u>\$ 120,469</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
ASSETS					
Cash	\$ 569,969	\$ -	\$ -	\$ -	\$ 569,969
Investments	79,536	-	-	-	79,536
Due from state	21,935	-	-	-	21,935
Due from other funds	58,776	-	-	-	58,776
Capital asset - net	-	1,270,024	-	-	1,270,024
Total assets	730,216	1,270,024	-	-	2,000,240
DEFERRED OUTFLOWS					
	-	-	200,801	-	200,801
LIABILITIES AND FUND BALANCE/NET POSITION					
LIABILITIES					
Accounts payable	7,578	-	-	-	7,578
Accrued liabilities	15,601	-	-	-	15,601
Compensated absences	-	-	-	8,017	8,017
Net pension liability	-	-	-	559,698	559,698
Total liabilities	23,179	-	-	567,715	590,894
DEFERRED INFLOWS					
	-	-	80,332	-	80,332
Fund balance/net position	\$ 707,037	\$ 1,270,024	\$ 120,469	\$ (567,715)	\$ 1,529,815

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

The “net change in fund balances” for governmental funds \$394,905 differs from the “change in net position” for governmental activities \$305,064 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.

Depreciation expense	<u>\$ (79,760)</u>
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Long-term debt related items

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

Net increase in compensated absences	\$ (3,355)
Net decrease in net pension liability	50,132
Loan principal payments	3,926
	<u>\$ 50,703</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	\$ (13,496)
Net decrease in deferred inflows	(47,288)
	<u>\$ (60,784)</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
REVENUES					
Property taxes, levied for general purposes	\$ 185,215	\$ -	\$ -	\$ -	\$ 185,215
Other taxes	405,978	-	-	-	405,978
Intergovernmental	209,280	-	-	-	209,280
Franchise fees	94,410	-	-	-	94,410
Licenses and permits	30,980	-	-	-	30,980
Fines and forfeiture	1,307	-	-	-	1,307
Interest	12,750	-	-	-	12,750
Grant revenue	540,709	-	-	-	540,709
Other fees and miscellaneous	28,915	-	-	-	28,915
Total revenues	1,509,544	-	-	-	1,509,544
EXPENDITURES					
Current expenditures					
General government	527,189	9,512	24,921	(19,179)	542,443
Public safety	479,737	38,519	35,863	(27,598)	526,521
Transportation	75,896	866	-	-	76,762
Culture and recreation	27,322	30,863	-	-	58,185
Debt Service					
Principal	3,926	-	-	(3,926)	-
Interest	569	-	-	-	569
Total expenditures	1,114,639	79,760	60,784	(50,703)	1,204,480
Net change in fund balance	394,905	(79,760)	(60,784)	50,703	305,064
Fund balance at beginning of year	312,132	1,349,784	181,253	(618,418)	1,224,751
Fund balance at end of year	\$ 707,037	\$ 1,270,024	\$ 120,469	\$ (567,715)	\$ 1,529,815

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 \$1,024,650 were insured by federal depository insurance or pledged collateral under state law.

At September 30, 2024, the City held investments totaling \$79,536 measured at fair value. All investments are classified as Level 1 in the fair value hierarchy and are valued using quoted prices in active markets. The City does not hold any investments measured at NAV or amortized cost. These investments are permitted by local ordinance.

NOTE 5. PROPERTY TAX REVENUES

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

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Additions	Transfers	Deletions	Ending Balance
Governmental activities:					
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>(376,767)</u>	<u>-</u>	<u>715,283</u>
Depreciable capital assets					
Streets	38,883	-	376,767	-	415,650
Buildings and improvements	1,107,692	-	-	-	1,107,692
Equipment and vehicles	815,466	-	-	-	815,466
Total depreciable capital assets	<u>1,962,041</u>	<u>-</u>	<u>376,767</u>	<u>-</u>	<u>2,338,808</u>
Less accumulated depreciation	<u>(1,704,307)</u>	<u>(79,760)</u>	<u>-</u>	<u>-</u>	<u>(1,784,067)</u>
Total depreciable capital assets, net	<u>257,734</u>	<u>(79,760)</u>	<u>376,767</u>	<u>-</u>	<u>554,741</u>
Total capital assets, net	<u>\$ 1,349,784</u>	<u>\$ (79,760)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,270,024</u>
Business-type activities:					
Nondepreciable capital assets					
Land	\$ 340,191	\$ -	\$ -	\$ -	\$ 340,191
Construction in progress	1,078,615	543,961	-	-	1,622,576
Total nondepreciable capital assets	<u>1,418,806</u>	<u>543,961</u>	<u>-</u>	<u>-</u>	<u>1,962,767</u>
Depreciable capital assets					
Water plant	2,450,547	-	-	-	2,450,547
Sewer system	14,065,296	-	-	-	14,065,296
Water/sewer improvements	504,938	-	-	-	504,938
Equipment	144,769	56,876	-	-	201,645
Total depreciable capital assets	<u>17,165,550</u>	<u>56,876</u>	<u>-</u>	<u>-</u>	<u>17,222,426</u>
Less accumulated depreciation	<u>(4,176,784)</u>	<u>(497,680)</u>	<u>-</u>	<u>-</u>	<u>(4,674,464)</u>
Total capital assets being depreciated, net	<u>12,988,766</u>	<u>(440,804)</u>	<u>-</u>	<u>-</u>	<u>12,547,962</u>
Total capital assets, net	<u>\$ 14,407,572</u>	<u>\$ 103,157</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,510,729</u>

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

Governmental activities:	
General Government	\$ 7,429
Public Safety	30,085
Transportation	18,141
Parks and recreation	24,105
Total depreciation expense - governmental entities	<u>\$ 79,760</u>
Business-type activities:	
Water	\$ 101,410
Sewer	396,270
	<u>\$ 497,680</u>

NOTE 7. INTERFUND RECEIVABLES/PAYABLES

The following is a schedule of interfund receivables and payables at September 30, 2024.

Fund	Receivable	Payable
General	\$ 58,776	\$ -
Enterprise	-	58,776
	<u>\$ 58,776</u>	<u>\$ 58,776</u>

NOTE 8. RECEIVABLE AND PAYABLE BALANCES

Receivables

Receivables at September 30, 2024, were as follows:

	Account	Due from Others/ Governmental Units	Total Receivables
Governmental activities:	\$ -	\$ 21,935	\$ 21,935
Business-type activities:	66,797	-	66,797
	<u>\$ 66,797</u>	<u>\$ 21,935</u>	<u>\$ 88,732</u>

Based upon collection history, the City has included a reserve for doubtful accounts for its Enterprise Fund accounts receivable of \$37,466.

Payables

Payables at September 30, 2024, were as follows:

	Vendors
Governmental activities:	\$ 7,578
Business-type activities:	5,771
	<u>\$ 13,349</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, 2024:

	Balance October 1, 2023	Increases	Decreases	Balance September 30, 2024	Due Within One Year
Compensated absences	\$ 4,662	\$ 3,355	\$ -	\$ 8,017	\$ 1,203
Net pension liability	609,830	-	(50,132)	559,698	-
Capital City note	3,926	-	(3,926)	-	-
	<u>\$ 618,418</u>	<u>\$ 3,355</u>	<u>\$ (54,058)</u>	<u>\$ 567,715</u>	<u>\$ 1,203</u>

Loan Payable – In February of 2023, the City closed on a loan agreement with Capital City Bank in the amount of \$47,000. The proceeds of this loan were used to purchase a vehicle to use for

general government operations. This loan has no specific identified collateral and is being paid from the General Fund revenues. The City is paying off 48 equal monthly principal and interest payments of \$835, including interest at 4.26%. The loan is repaid in full in the current year.

Business-type Activities

A summary of proprietary fund debt as of September 30, 2024, follows:

	Balance October 1 2023			Balance September 30 2024		Due Within One Year
		Increases	Decreases			
Bonds payable	\$ 2,532,000	\$ -	\$ (54,000)	\$ 2,478,000	\$ 56,000	
Compensated absences	17,458	-	(711)	16,747	2,512	
Capital City Bank Loan-Truck	-	16,876	(4,930)	11,946	6,089	
Net pension liability	107,617	-	(8,847)	98,770	-	
	<u>\$ 2,657,075</u>	<u>\$ 16,876</u>	<u>\$ (68,488)</u>	<u>\$ 2,605,463</u>	<u>\$ 64,601</u>	

Capital City Bank Loan- In October 2023 the Town purchased a new 2023 Chevrolet Silverado truck in the amount of \$56,876. The Town made a down payment of \$40,000, and financed the remaining balance of \$16,876 with 5.13% interest. This loan is to be repaid in 36 monthly installments of \$507 per month. The balance of the loan at September 30, 2024 was \$11,946. Below is a schedule of future payments:

Fiscal Year Ending September 30	Principal	Interest	Total
2025	\$ 5,483	\$ 575	\$ 6,057
2026	5,484	237	5,721
2027	980	5	985
	<u>\$ 11,946</u>	<u>\$ 817</u>	<u>\$ 12,763</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, 2024, is \$2,478,000. These funds were used to improve the City's water infrastructure.

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

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

In the event of default, the bond holder has the right to take whatever action necessary to collect the amounts due and may, at their opinion, declare the outstanding principal and accrued interest to be due and payable immediately and may take possession of the water and wastewater system

to repair, maintain, operate or rent the facilities as may be necessary to cure the default. Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending September 30	Principal	Interest	Total
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>\$ 2,478,000</u>	<u>\$ 1,129,776</u>	<u>\$ 3,607,776</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.

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.

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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, 2023 through June 30, 2024 and from July 1, 2024 through September 30, 2024, respectively, were as follows:

Class	October 1 2023 - June 30, 2024	July 1, 2024 - September 30, 2024
Regular Class	13.57%	13.63%
Special Risk Class	32.67%	32.79%
Special Risk Administrative Support	39.82%	39.82%
Elected Officers Class	58.68%	58.68%
Senior Management Class	34.52%	34.52%
Deferred Retirement Option Program (DROP)	21.13%	21.13%

The City's contributions, including employee contributions, to the Pension Plan totaled \$99,755.65 for the fiscal year ended September 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2024, the City reported a liability of \$519,062 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The City's proportionate share of the net pension liability was based on the City's 2023-24 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At September 30, 2024, the City's proportionate share was 0.001341776%, which was an decrease of 2.39% from its proportionate share measured as of June 30, 2023.

For the fiscal year ended September 30, 2024, the City recognized pension expense of \$75,980. In addition the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,439	\$ -
Changes in assumptions	71,142	-
Net difference between projected and actual earnings on Pension Plan investments	-	34,500
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	56,413	20,573
City Pension Plan contributions subsequent to the measurement date	23,924	-
Total	\$ 203,918	\$ 55,073

The deferred outflows of resources related to the Pension Plan, totaling \$23,924 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, 2024. 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
2025	(11,065)
2026	120,210
2027	8,763
2028	414
2029	6,599
Thereafter	-
	\$ 124,921

Actuarial Assumptions – The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

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

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

The actuarial assumptions used in the July 1, 2024, 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%	3.3%	3.3%	1.1%
Fixed income	29.0%	5.7%	5.6%	3.9%
Global equity	45.0%	8.6%	7.0%	18.2%
Real estate (property)	12.0%	8.1%	6.8%	16.6%
Private equity	11.0%	12.4%	8.8%	28.4%
Strategic investments	2.0%	6.6%	6.2%	8.7%
Total	100.00%			
Assumed Inflation - Mean			2.4%	1.5%

(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	Current Discount Rate	1% Increase
	5.70%	6.70%	7.70%
City's proportionate share of the net pension liability	\$ 913,012	\$ 522,062	\$ 189,045

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, 2024, the City had \$5,829 payable for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2024.

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, 2024, 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, 2024, the HIS contribution for the period October 1, 2023 through September 30, 2024 and from July 1, 2024 through September 30, 2024 was 2.00% 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 \$12,196.21 for the fiscal year ended September 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2024, the City reported a liability of \$139,406 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The City's proportionate share of the net pension liability was based on the City's 2023-24 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At September 30, 2024, the City's proportionate share was 0.001068500%percent, which was an decrease of 13.03% from its proportionate share measured as of June 30, 2023.

For the fiscal year ended September 30, 2024, the City recognized pension expense of \$7,868. 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	\$ 1,346	\$ 268
Changes in assumptions	2,467	16,504
Net difference between projected and actual earnings on HIS Plan investments	-	50
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	26,151	22,613
Town HIS Plan contributions subsequent to the measurement date	2,354	-
Total	\$ 32,318	\$ 39,435

The deferred outflows of resources related to the HIS Plan, totaling \$2,354 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, 2024. 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
2025	(1,201)
2026	(1,482)
2027	(2,159)
2028	(1,510)
2029	(822)
Thereafter	(2,298)
	\$ (9,472)

Actuarial Assumptions – The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.93%

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, 2024, 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 2.93%	Current Discount Rate 3.93%	1% Increase 4.93%
City's proportionate share of the net pension liability	<u>\$ 158,696</u>	<u>\$ 136,406</u>	<u>\$ 123,086</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, 2024, the City had \$763 payable for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2024.

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, 2024

	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes, levied for general purposes	\$ 174,014	\$ 185,215	\$ 11,201
Other taxes	422,394	405,978	(16,416)
Intergovernmental	220,236	209,280	(10,956)
Franchise fees	115,000	94,410	(20,590)
Licenses and permits	22,000	30,980	8,980
Fines and forfeitures	1,500	1,307	(193)
Interest	-	12,750	12,750
Grant revenue	-	540,709	540,709
Other fees and miscellaneous	11,949	28,915	16,966
Reserve revenue	150,000	-	(150,000)
Total revenues	1,117,093	1,509,544	392,451
EXPENDITURES			
Current			
General government			
Personnel	251,559	269,817	18,258
Operating	235,478	217,159	(18,319)
Legal council	41,000	40,213	(787)
Public safety			
Personnel	37,141	74,780	37,639
Operating	459,815	404,957	(54,858)
Transportation			
Personnel	3,600	4,794	1,194
Operating	70,500	71,102	602
Culture and recreation			
Operating	18,000	27,322	9,322
Debt service			
Principal	-	3,926	3,926
Interest	-	569	569
Total expenditures	1,117,093	1,114,639	(2,454)
Net change in fund balance	-	394,905	394,905
Fund balance at beginning of year	312,132	312,132	-
Fund balance at end of year	\$ 312,132	\$ 707,037	\$ 394,905

See notes to financial statements.

CITY OF FANNING SPRINGS, FLORIDA
NOTES TO BUDGETARY COMPARISON SCHEUDLE
SEPTEMBER 30, 2024

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
City's proportion of the FRS net pension liability (asset)	0.001341776%	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)	\$ 519,062	\$ 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)	0.000929313%	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)	139,406	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)	\$ 658,468	\$ 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	\$ 452,769	\$ 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	145.43%	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	78.79%	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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 88,704	\$ 87,844	\$ 57,147	\$ 50,191	\$ 50,367	\$ 48,517	\$ 38,147	\$ 31,333	\$ 32,803	\$ 26,156	\$ 21,575
Contractually required HIS contribution	9,186	9,337	5,679	5,831	5,851	6,037	5,901	5,363	5,340	3,908	3,224
Total Contractually Required Contributions	97,890	97,181	62,826	56,022	56,218	54,554	44,048	36,696	38,143	30,064	24,799
Contributions in relation to the contractually required contribution	(97,889)	(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	\$ 452,769	\$ 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	21.62%	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, 2024

<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>
Federal Financial Assistance					
<i>Department of the Treasury passed-through Florida Division of Emergency Management</i>					
Coronavirus Local Fiscal Recovery Grant	21.027	Y5330	\$ 515,879	\$ -	\$ 515,879
<i>Department of Economic Opportunity</i>					
Community Development Block Grant (CDBG)	14.228	15DB-OJ-05-45-02-N31	600,000	-	543,961
Total federal awards			<u>1,115,879</u>	<u>-</u>	<u>1,059,840</u>
State Financial Assistance					
<i>Department of Financial Services</i>					
<i>State Fire Marshal/City of Fanning Springs</i>					
Volunteer Firefighter Grant Assistance Program	43.006	FM572	24,830	-	24,830
Total state financial assistance			<u>24,830</u>	<u>-</u>	<u>24,830</u>
Total federal awards, state financial assistance, and Total federal awards and state financial assistance			<u>\$ 1,140,709</u>	<u>\$ -</u>	<u>\$ 1,084,670</u>

See notes to schedule of expenditures 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, 2024

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, 2024.

OTHER REPORTS AND LETTERS



Powell and Jones CPA

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Fanning Springs compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Fanning Springs major federal programs for the year ended September 30, 2024. The City of Fanning Springs major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Fanning Springs complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Fanning Springs and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Fanning Springs compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Fanning Springs federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Fanning Springs compliance based on our audit. 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, Government Auditing Standards, the Uniform Guidance and DEO Audit and Audit Resolution Responsibilities, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Fanning Springs compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Fanning Springs compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Fanning Springs internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Fanning Springs internal control over compliance. Accordingly, no such opinion is expressed.

Other Matters

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

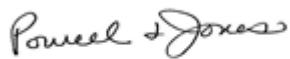
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Powell and Jones CPA
Lake City, Florida
June 11, 2025



Powell and Jones CPA

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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, 2024, 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 June 11, 2025.

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 2024-001, that we consider to be a significant deficiency.

Compliance and Other Matters

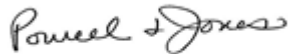
As part of obtaining reasonable assurance about whether the City of Fanning Springs, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 June 11, 2025

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
June 11, 2025



Powell and Jones CPA

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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, 2024, 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.

Tabulation of Uncorrected Audit Findings

Current Year Finding Number	2022-23 FY Finding Number	2021-22 FY Finding Number
2024-001	2013-1	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, 2024:

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

	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Operating Income/(Loss)	\$ (419,672)	\$ (496,047)	\$ (247,616)	\$ (125,274)	\$ (79,493)	\$ (163,347)
Unrestricted Net Position	27,001	170,641	417,869	865,983	678,337	506,522
Cash Balance	454,681	558,440	734,769	1,112,330	843,640	694,161
Change in cash	(103,759)	(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:

	9/30/2024	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Excess of revenues over (under) expenditures	\$ (133,724) *	\$ (16,309)	\$ 25,778	\$ (81,196)	\$ (66,861)	\$ (4,011)
Fund balance	707,037	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, 2024, as provided in the audit requirements for USDA-Rural Development borrowers.

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

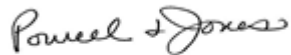
Property Assessed Clean Energy Programs (PACE) - As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082,

Florida Statutes, operated within the Town's geographical boundaries during the fiscal year under audit.

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

CONCLUSION

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

A handwritten signature in cursive script, appearing to read "Powell & Jones".

Powell and Jones CPA
Lake City, Florida
June 11, 2025



Powell and Jones CPA

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

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

We have examined the City of Fanning Springs', Florida's (The City) compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2024. 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, 2024.

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
June 11, 2025



Powell and Jones CPA

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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, 2024. 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 2024. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant

to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 11, 2025.

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

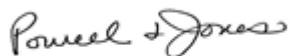
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses 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
June 11, 2025

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting	
● Material weakness(es) identified?	No
● Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
● Material weakness(es) identified?	No
● Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Rule 10.656, <i>Rules of the Auditor General</i> ?	No

Identification of major programs:

CSFA/Grant Numbers:

14.228

Name of Program of Cluster

Community Development Block Grant (CDBG)

Dollar threshold used to distinguish between Type A and Type B programs:	750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS

Significant Deficiency

2024-001 (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 finding.

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