

CITY OF CRYSTAL RIVER, FLORIDA
FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022

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CITY OF CRYSTAL RIVER, FLORIDA

FINANCIAL REPORT
SEPTEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
the City Council,
City of Crystal River, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crystal River, Florida (the "City"), as of and for the year ended September 30, 2022, 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, each major fund, and the aggregate remaining fund information of the City as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the General Fund and Community Redevelopment Authority budget comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 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 on pages 4 through 17, schedules of contributions – FRS and HIS, schedules of the City's proportionate share of the net pension liability – FRS and HIS, and schedule of the City's total OPEB liability and related ratios on pages 50 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements and schedule of expenditures of federal awards and state projects, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and Chapter 10.550, Rules of the Auditor General of the State of Florida, are 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 combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards and state projects 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 dated June 29, 2023, on our consideration of the City'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'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 considering the City's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Bradenton, Florida
June 29, 2023

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CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

As management of the City of Crystal River, Florida, (the "City") we offer readers of the City of Crystal River, Florida's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2022.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, developmental services, and culture and recreation. The business-type activities of the City include water, sewer, sanitation and a City wildlife refuge operations.

The government-wide financial statements can be found on pages 18 through 20 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: (1) governmental funds, and (2) proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Improvement Fund, and Community Redevelopment, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund and Capital Improvements Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21 through 24 of this report.

Proprietary funds. The City of Crystal River, Florida maintains proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, sanitation, and Three Sisters operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and sanitation operation, which are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 27 through 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 49 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements can be found on pages 55 and 56 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58,601,666 at the close of the most recent fiscal year.

By far the largest portion of the City's net position, 72%, reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment). 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.

CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

City of Crystal River, Florida's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 13,350,593	\$ 11,037,959	\$ 8,509,175	\$ 7,954,907	\$ 21,859,768	\$ 18,992,866
Capital assets	17,499,047	17,375,778	31,142,272	27,931,395	48,641,319	45,307,173
Total assets	<u>30,849,640</u>	<u>28,413,737</u>	<u>39,651,447</u>	<u>35,886,302</u>	<u>70,501,087</u>	<u>64,300,039</u>
Total deferred outflows of resources	<u>810,071</u>	<u>721,683</u>	<u>238,882</u>	<u>220,389</u>	<u>1,048,953</u>	<u>942,072</u>
Other liabilities	1,903,406	1,267,688	1,041,867	686,898	2,945,273	1,954,586
Long-term liabilities	5,600,537	4,298,012	4,232,401	3,393,762	9,832,938	7,691,774
Total liabilities	<u>7,503,943</u>	<u>5,565,700</u>	<u>5,274,268</u>	<u>4,080,660</u>	<u>12,778,211</u>	<u>9,646,360</u>
Total deferred inflows of resources	<u>151,615</u>	<u>1,414,522</u>	<u>18,548</u>	<u>369,304</u>	<u>170,163</u>	<u>1,783,826</u>
Net position:						
Net investment in capital assets	14,596,526	14,295,580	27,574,831	24,798,130	42,171,357	39,093,710
Restricted	4,166,341	3,441,056	1,772,090	95,092	5,938,431	3,536,148
Unrestricted	5,241,286	4,418,562	5,250,592	6,763,505	10,491,878	11,182,067
Total net position	<u>\$ 24,004,153</u>	<u>\$ 22,155,198</u>	<u>\$ 34,597,513</u>	<u>\$ 31,656,727</u>	<u>\$ 58,601,666</u>	<u>\$ 53,811,925</u>

An additional portion of the City's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining \$10,491,878 balance of *unrestricted net position* may be used to meet the government's ongoing obligations to citizens and creditors.

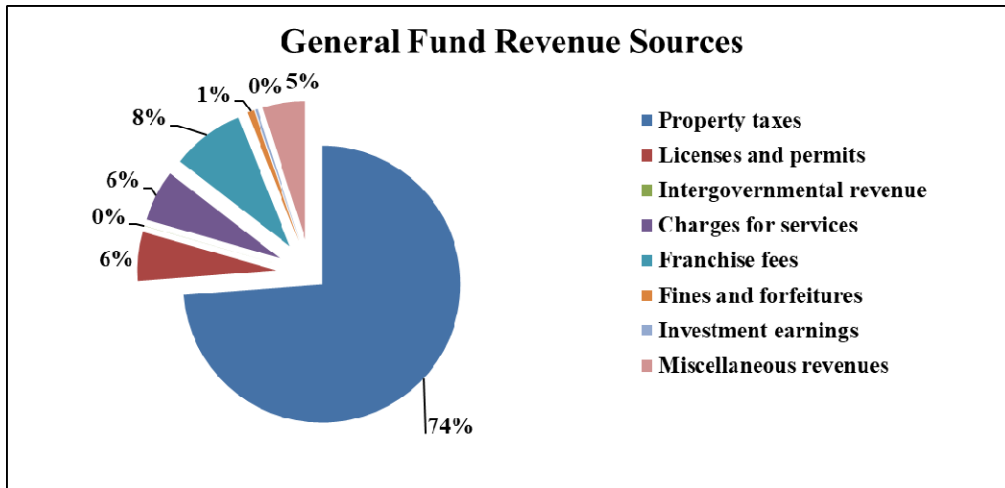
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities increased the City's net position by \$1,848,955.

CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

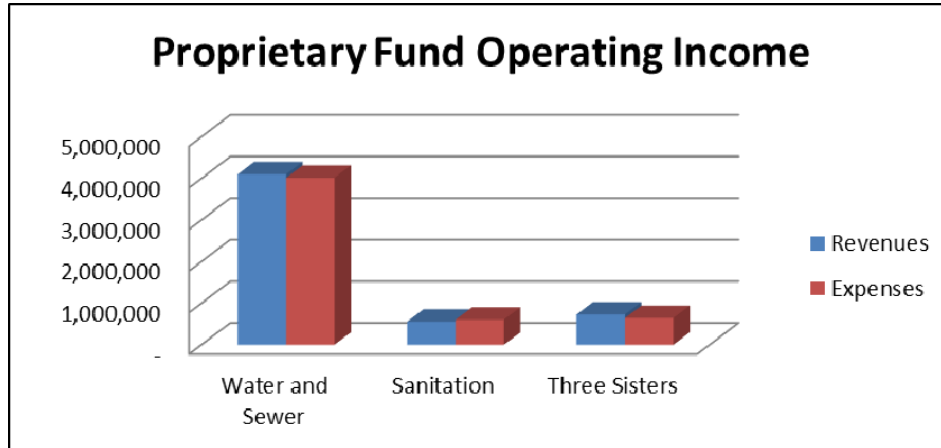
City of Crystal River, Florida’s Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 822,271	\$ 747,219	\$ 5,387,904	\$ 5,605,598	\$ 6,210,175	\$ 6,352,817
Operating grants and contributions	310,310	931,658	-	-	310,310	931,658
Capital grants and contributions	84,805	40,038	2,996,151	1,753,399	3,080,956	1,793,437
General revenues:						
Property taxes	5,489,571	4,300,234	-	-	5,489,571	4,300,234
Other taxes	812,740	736,752	-	-	812,740	736,752
Other	510,406	286,823	53,638	33,992	564,044	320,815
Total revenues	8,030,103	7,042,724	8,437,693	7,392,989	16,467,796	14,435,713
Operating expenses:						
General government	2,397,727	2,245,046	-	-	2,397,727	2,245,046
Public safety	1,426,354	1,302,307	-	-	1,426,354	1,302,307
Highways and streets	937,439	856,186	-	-	937,439	856,186
Physical environment	891,424	634,910	-	-	891,424	634,910
Culture and recreation	417,239	448,954	-	-	417,239	448,954
Economic development	202,275	360,058	-	-	202,275	360,058
Interest	76,620	98,014	-	-	76,620	98,014
Water and sewer	-	-	4,084,574	3,627,522	4,084,574	3,627,522
Sanitation	-	-	601,918	1,061,870	601,918	1,061,870
Three Sisters	-	-	642,485	542,669	642,485	542,669
Total operating expenses	6,349,078	5,945,475	5,328,977	5,232,061	11,678,055	11,177,536
Increase in net position before transfers	1,681,025	1,097,249	3,108,716	2,160,928	4,789,741	3,258,177
Transfers	167,930	310,947	(167,930)	(310,947)	-	-
Change in net position	1,848,955	1,408,196	2,940,786	1,849,981	4,789,741	3,258,177
Net position, beginning	22,155,198	20,747,002	31,656,727	29,806,746	53,811,925	50,553,748
Net position, ending	\$ 24,004,153	\$ 22,155,198	\$ 34,597,513	\$ 31,656,727	\$ 58,601,666	\$ 53,811,925



CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

Business-type activities. Business-type activities increased the City’s net position by \$2,940,786.



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$11,102,431 an increase of \$1,817,184 in comparison with the prior year. Of the total, \$4,411,060 or 40% constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of the fund balance is *non-spendable, restricted or committed* to indicate that it is not available for new spending because it has already been restricted or committed for specific purposes.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$4,411,060 while total fund balance increased to \$7,038,176. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 86% of total General Fund expenditures, while total fund balance represents 137% of that same amount.

The fund balance of the City’s General Fund increased \$1,082,828 during the current fiscal year as shown on page 25 compared to a \$664,885 increase for fiscal year 2021. This increase was attributable to both revenue and expenditure variances. Fiscal year 2022 continued to be a different year for all businesses – both private and public due to continued economic uncertainties. Both revenues and expenditures were impacted by all types of businesses – some positive and some negative. Fiscal year 2022 reflects revenue receipts 1.3% less than budgeted and expenditures 1.13% less than budgeted.

On the revenue side, approximately half of our revenues come from our Ad Valorem Tax. Unfortunately, for the public sector some of our revenue sources come from the state where they continue to reflect uncertainties following the COVID-19 pandemic; many municipalities remain conservative as the economic condition remains unclear. The City of Crystal River also continues to remain conservative. Fortunately, our state revenue collections were approximately \$62,685 more or 10% more than budgeted. The City continues to see an increase with regards to electric service tax and electric franchise fees; we collected over \$140,470 more or

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

13% more than budgeted. Also, building permits and zoning fees were over \$56,992 or 22% more than projected; this was considerably higher than FY2021 that saw an increase of \$28,606. The economy was so uncertain, the City was very conservative in this area. The Kings Bay Paddlecraft Program saw a full year in FY2022 as the program was new for the City in February 2021. This program encompasses the parking meters and the new Kayak Corral Lease program. Management remained conservative with this revenue source as it was fairly new; we collected over \$37,849 more or 7% more than projected. Management's conservative revenue budgeting strategy along with other revenue sources continues to complement a positive cash flow for the City.

Ad Valorem revenues make up approximately 50% of the General Fund revenue source. The City has run for over ten years at an average millage rate of 4.2 – 3.8 for five plus years until 2014 when it was raised to 4.2, then raised to 4.5 in 2017 and 4.8 in 2019 where it has remained. As costs continue to increase with little to no increase in revenues, the City must find options to balance the budget. Management felt previous budgeting strategies kept the millage rate low but were not financially sound for the City long term and must look at increasing the millage rate. The Council looked at three millage rates – 6.2, 6.4 and 6.9 mills – each one higher than the City's current rate of 4.8 mills. In July 2021 the Council approved a tentative 6.9 mills due to some inevitable cost increases. Management was aware of several up-and-coming cost increases. The State of Florida increased the minimum wage to \$15 hour by September 2026; the City must be in compliance with this mandated labor cost increase. Health insurance and pension rates continuously increase; the law enforcement and janitorial services continue to increase along with overdue equipment repairs and replacements. The City had to make a change in order to cover costs sooner rather than later. The Council approved a final millage rate of 6.59 mills. This equates to an increase of approximately \$1,460,000 or 27% more in revenue for the City. This additional revenue provides the City the coverage required by the State for Amendment 2 that must be in place over the next five years as well as provide the flexibility for additional Community projects the residents have been requesting. The City had to move forward with this alternative to cover our on-going dilemma of providing a high level of service to our residents and at the same time balancing the budget.

On the expenditure side, the City also chose to remain conservative with their spending due to the economic uncertainties; however, some of the excess expenditure budget was due to some projects not occurring during the year and or not being completed. The City Civic Master Plan finalized in FY2022; the rewrite of the City-Wide Land Development Code was to follow but was moved out; this accounted for \$60,000 less in expenditures. Also, code enforcement was not as aggressive, including the cost of the code compliance software was less - both accounting for over \$36,000 less in expenditures. Funds are budgeted each year in anticipation of unexpected storms as well as for our Waterfront board; funds totaling over \$13,000 were not utilized this year. Also, renewal and replacement transfers are necessary every year for purchases; many purchases were delayed due to non-manufacturing and, or extensive delays in delivery; this accounted for approximately a \$300,000 savings this year. Like both the government and private sector, the City experienced several vacant positions for months accounting for approximately \$106,515 less in expenditures. A restructure among staff and contract labor occurred for the weekend cleaning of the parks; this resulted in a cost savings of over \$16,500 to the City. A few operating expenditures came in less than budget accounting for approximately an additional \$135,000 savings. Overall, expenditures came in approximately \$650,000 less than budgeted – a 11% overall savings for the City.

The City continues to enhance and strengthen the oversight of the Crystal River parks, waterways and the residential and business community. Management and staff along with the assistance of the contracted services of the County Sheriff's office have made great strides with enforcement of City ordinances and regulating businesses through code enforcement and business licensing. Management and the community have observed a reduction of illegal and dangerous situations within our parks and on our waterways.

Overall, the net result of these revenue and expenditure variances did increase the City's General Fund balance at the close of the year by \$1,083,068. The General Fund revenues collected were in line with expectations and operating expenditures were not as high as projected.

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

The Crystal River Community Redevelopment Agency (CRA) of the City continues to develop and grow. Management and staff continue to promote our downtown area through Main Street, festivals and now the Town Square along with our new Linear Park/Splash pad. December 2021 was the grand opening of the Linear Park. The City Holiday Festival was held there; Management received compliments from individuals from all around the world – some said it looked like a Hallmark card. Business owners see the growth of our City and continue to bring new businesses to our CRA district. Existing businesses see the potential of the City and continue to make renovations to their buildings to promote their business to the many tourists that visit our community.

Proprietary Funds. Crystal River is comprised of three proprietary funds – Water and Sewer, Sanitation and Three Sister Springs. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The Water and Sewer Fund shows revenues less than expenditures for the year. Revenues for this fund primarily are derived from water and sewer utility billings. However, fiscal year 2022, the utility billings were 50.9% of total revenues as grant revenues comprised 42.1% of total revenues unlike fiscal year 2021 where utility billings were 91% of total revenues. The City also receives funds monthly from Duke Energy for reclaimed water; the City pumps reclaimed water to the Duke Energy Crystal River Power Plant for electricity. The effluent water is used in lieu of operation of two coal plants CR4 and CR5. The City received a total of \$24,213 from Duke Energy for the fiscal year 2022. The overall fund balance for the water and sewer operating and construction funds is over \$33 million. In fiscal year 2022 staff continued with the U.S. Highway 19 utility relocations in connection with the Florida Department of Transportation road-widening project along with the construction of the sewer line system within Indian Shores at an estimated cost of \$7 million. The Indian Shores project has been partially funded through a grant. The full water meter replacement project kicked off in March 2022 and wrapped up in October 2022. The total cost of this project was \$3.2 million and funded by a State Revolving Fund loan forgiveness program.

Council approved a five-year contract with U.S. Water Services Corporation in August 2016 (fiscal year 2016); they took over the City's Utility Operations Management effective December 1, 2016, after the City had employed the same company in this position for approximately 26 years. U.S. Water continues to make important operational improvements related to the City water and sewer systems. The City has experienced a water loss for several years and U.S. Water continues to perform leak tests on our lines to determine areas of concern as well as replace customer aging meters for more accurate comparisons of water pumped to water billed. Management expects to see a decrease in water loss due to the new water meters. These meters alert when a possible leak occurs as well as provide accurate readings.

Sanitation continues to hold its own as an enterprise fund. Garbage pickup has been contracted to an outside carrier for years to retain lower rates for the City customers. In December 2021, the vendor took over the commercial accounts, including pickup, customer service and billing. Management continues to monitor the activity.

Crystal River has become a worldwide tourist destination, with about 340,000 visitors annually. Forty-five thousand people alone visit the Three Sisters Springs units of the Crystal River National Wildlife Refuge yearly. The Three Sister Springs entered its seventh year of operations in 2022 to continue to provide the community and tourists the opportunity to share an experience with the manatee and enjoy one of the most beautiful and memorable sites of the City of Crystal River. The City serves as the official concessionaire for land access to the Three Sisters Springs Unit of the Crystal River National Wildlife Refuge. The Three Sisters Springs Center provides valuable information to visitors to Crystal River about Three Sisters Springs, manatee eco-tourism, shopping, dining, entertainment, and other points of interest that the City and Citrus County has to offer. 202 was the fifth year for the site to remain open year-round. Manatee season runs from November 15 through March 31; however, the Center and Refuge are still open seven days a week and closed for a few select holidays. City personnel staff the Refuge and the Welcome Center, and a trolley service is provided to transport visitors to and from the Center and Refuge as well as make various stops

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

throughout the City to assist in promoting the local businesses. The City purchased a trolley in 2017 and 14 passenger van in 2018. In fiscal year 2019, management and staff worked to develop a capital improvement plan to complete various infrastructure projects. In fiscal year 2023 the refuge will be closed for refurbishment of the banks; most of the employees will be furloughed during this time. Management hopes the closure will not hinder tourism for the City. This enterprise fund has prospered as a business and been a self-sufficient fund. The City continues to work with U.S. Fish and Wildlife to maintain a desirable management plan for all parties involved.

Capital Improvements Fund Budgetary Highlights

During the year there was an increase between the original budget and the final amended budget due to a few projects that began in prior years and were not completed; as a result, the remaining budget was rolled forward to 2022. Such projects included the Civic Master Plan, Linear Park/Splash Pad, implementation of the Bayside Master Plan, the continuous U.S. 19 Road Widening/Utility Relocation, and the utility meter replacement program, along with the construction of the new sewer expansion project within the Indian Waters area of the City. The City also had contracts for several new trucks and equipment which were delayed for over a year due to the ongoing nationwide shipping dilemma.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2022, amounts to \$48,641,319 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities and roads. The total increase in the City's investment in capital assets for the current fiscal year was 7.4% (a .7% increase for governmental activities and a 11.5% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

We added \$5,281,980 of Construction in Progress for the governmental and business type funds, primarily due to the three bridge repairs, the Indian Waters Sewer Expansion Project, the Utility Meter Replacement Program along with the beginning of a downtown parking project, Paradise Point Force main and Pelican Bay Wastewater Treatment Plant Abandonment projects and more work on the on-going U.S. 19 Road Widening/Utility Relocation project. The City also finalized and began capitalization of \$2,006,626 for the Town Square, Linear Park/Splash Pad, the Civic Master Plan and repairs/maintenance of three bridges.

Utility Meter Replacement Program

The City Sensus water meters had aged – many were over twenty years old. Mechanical water meters slow down over time, resulting in inaccurate readings. Management had been exploring options for replacing the aged meters for almost five years. In May 2018, Council authorized Florida Rural Water Association to provide engineering assistance with the development of a Drinking Water State Revolving Fund loan application package for a complete water meter replacement program based on Advanced Metering Infrastructure “AMI” technology, lead gooseneck mitigation and additional water main isolation valves. In August 2018, Florida Department of Environmental Protection approved the first loan in the amount of \$70,000 for preconstruction activities which included FRWA's planning and design services as well as a leak detection study intended to help correct chronic unaccounted water loss. In March 2019, Council approved the purchase of leak detection equipment and authorized the leak study. These tasks were completed, and all planning and design phase deliverables were submitted to FDEP. The project then moved into the construction phase including preparation of RFP documents; the project was advertised in March 2021 and awarded to Pedal Valves, Inc. with a contract price of \$3,209,192.42. The SRF construction loan agreement forgives 62% of the cost. Pedal Valve began installation of Badger E-Series ultrasonic water meters with cellular-based endpoints at the end of March 2022; installation was finalized the close of October 2022. The new meters now read accurately and provide readings every quarter of an hour. Staff can monitor the customer usage daily and determine possible leaks and high usage to better assist the customers. This project has been a great success for the Crystal River Utility Department.

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

Indian Waters and Southern Sewer Expansion Projects

In September 2016, City staff identified the possibility of expanding the existing Indian Waters Sewer Project that included 103 canal front residents, all outside the City's limits, served by septic systems and Crystal River State Park for an approximate cost of \$1,850,000. The second phase of the project would add 287 additional residents for approximately \$4 million bringing the total investment to \$5,850,000. The City was originally awarded a \$997,000 Florida Department of Environmental Protection Springs Initiative grant for Phase 1 and the City committed \$100,000 from the Water & Sewer Enterprise Fund. Unfortunately, construction costs have significantly increased since development of the original 2015 cost estimate that formed the basis of the grant award. Costs have increased to \$2.15 million for Phase 1 and almost \$5 million for Phase 2. The project will not cost City taxpayers as the benefitting property owners will absorb the cost differential between actual total project costs less the grant funding and less the City commitment through the levy of a special assessment to their property taxes.

Several assessment workshops were held to explain the full process and financial impact to those property owners. At the start of the workshops, property owners were tentatively facing either an upfront charge of \$10,304 or an annual payment of \$861 on their tax bill for the next twenty years. Before a final assessment was set in September 2021, City staff obtained an additional \$500,000 state grant funding to help offset the increased project costs. The final assessment options were reduced to either a \$5,976 prepay charge or an annual assessment of \$832 over ten years. Council approved a construction contract in September 2021 for Phase 1 and construction was completed in fiscal year 2022. This project expands the City's sewer system outside of City limits and takes seventy-seven septic tanks offline reducing the amount of nitrogen entering the groundwater feeding the springs in and around Kings Bay. The affected property owners will have 365 days to pump out their septic tanks and hook their homes up to the City's sewer pipeline. The City also applied for an additional grant to assist each property owner with the connection costs of \$3,550. Management now must finalize the RFP process to hire a contractor or contractors to complete the connection process for all property owners. There are strict guidelines that must be adhered to for the City to be assured funding reimbursement by FDEP.

The Indian Water Phase 2 and Southern Sewer projects have been paused at this time. The staff needs more time to secure additional funding due to the increased construction costs which would result in an unreasonable assessment cost to the residents. The City has cancelled the grant agreement with SWFWMD and will be applying for a new grant with FDEP that has a well-established septic-to-sewer grant program, a likely source of future project funding.

Kings Bay Park Paddlecraft Franchise Program and Kings Bay Masterplan

In February 2021, Crystal River promoted a new concept - a Regional Kings Bay Park Paddlecraft Launch Center to navigate the King's Bay congestion and ease the impact of watercraft overcrowding in King's Bay. Many kayak/paddlecraft businesses had been utilizing the City parks to conduct their business at the expense of the City assets for years. Five paddlecraft businesses pay a \$750 per month Kayak Corral Lease fee in exchange for Franchisee's exclusive possession and use of a "kayak corral" within Kings Bay Park during the Park's hours of operation for the orderly storage of paddlecraft. The Franchisee pays \$5 per launch for each paddlecraft launched at Kings Bay Park using wristbands that are purchased in bulk with the City. What the City takes in from launches and leases cycles back into maintaining its park system, paying a full-time park supervisor, five part-time park rangers and other visitor-related endeavors. The Kings Bay Masterplan continues to explore many ideas for improvements to bring the park up to its potential and be able to captivate more visitors.

Management continues to create a long-term redevelopment plan for Kings Bay so the City can better handle and move the increased traffic Crystal River continues to experience as it grows.

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

Town Square Phase 2 – Linear Park/Splash Pad

Crystal River opened its first splash pad park in November 2021. This park makes up another component of the City's plans to better weave the businesses and amenities along Citrus Avenue. A \$450,000 state grant from 2019 and a \$350,000 pledge from the City funded the 1,000-square-foot splash pad with a dozen underground fountains, which jet streams water into the air along with rings of light at the base of each fountain shining colors into the water with the press of a button, turning an evening at the City Park into a dazzling, luminescent show. A shaded area, shower, sidewalks and landscaping were also installed around the splash pad, along with a concrete patio underneath the water tower to provide space for businesses the option to rent out the historic and renovated pump house from the City. The Special Events Director has been holding First Fridays monthly at this new City Park along with our annual Christmas Festival. The City received numerous compliments suggesting the City looked like a Hallmark Movie during the December 2021 Christmas Festival. The linear park serves as a recreational hub for the community that previously was limited on a centralized public event/gathering place. The City's vision is to get people downtown and that ultimately helps the commercial district.

Three Bridges Maintenance Project

The City had three bridges listed on the National Bridge Inventory which were subject to Florida Department of Transportation inspection. Inspection reports included repair recommendations. Two of the City's three bridges had been identified as requiring maintenance repairs. The two bridges were SW 1st Court serving Paradise Isle and SE 1st Court serving Palm Island. Both were constructed in 1960 and are the smaller of the three bridges. The other City bridge is the Humpback Bridge on Kings Bay Drive which was constructed in 1991 and was stated to be in very good condition according to the FDOT inspection report.

Southern Road and Bridge, a Florida Certified General Contractor based out of Tarpon Springs had completed numerous bridge rehabilitation projects throughout the Southern United States and is a FDOT pre-qualified contractor; they were awarded the \$227,203.57 contract. The total project cost was \$242,009.94 including the cost of the engineering consultant and was completed in fiscal year 2022.

Downtown Parking Projects

Parking continues to be a problem for the City of Crystal River as the City continues to experience growth as a tourist destination. The downtown area sees a lot of traffic, but not ample parking. The City has contracted to design and permit upgrades to an existing lime rock parking lot on Northwest First Avenue. The goal is to refresh the parking lot, develop a more efficient parking pattern while incorporating the newly acquired properties that are contiguous to U.S. 19, develop a utility service corridor behind many of the Citrus Avenue businesses and formally connect the Riverwalk with downtown or Citrus Avenue. Management continues to pursue design options for on-street parking as well. Along with off-street parking lots, the City will benefit from the establishment of on-street parking.

Mausoleum Museum Granite Replacement

The marble facades installed on the Mausoleum crypts at The Memorial Gardens Cemetery were in major disrepair and needed to be replaced. The mausoleum was built in the 1967–1968-time frame. The marble that was used when the building was constructed was very soft and does not hold up well in the direct sunlight and high thermal expansion from the sun. The new faces were refurbished with granite. The contract was awarded to Daly & Zilch at a cost of \$71,980.

Civic Master Plan

The City desired a community-wide Civic Master Plan – a blueprint for development and redevelopment in Crystal River for the next fifty years. The Civic Master Plan focuses on helping the City to maximize its potential while at the same time making sure that it continues to be the place that its residents want to be. The plan provides the chance to design key streets, public spaces, and other property while recommending regulations and strategies that are in alignment with the community's values. The Crystal River Civic Master Plan was approved in April 2022 following almost two years of work.

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

Dover Kohl and Partners is a nationally recognized firm focused on revitalizing traditional towns, building great new places, growing neighborhoods and fixing sprawl by design. The Council approved a contract in May 2020 for Dover, Kohl and Partners to maximize the planning process, promote community outreach and engagement and create three conceptual street designs for SR-44 and its surrounding parcels. The consultant created a report reflecting a strong civic engagement process that included two multi-day design charrettes, over 16 group meetings, and a bus tour of the City. The two design charrettes included a three-day online event comprised of nearly 150 participants as well as a week-long in person charrette with over 450 participants. The plan focused on three areas – Copeland Park Neighborhood and State Road 44, Downtown Waterfront and Community Redevelopment Area, and U.S. Highway 19 Shopping Center Retrofits and Neighborhood Center Developments. The team also identified five guiding principles or big ideas – continue to make downtown a vibrant destination, revitalize aging retail centers, and invest in neighborhoods, build safe, comfortable, and interesting streets, protect and restore historic places, and increase access to nature and build resilience.

The plan reflected the City's dedication to preserve and enhance the existing community while promoting new places of character that are both time honored and meaningful. It builds upon the City's investment in its downtown and waterfront areas. These efforts have resulted in expanded access to the waterfront, new parks, a healthier ecosystem, as well as adoption of the region's first form-based code for the City. Private investors have taken notice. Several new developments are planned or are under construction and new businesses are being established. However, the City currently lacks a strong vision for the future, specifically how best to design, integrate and connect new public and private spaces in a manner that reflects the appropriate character and intensity of our community. This process has been made even more difficult by the 2021 update to the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps (FIRMS) which raise the City's Base Flood Elevation for a new building by three to four feet. The Civic Master Plan explores how to meet these increased flood zone requirements without sacrificing design and walkable urbanism. The Civic Master Plan provides our public officials, City staff, community members, local businesses and property owners with a road map that conveys both future changes as well as needed improvements for years to come.

Waste Water Treatment Plant Permit Renewal and Rehab

The City owns and operates, through a contract with U.S. Water, a 1.5 million gallon per day activated sludge wastewater treatment plant. The plant is located on NE 11th Street. The Florida Department of Environmental Protection highly regulates wastewater treatment plants. The current permit from FDEP is a five-year permit and was issued on June 12, 2018, and will expire on August 20, 2023. This permit renewal will result in a significant upgrade to the plant to provide for the additional treatment necessary to meet updated state standards. The plant currently treats wastewater effluent to secondary standards. Recent changes in state law will require the plant be upgraded to tertiary standards designed to remove additional nutrients, more so than the current plan can achieve.

The services proposed to be provided through the Florida Government Utility Authority (FGUA) include several significant components. The first is evaluating the plants' long term flow potential by assessing future growth potential within and out of the City limits. This will be a more detailed evaluation provided in the wastewater master plan. Second is developing facilities plan to evaluate several plant upgrade options and select the best one for future construction. FGUA will then prepare, submit, and obtain the plants' next operating permit. The funding source is the City's allotment of the American Rescue Plan Act (ARPA). Eligible uses of ARPA funds include investments in water, sewer, and broadband. ARPA funds are Federal funds and very restrictive. Because the money is federalized, and highly regulated, management recommended using a portion of the ARPA funds to manage the program for the City.

CITY OF CRYSTAL RIVER, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2022

U.S. 19 Road Widening

The Florida Department of Transportation had been contemplating widening a section of U.S. 19. The City was contacted by FDOT in 2011/2012 to begin preparing to design the relocation of sewer and water lines within the proposed widened area. Then, the scheduling of the work had been moved as it was not anticipated until approximately 2030. The City halted all work on the project. In 2015 FDOT had advised the City the project was now going forward and being expedited. Construction was then anticipated to begin in 2018 which resulted in the City being required to move quickly with the design plans for the relocation of the water and sewer lines. The utility relocation plans were to be incorporated into the FDOT widening plans for construction.

The actual construction work will be completed by FDOT; however, the City has to bear the cost, including cost increases experienced worldwide. The City was required to enter into a third-party escrow agreement with FDOT and State of Florida Department of Financial Services, Division of Treasury requiring the City to deposit funds into an interest-bearing escrow account established for the purpose of the project. This escrow agreement is a procedural mechanism which allows for the UWHCA arrangements. As costs increase, the City is required to deposit additional funds. In early 2020, it was discovered that an area of the force main was requiring an unexpected relocation resulting in an additional cost; the City deposited an additional \$263,731.59 to the escrow in November 2020. As of the close fiscal year 2021, the City had deposited \$993,360.90 into the escrow since February 2018. The City continues to earn interest in these funds. Costs to date incurred for the construction part of the project per FDOT reports total \$955,079.84. The City has spent over \$150,000 for the design portion of the project and expected to incur an additional \$15,000 - \$25,000 as of this date. In fiscal year 2022, the contractor pulled off the job and left the project incomplete. The state has recently restarted the project. The City is awaiting an updated report upon the State's review of all invoices to know if the City may have to contribute additional funding to complete the job. Unfortunately, the City must adhere to the state guidelines, scheduling of this project as well as additional funding requests by the State due to unexpected relocation work.

Water Tower Rehab

The City of Crystal River elevated water storage asset is a riveted tank that has been in service for over seventy years. The laboratory analysis of the existing coating system indicated lead-based paint to be present over 9,800 parts per million. Due to the overall age and design structure of this era of manufacturing requiring the use riveting of metal created numerous areas for surface rust and corrosion to form. The water tower had between 16 to 22 mills of coating which was causing alligator cracking on the surface coating and cause for concern that another over coat would not provide any significant service life. The recommendation was to require containment and abrasive blasting to remove between 90 - 100 years' worth of paint layers down to the tower's steel frame before priming and repainting. The Council approved a \$175,000 contract with Suez, Utility Service Company, Inc.; the City will make five annual installments for the project.

This water tower has served the City since the early 19th century without any prior blasting and large scale major renovations. This is a testament to the overall structure of the asset and what has allowed it to serve the community for almost a century. Maintenance is an integral part of all City assets. The historic water tower may not be an in-service water tower, but it is an iconic part of our downtown.

Pelican Bay Waste Water Treatment Plant Abandonment

One of Florida Department of Environmental Protection's top priorities in the state is the reduction of total nitrates in its waterways. Non-natural occurring nutrients pose a serious threat to the health of the state's waterways and ecosystems. The main sources of total nitrates are the fertilizers used on farmlands, lawns, golf courses, inadequate or field private septic systems and underperforming wastewater treatment plants. To facilitate that objective the State of Florida has invested a substantial amount of money into its FDEP Springs Funding Program.

CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

Pelican Bay Apartments has been served by a packaged wastewater plant using an inefficient and antiquated treatment process. The treated effluent, which is relatively high in nutrient pollutant load, is disposed of through onsite percolation ponds which discharge to groundwater. The FDEP Springs Funding was awarded for this project based on an estimated reduction of 47 pounds of total nitrogen per year through the decommissioning of the package plant and connection to the City's more efficient wastewater treatment plant and disposal regime.

Crystal River's natural springs and abundance of private septic systems within the spring shed, including the Pelican Bay Complex made it an area of high priority, with the City of Crystal River receiving project funding in the amount of \$377,590. The scope of the work includes demolition of the treatment plant, construction of 185 feet of 4" force main, 20 feet of 8" gravity line, the installation of a prefabricated lift station and modification of an existing transfer station. The specific deliverable for this grant is the elimination of the total nitrates produced from the Pelican Bay Apartment Complex treatment plant.

City of Crystal River, Florida's Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Land	\$ 2,952,789	\$ 2,952,789	\$ 616,898	\$ 616,898	\$ 3,569,687	\$ 3,569,687
Construction in progress	2,459,155	3,899,159	5,831,366	1,165,861	8,290,521	5,065,020
Buildings and improvements	6,734,246	5,326,027	7,556,411	8,541,066	14,290,657	13,867,093
Equipment and vehicles	765,280	635,726	2,948,071	3,020,052	3,713,351	3,655,778
Infrastructure	4,587,577	4,562,077	14,189,526	14,587,518	18,777,103	19,149,595
Total capital assets	<u>\$ 17,499,047</u>	<u>\$ 17,375,778</u>	<u>\$ 31,142,272</u>	<u>\$ 27,931,395</u>	<u>\$ 48,641,319</u>	<u>\$ 45,307,173</u>

Additional information on the City of Crystal River, Florida's capital assets can be found in Note 5 on pages 39 and 40 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$1,585,000 and notes payable of \$4,908,159. The bonds payable represent bonds secured solely by specified revenue sources (i.e., revenue bonds). The City also had state revolving loan debt outstanding of \$2,005,638 for the sewer expansion project and a CRA note payable of \$2,902,521 for the Riverwalk Project. The General Fund make an interfund loan agreement in the amount of \$1,250,000 to Water & Sewer Operating in January 2022 to assist with cash flow for the two large water projects – meter replacement program and the Indian Water Sewer Expansion project. The City had to fund the projects up front then were reimbursed through a partial grant and a state forgiveness loan. Additional information can be found in Note 6 on pages 41 and 42.

City of Crystal River, Florida's Long-Term Liabilities Outstanding

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Total OPEB liability	\$ 269,062	\$ 252,426	\$ -	\$ -	\$ 269,062	\$ 252,426
Compensated absences	139,420	146,675	-	-	139,420	146,675
Net pension liability	2,289,534	818,713	641,763	229,568	2,931,297	1,048,281
Bonds payable	-	-	1,585,000	2,015,000	1,585,000	2,015,000
Notes payable	2,902,521	3,080,198	2,005,638	1,149,194	4,908,159	4,229,392
Total debt	<u>\$ 5,600,537</u>	<u>\$ 4,298,012</u>	<u>\$ 4,232,401</u>	<u>\$ 3,393,762</u>	<u>\$ 9,832,938</u>	<u>\$ 7,691,774</u>

CITY OF CRYSTAL RIVER, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

Economic Factors

- The City of Crystal River continued to thrive primarily due to tourism. Businesses benefited from the City's location; Crystal River provides access to the water and outdoors. This outdoor environment continues to bring many visitors to our City which means many people are visiting our businesses.
- Utility rate increases for water and sewer usage were implemented in 2013 and increased 3% each year through the year 2016 based on a rate study completed in 2012. October 2021, Management elected to access a 2% increase as rates had not been adjusted for five years and management recognized expenditures would continue to exceed revenues and ultimately would impact fund balance. The City's Utility Operations Management contract is indexed, and staff had recommended the rates be indexed going forward. Management has proceeded with a full rate study with anticipation to roll out adjustments as recommended by October 2023.
- Ad Valorem tax variances impact our General Fund revenues every year – they comprise almost 50% of the General Fund revenue sources. The County indicated taxable values had increased approximately 4.173%; however, City staff only saw approximately a 3.62% increase. Over the last few years, the final certified taxable value has reflected a decrease of half to almost 2% less than originally reported.
- Health care insurance premiums increased approximately 8.4% compared to the .5% increase in fiscal year 2021; this increase resulted in over \$836 per employee per year accounting for approximately \$26,000 additional employee cost for the year. The FRS pension requirements for the City increased slightly as well for fiscal year 2022 equating to over a \$16,610 impact to General Fund.
- Interest rates moved in a more positive direction this year than in the last few on money placed on deposit with SBA and local bank accounts. While the City cannot control the economy, management can consider options to receive the best rate of return for our funds and continuously monitor the market. The City previously had some Certificates of Deposit totaling over \$2.2 million; they termed in May 2021. The City did not renew the termed CD's since the interest rate was the same as the checking account interest rate. In January 2022, Management chose to look at investment options available once again. The City invested a total of \$5 million in Certificates of Deposit to receive a better return on our cash holdings as permissible per our investment policy.

Requests for Information

This financial report is designed to provide a general overview of the City of Crystal River, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Ken Frink, City Manager, 123 NW Highway 19, Crystal River, Florida 34428.

BASIC FINANCIAL STATEMENTS

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CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 6,673,597	\$ 3,728,178	\$ 10,401,775
Investments	3,359,046	1,815,425	5,174,471
Accounts receivables, net	589,775	829,988	1,419,763
Notes receivable	-	165,021	165,021
Due from other governments	115,521	1,055,240	1,170,761
Internal balances	1,468,621	(1,468,621)	-
Prepaid items	122,451	116,793	239,244
Inventory	-	252,362	252,362
Restricted assets, cash and cash equivalents	1,021,582	2,014,789	3,036,371
Capital assets			
Non-depreciable	5,411,944	6,448,264	11,860,208
Depreciable, net	12,087,103	24,694,008	36,781,111
Total assets	30,849,640	39,651,447	70,501,087
Deferred outflows of resources			
Deferred outflows - pension	769,471	215,685	985,156
Deferred outflows - OPEB	40,600	-	40,600
Deferred charge on refunding	-	23,197	23,197
Total deferred outflows	810,071	238,882	1,048,953
Liabilities			
Accounts payable	203,161	748,469	951,630
Accrued liabilities	35,459	7,973	43,432
Due to other governments	55,491	-	55,491
Accrued interest payable	13,575	33,059	46,634
Customer deposits payable	-	252,366	252,366
Unearned revenue	1,595,720	-	1,595,720
Noncurrent liabilities			
Due within one year	272,910	521,302	794,212
Due in more than one year	5,327,627	3,711,099	9,038,726
Total liabilities	7,503,943	5,274,268	12,778,211
Deferred inflows of resources			
Deferred inflows - pension	66,169	18,548	84,717
Deferred inflows - OPEB	85,446	-	85,446
Total deferred inflows	151,615	18,548	170,163
Net position			
Net investment in capital assets	14,596,526	27,574,831	42,171,357
Restricted for			
Capital improvements	2,267,800	-	2,267,800
Community development	1,750,593	-	1,750,593
Public safety	100,599	-	100,599
Cemetery	47,349	-	47,349
Debt service	-	1,772,090	1,772,090
Unrestricted	5,241,286	5,250,592	10,491,878
Total net position	\$ 24,004,153	\$ 34,597,513	\$ 58,601,666

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

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/programs				
Primary government:				
Governmental activities:				
General government	\$ 398,311	\$ 761,205	\$ -	\$ -
Public safety	1,426,354	50,207	-	-
Highways and streets	937,439	10,859	310,310	84,805
Physical environment	891,424	-	-	-
Culture/recreation	417,239	-	-	-
Economic development	202,275	-	-	-
Interest on long-term debt	76,620	-	-	-
Total governmental activities	<u>4,349,662</u>	<u>822,271</u>	<u>310,310</u>	<u>84,805</u>
Business-type activities:				
Water and sewer	4,084,574	4,101,216	-	2,996,151
Sanitation	601,918	557,304	-	-
Three Sisters	642,485	729,384	-	-
Total business-type activities	<u>5,328,977</u>	<u>5,387,904</u>	<u>-</u>	<u>2,996,151</u>
Total primary government	<u>\$ 9,678,639</u>	<u>\$ 6,210,175</u>	<u>\$ 310,310</u>	<u>\$ 3,080,956</u>

General revenues
 Property taxes
 Gas taxes
 Sales taxes
 Franchise fees
 Investment earnings
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net position

 Net position, beginning of year
 Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,636,522)	\$ -	\$ (1,636,522)
(1,376,147)	-	(1,376,147)
(531,465)	-	(531,465)
(891,424)	-	(891,424)
(417,239)	-	(417,239)
(202,275)	-	(202,275)
(76,620)	-	(76,620)
<u>(5,131,692)</u>	<u>-</u>	<u>(5,131,692)</u>
-	3,012,793	3,012,793
-	(44,614)	(44,614)
-	86,899	86,899
<u>-</u>	<u>3,055,078</u>	<u>3,055,078</u>
<u>(5,131,692)</u>	<u>3,055,078</u>	<u>(2,076,614)</u>
5,489,571	-	5,489,571
222,507	-	222,507
35,255	-	35,255
554,978	-	554,978
32,095	27,137	59,232
478,311	-	478,311
-	26,501	26,501
167,930	(167,930)	-
<u>6,980,647</u>	<u>(114,292)</u>	<u>6,866,355</u>
1,848,955	2,940,786	4,789,741
22,155,198	31,656,727	53,811,925
<u>\$ 24,004,153</u>	<u>\$ 34,597,513</u>	<u>\$ 58,601,666</u>

CITY OF CRYSTAL RIVER, FLORIDA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	General Fund	Capital Improvements Fund	Community Redevelopment	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 3,165,864	\$ 1,937,674	\$ 1,508,987	\$ 61,072	\$ 6,673,597
Investments	3,085,353	10,901	262,792	-	3,359,046
Accounts receivable, net	541,131	22,040	-	26,604	589,775
Due from other funds	1,162,173	306,448	-	-	1,468,621
Due from other governments	43	115,478	-	-	115,521
Prepaid items	113,377	-	9,074	-	122,451
Restricted cash and cash equivalents	1,021,582	-	-	-	1,021,582
Total assets	\$ 9,089,523	\$ 2,392,541	\$ 1,780,853	\$ 87,676	\$ 13,350,593
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	\$ 167,987	\$ 9,263	\$ 25,911	\$ -	\$ 203,161
Accrued liabilities	34,558	-	901	-	35,459
Unearned revenue	1,595,720	-	-	-	1,595,720
Due to other governments	10,229	-	-	45,262	55,491
Total liabilities	1,808,494	9,263	26,812	45,262	1,889,831
Deferred inflows of resources					
Unavailable revenue	242,853	115,478	-	-	358,331
Fund balances					
Nonspendable	113,377	-	9,074	-	122,451
Restricted					
Capital improvements	-	2,267,800	-	-	2,267,800
Community development	-	-	1,744,967	5,626	1,750,593
Public safety	63,811	-	-	36,788	100,599
Cemetery	47,349	-	-	-	47,349
Committed					
Capital improvements	902,579	-	-	-	902,579
Emergency reserves	1,500,000	-	-	-	1,500,000
Unassigned	4,411,060	-	-	-	4,411,060
Total fund balances	7,038,176	2,267,800	1,754,041	42,414	11,102,431
Total liabilities, deferred inflows of resources, and fund balances	\$ 9,089,523	\$ 2,392,541	\$ 1,780,853	\$ 87,676	\$ 13,350,593

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

CITY OF CRYSTAL RIVER, FLORIDA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2022**

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances - governmental funds		\$ 11,102,431
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 28,277,941	
Accumulated depreciation	<u>(10,778,894)</u>	17,499,047
Revenues not available to pay current period expenditures are reported as unavailable revenue in the governmental funds.		
		358,331
Deferred outflows, deferred inflows, the net pension liability and the total OPEB liability related to the City's pension and OPEB plans are not expected to be liquidated with expendable available financial resources and, therefore are not reported in the funds.		
Deferred outflows - pension	769,471	
Deferred inflows - pension	(66,169)	
Deferred outflows - OPEB	40,600	
Deferred inflows - OPEB	(85,446)	
Total OPEB liability	(269,062)	
Net pension liability	<u>(2,289,534)</u>	(1,900,140)
Certain liabilities are not due and payable in the current period and are therefore not reported in the funds.		
Compensated absences	(139,420)	
Accrued interest	-	
Note payable	<u>(2,902,521)</u>	(3,041,941)
Net position of governmental activities		<u>\$ 24,017,728</u>

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

**CITY OF CRYSTAL RIVER, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Capital Improvements Fund</u>	<u>Community Redevelopment</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 4,803,909	\$ -	\$ 685,662	\$ -	\$ 5,489,571
Other taxes	-	222,507	-	-	222,507
Licenses and permits	372,165	-	-	-	372,165
Intergovernmental revenues	1,415	120,060	450,000	-	571,475
Charges for services	389,040	-	-	-	389,040
Franchise fees	554,978	-	-	-	554,978
Fines and forfeitures	50,207	-	-	-	50,207
Impact fees	-	-	-	10,859	10,859
Investment earnings	19,090	7,641	5,228	136	32,095
Miscellaneous revenues	322,319	155,992	-	-	478,311
Total revenues	<u>6,513,123</u>	<u>506,200</u>	<u>1,140,890</u>	<u>10,995</u>	<u>8,171,208</u>
Expenditures					
Current					
General government	2,265,950	3,787	-	-	2,269,737
Public safety	1,360,399	5,565	-	-	1,365,964
Highways and streets	269,160	46,700	-	-	315,860
Physical environment	853,908	-	-	-	853,908
Economic development	10,881	241	148,401	-	159,523
Culture/recreation	344,682	29,736	-	-	374,418
Debt service					
Principal retirement	-	-	177,677	-	177,677
Interest	-	-	77,457	-	77,457
Capital outlay	20,929	765,714	140,767	-	927,410
Total expenditures	<u>5,125,909</u>	<u>851,743</u>	<u>544,302</u>	<u>-</u>	<u>6,521,954</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,387,214</u>	<u>(345,543)</u>	<u>596,588</u>	<u>10,995</u>	<u>1,649,254</u>
Other financing sources (uses)					
Transfers in	184,814	480,200	9,000	-	674,014
Transfers out	(489,200)	-	(16,884)	-	(506,084)
Total other financing sources (uses)	<u>(304,386)</u>	<u>480,200</u>	<u>(7,884)</u>	<u>-</u>	<u>167,930</u>
Change in fund balances	1,082,828	134,657	588,704	10,995	1,817,184
Fund balances, beginning of year	5,955,348	2,133,143	1,165,337	31,419	9,285,247
Fund balances, end of year	<u>\$ 7,038,176</u>	<u>\$ 2,267,800</u>	<u>\$ 1,754,041</u>	<u>\$ 42,414</u>	<u>\$ 11,102,431</u>

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

**CITY OF CRYSTAL RIVER, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Net change in fund balances – total governmental funds		\$ 1,817,184
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful lives.</p>		
Capital outlay	\$ 2,971,253	
Less current year depreciation	<u>(798,715)</u>	2,172,538
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales) is to decrease net position.</p>		
		(2,049,269)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.</p>		
Principal repayment of long-term debt	<u>177,677</u>	177,677
<p>Revenues that are reported in the statement of activities that do not create current financial resources are not reported as revenues in governmental funds. This activity consists of:</p>		
Intergovernmental revenue		(141,105)
<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.</p>		
Change in compensated absences	7,255	
Change in accrued interest	837	
OPEB expense	(10,024)	
Pension expense	<u>(126,138)</u>	<u>(128,070)</u>
Change in net position of governmental activities		\$ <u>1,848,955</u>

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

CITY OF CRYSTAL RIVER, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 4,719,738	\$ 4,719,738	\$ 4,803,909	\$ 84,171
Licenses and permits	261,387	261,387	372,165	110,778
Intergovernmental revenues	-	295,201	1,415	(293,786)
Charges for services	392,288	403,896	389,040	(14,856)
Franchise fees	463,029	463,029	554,978	91,949
Fines and forfeitures	33,845	33,845	50,207	16,362
Investment earnings	4,475	4,475	19,090	14,615
Miscellaneous revenues	203,880	415,365	322,319	(93,046)
Total revenues	<u>6,078,642</u>	<u>6,596,936</u>	<u>6,513,123</u>	<u>(83,813)</u>
Expenditures				
Current				
General government	2,461,194	2,668,791	2,265,950	402,841
Public safety	1,365,263	1,382,243	1,360,399	21,844
Highways and streets	248,400	273,900	269,160	4,740
Physical environment	940,229	954,802	853,908	100,894
Economic development	18,700	18,700	10,881	7,819
Culture/recreation	386,008	419,146	344,682	74,464
Capital outlay	44,848	58,574	20,929	37,645
Total expenditures	<u>5,464,642</u>	<u>5,776,156</u>	<u>5,125,909</u>	<u>650,247</u>
Excess of revenues over expenditures	<u>614,000</u>	<u>820,780</u>	<u>1,387,214</u>	<u>566,434</u>
Other financing sources (uses)				
Transfers in	448,951	478,320	184,814	(293,506)
Transfers out	(834,500)	(1,133,230)	(489,200)	644,030
Total other financing sources (uses)	<u>(385,549)</u>	<u>(654,910)</u>	<u>(304,386)</u>	<u>350,524</u>
Change in fund balance	228,451	165,870	1,082,828	916,958
Fund balance, beginning of year	<u>5,955,348</u>	<u>5,955,348</u>	<u>5,955,348</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,183,799</u>	<u>\$ 6,121,218</u>	<u>\$ 7,038,176</u>	<u>\$ 916,958</u>

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

**CITY OF CRYSTAL RIVER, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 692,586	\$ 692,586	\$ 685,662	\$ (6,924)
Intergovernmental revenues	3,225,000	3,225,000	450,000	(2,775,000)
Investment earnings	2,000	2,000	5,228	3,228
Miscellaneous revenues	5,000	5,000	-	(5,000)
Total revenues	<u>3,924,586</u>	<u>3,924,586</u>	<u>1,140,890</u>	<u>(2,783,696)</u>
Expenditures				
Current				
Economic development	395,240	297,342	148,401	148,941
Debt service				
Principal retirement	255,134	255,134	177,677	77,457
Interest	-	-	77,457	(77,457)
Capital outlay	4,661,050	4,768,949	140,767	4,628,182
Total expenditures	<u>5,311,424</u>	<u>5,321,425</u>	<u>544,302</u>	<u>4,777,123</u>
Excess (deficiency) of revenues over(under) expenditures	<u>(1,386,838)</u>	<u>(1,396,839)</u>	<u>596,588</u>	<u>1,993,427</u>
Other financing sources (uses)				
Transfers in	-	10,000	9,000	(1,000)
Transfers out	(16,884)	(16,884)	(16,884)	-
Total other financing sources (uses)	<u>(16,884)</u>	<u>(6,884)</u>	<u>(7,884)</u>	<u>(1,000)</u>
Change in fund balance	(1,403,722)	(1,403,723)	588,704	1,992,427
Fund balance, beginning of year	<u>1,165,337</u>	<u>1,165,337</u>	<u>1,165,337</u>	<u>-</u>
Fund balance, end of year	<u>\$ (238,385)</u>	<u>\$ (238,386)</u>	<u>\$ 1,754,041</u>	<u>\$ 1,992,427</u>

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

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022**

	Major Funds			Total
	Water and Sewer	Sanitation	Three Sisters	
Assets				
Current assets				
Cash and cash equivalents	2,921,027	\$ 291,301	\$ 515,850	\$ 3,728,178
Investments	1,564,307	50,718	200,400	1,815,425
Restricted cash and cash equivalents	2,014,789	-	-	2,014,789
Accounts receivable, net	750,190	79,798	-	829,988
Notes receivable, current	87,740	-	-	87,740
Due from other governments	1,055,240	-	-	1,055,240
Prepays	114,913	1,214	666	116,793
Inventory	252,362	-	-	252,362
Total current assets	<u>8,760,568</u>	<u>423,031</u>	<u>716,916</u>	<u>9,900,515</u>
Noncurrent assets				
Notes receivable, long-term	77,281	-	-	77,281
Capital assets, non-depreciable	6,448,264	-	-	6,448,264
Capital assets, net	24,239,117	-	454,891	24,694,008
Total noncurrent assets	<u>30,764,662</u>	<u>-</u>	<u>454,891</u>	<u>31,219,553</u>
Total assets	<u>39,525,230</u>	<u>423,031</u>	<u>1,171,807</u>	<u>41,120,068</u>
Deferred outflows of resources				
Deferred outflows - pension	86,367	-	129,318	215,685
Deferred charge on refunding	23,197	-	-	23,197
Total deferred outflows of resources	<u>109,564</u>	<u>-</u>	<u>129,318</u>	<u>238,882</u>
Liabilities				
Current liabilities				
Accounts payable	689,513	41,722	17,234	748,469
Notes payable	82,302	-	-	82,302
Bonds payable	439,000	-	-	439,000
Accrued liabilities	2,901	182	4,890	7,973
Due to other funds	1,457,926	570	10,125	1,468,621
Liabilities payable from restricted assets				
Accrued interest	33,059	-	-	33,059
Customer deposits payable	209,640	-	42,726	252,366
Total current liabilities	<u>2,914,341</u>	<u>42,474</u>	<u>74,975</u>	<u>3,031,790</u>
Noncurrent liabilities				
Notes payable, net of current portion	1,923,336	-	-	1,923,336
Bonds payable, net of current portion	1,146,000	-	-	1,146,000
Net pension liability	256,983	-	384,780	641,763
Total non-current liabilities	<u>3,326,319</u>	<u>-</u>	<u>384,780</u>	<u>3,711,099</u>
Total liabilities	<u>6,240,660</u>	<u>42,474</u>	<u>459,755</u>	<u>6,742,889</u>
Deferred inflows of resources				
Deferred inflows - pension	7,427	-	11,121	18,548
Net position				
Net investment in capital assets	27,119,940	-	454,891	27,574,831
Restricted for debt service	1,772,090	-	-	1,772,090
Unrestricted	4,494,677	380,557	375,358	5,250,592
Total net position	<u>\$ 33,386,707</u>	<u>\$ 380,557</u>	<u>\$ 830,249</u>	<u>\$ 34,597,513</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Major Funds			Total
	Water and Sewer	Sanitation	Three Sisters	
Operating revenues				
Charges for services	\$ 3,620,508	\$ 529,590	\$ 729,384	\$ 4,879,482
Miscellaneous	480,708	27,714	-	508,422
Total operating revenues	<u>4,101,216</u>	<u>557,304</u>	<u>729,384</u>	<u>5,387,904</u>
Operating expenses				
Personnel services and benefits	225,455	13,580	373,736	612,771
Professional services	-	3,432	-	3,432
General and administrative	2,177,140	584,906	233,792	2,995,838
Depreciation	1,603,283	-	34,957	1,638,240
Total operating expenses	<u>4,005,878</u>	<u>601,918</u>	<u>642,485</u>	<u>5,250,281</u>
Operating income (loss)	<u>95,338</u>	<u>(44,614)</u>	<u>86,899</u>	<u>137,623</u>
Nonoperating revenues (expenses)				
Investment earnings	23,866	1,109	2,162	27,137
Gain on disposal of capital assets	-	-	26,501	26,501
Interest expense	(78,696)	-	-	(78,696)
Total nonoperating revenues (expenses)	<u>(54,830)</u>	<u>1,109</u>	<u>28,663</u>	<u>(25,058)</u>
Income (loss) before capital contributions and transfers	40,508	(43,505)	115,562	112,565
Capital contributions	2,996,151	-	-	2,996,151
Transfers out	<u>(160,430)</u>	<u>(7,500)</u>	<u>-</u>	<u>(167,930)</u>
Changes in net position	2,876,229	(51,005)	115,562	2,940,786
Total net position, beginning of year	30,510,478	431,562	714,687	31,656,727
Total net position, end of year	<u>\$ 33,386,707</u>	<u>\$ 380,557</u>	<u>\$ 830,249</u>	<u>\$ 34,597,513</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Major Funds			Total
	Water and Sewer	Sanitation	Three Sisters	
Cash flows from operating activities				
Cash received from customers	\$ 4,451,811	\$ 685,712	\$ 728,766	\$ 5,866,289
Cash paid to suppliers for goods and services	(235,800)	(719,102)	(228,962)	(1,183,864)
Cash paid to employees for services and benefits	(225,455)	(13,651)	(352,321)	(591,427)
Net cash used in operating activities	<u>3,990,556</u>	<u>(47,041)</u>	<u>147,483</u>	<u>4,090,998</u>
Cash flows from noncapital financing activities				
Transfer to other funds	(160,430)	(6,930)	-	(167,360)
Net cash used in noncapital financing activities	<u>(160,430)</u>	<u>(6,930)</u>	<u>-</u>	<u>(167,360)</u>
Cash flows from capital and related financing activities				
Acquisition and construction of capital assets	(4,781,566)	-	(67,551)	(4,849,117)
Cash received from sale of capital assets	-	-	26,501	26,501
Proceeds from notes payable	938,335	-	-	938,335
Principal paid on notes payable	(81,891)	-	-	(81,891)
Principal paid on bonds payable	(430,000)	-	-	(430,000)
Capital grants received	1,940,911	-	136	1,941,047
Interest paid	(71,650)	-	-	(71,650)
Net cash used in capital and related financing activities	<u>(2,485,861)</u>	<u>-</u>	<u>(40,914)</u>	<u>(2,526,775)</u>
Cash flows from investing activities				
Purchase of investments	(1,503,616)	(50,105)	(200,400)	(1,754,121)
Interest received	23,866	1,109	2,162	27,137
Net cash used in investing activities	<u>(1,479,750)</u>	<u>(48,996)</u>	<u>(198,238)</u>	<u>(1,726,984)</u>
Net change in cash and cash equivalents	(135,485)	(102,967)	(91,669)	(330,121)
Cash and cash equivalents, beginning of year	<u>5,071,301</u>	<u>394,268</u>	<u>607,519</u>	<u>6,073,088</u>
Cash and cash equivalents, end of year	<u>\$ 4,935,816</u>	<u>\$ 291,301</u>	<u>\$ 515,850</u>	<u>\$ 5,742,967</u>
Cash and cash equivalents classified as				
Cash and cash equivalents	\$ 2,921,027	\$ 291,301	\$ 515,850	\$ 3,728,178
Restricted cash and cash equivalents	2,014,789	-	-	2,014,789
Total cash and cash equivalents	<u>\$ 4,935,816</u>	<u>\$ 291,301</u>	<u>\$ 515,850</u>	<u>\$ 5,742,967</u>

(Continued)

CITY OF CRYSTAL RIVER, FLORIDA

**STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Major Funds			Total
	Water and Sewer	Sanitation	Three Sisters	
Reconciliation of operating income (loss) to net cash used in operating activities				
Operating income (loss)	\$ 95,338	\$ (44,614)	\$ 86,899	\$ 137,623
Adjustment to reconcile operating income (loss) to net cash used in operating activities:				
Depreciation	1,603,283	-	34,957	1,638,240
Change in operating assets and liabilities:				
(Increase) decrease in assets:				
Accounts receivable	295,597	128,408	-	424,005
Notes receivable	41,963	-	-	41,963
Due from other funds	937,500	-	-	937,500
Prepays	523,415	-	(618)	522,797
Deferred outflows - pension	(10,205)	-	(16,020)	(26,225)
Inventory	(1,999)	-	-	(1,999)
Increase (decrease) in liabilities:				
Accounts payable	469,672	(130,764)	4,830	343,738
Accrued liabilities	(708)	(71)	(339)	(1,118)
Due to other funds	-	-	-	-
Net pension liability	164,697	-	247,498	412,195
Deferred inflows - pension	(141,032)	-	(209,724)	(350,756)
Customer deposits	13,035	-	-	13,035
Net cash used in operating activities	<u>\$ 3,990,556</u>	<u>\$ (47,041)</u>	<u>\$ 147,483</u>	<u>\$ 4,090,998</u>

The notes to the financial statements are an integral part of these statements.

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CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of the City of Crystal River, Florida (the “City”) have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the City are described below.

The City was incorporated on July 1, 1903, by Senate Bill No. 603 under Article VIII, Section 2 of the Constitution of the State of Florida. The City operates under a Commission-Manager form of government under which a Mayor and a five member Commission is elected to serve as the executive and legislative body for the City. The Commissioners appoint a City Manager whose duties include the administration of directives and policies of the Commissioners and who has the responsibility for the operation of all City provided services as authorized by its charter.

The accompanying financial statements present the City’s primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Blended component units, although legally separate entities, are in substance part of the City’s operations and as a result considered to be financially accountable. The financial transactions of these component units are merged in with similar transactions of the City as part of the primary government.

Blended Component Unit

The financial statements of the City of Crystal River, Florida Community Redevelopment Agency (the “CRA”) are included in the financial reporting entity as a blended component unit. The CRA was created by City Ordinance No. 88-0-19 as authorized by Part III of Chapter 163 of the Florida State Statutes. The members of the CRA’s Board are appointed by the City Council. The CRA is fiscally dependent on the City, and the City Council approves the CRA’s annual budget.

B. Government-Wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between the governmental and business-type activities of the City.

Each statement distinguishes between activities that are supported primarily by taxes and intergovernmental revenues (*governmental activities*) and activities that are intended to recover all or most of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, highways and streets, economic development and culture and recreation. The business-type activities of the City include the water and sewer system and sanitation.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The effect of administrative and support services’ indirect expense allocations has been eliminated in the government-wide financial statements. Depreciation expense for capital assets that serve all functions is reported as a direct expense of the general government function on the government-wide statement of activities. All interest on long-term debt is considered indirect and is reported separately in the government-wide statement of activities.

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, and other items not properly included among program revenues are reported instead as *general revenues*. For identifying the function to which program revenue pertains, the determining factor for *charges for services* is the function that generates the revenue. For *grants and contributions*, the determining factor is the function to which the revenues are restricted.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Fund structures have been designed to comply with all the requirements of bond resolutions and regulatory provisions or administrative action. The fund financial statements report additional and detailed information about the City's operations for major funds individually and non-major funds in the aggregate for governmental and proprietary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements, as well as the fund financial statements for proprietary funds and fiduciary funds, are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred regardless of the timing of related cash flows. Agency funds, however, have no measurement focus.

Proprietary Funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from producing or providing goods and services such as water, sewer and garbage services. Operating expenses for these operations include all costs related to providing the service or product. These costs include salaries, supplies, travel, contract services, depreciation, administrative expenses or other expense directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as non-operating revenues and expenses.

All governmental fund financial statements are reported using a *current financial resources measurement focus* on a *modified accrual basis of accounting*. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be 60 days. However, grant revenues are considered to be available if they are collected within 120 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated sick pay and accumulated vacation pay, which are not recorded as expenditures; (2) prepaid insurance and similar items, which are reported only on the balance sheet and do not affect expenditures; and (3) principal and interest on long-term debt, which are recognized when due.

Licenses and permits, charges for services, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash, because they are generally not measurable until actually received. Investment earnings and most fines and forfeitures are recorded as earned since they are measurable and available.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the General Fund.

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

The *Capital Improvements Fund* is used to account for a portion of state revenue sharing and local option gas tax revenue, which is restricted for street and drainage expenditures.

The *Community Redevelopment Fund* is used to account for the tax increment development receipts and expenditures thereof.

The following are reported as major proprietary funds:

The *Water and Sewer Fund* is used to account for the operation of the City's potable water, wastewater services to residents and businesses.

The *Sanitation Fund* is used to account for the operations of the City's sanitation collection services.

The *Three Sisters Fund* is used to account for the operations of the City's wildlife park.

The City also reports the following fund type:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between certain City's functions because the elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise general revenues include property taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items, Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. Unrestricted resources are used in the following order: committed, assigned and then unassigned.

D. Deposits and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City.

State Statutes authorize the City to invest in direct obligations of the U.S. Treasury, Local Government Surplus Trust Fund, SEC registered money market funds with the highest credit quality rating and savings, the State Treasurer's Investment Pool, and certificate of deposit accounts in state-certified public depositories.

CITY OF CRYSTAL RIVER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Deposits and Investments – Continued

Cash in excess of current requirements is invested in the State of Florida's Local Government Investment Pool (Florida Fund B). Florida Fund B, created by Section 218.409(6)(a) of the Florida Statutes, is a stable net asset value investment pool which follows Standard & Poor's criteria for AAAm rated money market funds and is regulated by the Florida State Board of Administration. However, Florida Fund B operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings net of management fees on a monthly basis and determines participants' shares sold and redeemed based on \$1.00 per share.

Cash deposits are reported at carrying amount, which reasonably estimates fair value.

E. Receivables

All trade receivables are reported net of an allowance for uncollectibles, which is generally equivalent to the receivables that are over 90 days past due.

F. Inventory and Prepaid Items

Inventories are determined by physical count and valued at cost using first-in first-out (FIFO) method. Inventories, consisting of expendable supplies are recorded as expenditures as they are used (consumption method). Governmental Fund inventories are classified as nonspendable fund balance which indicates that the fund balance is not in spendable form. A prepaid expense/expenditure is recognized when a cash expense/expenditure is made for goods or services that were purchased for consumption, but not consumed as of September 30.

G. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" in the fund financial statements. Short-term interfund loans are classified as "interfund receivables/payables." Long-term interfund loans are classified as advances.

H. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items are recorded at acquisition value.

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction period of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest capitalized is calculated by offsetting interest expense incurred (from the date of borrowing until the date of completion of the project) with interest earned on investment proceeds over the same period. During the fiscal year ended September 30, 2022, no interest was capitalized.

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

H. Capital Assets – Continued

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

Buildings and improvements	10-40 years
Infrastructure	10-25 years
Equipment and vehicles	5-10 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend asset lives are not capitalized.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 *deferred charge on refunding* reported in the proprietary statement of net position as well as the government-wide statement of net position results from the difference in the carrying value of refunded debt and its requisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The City has deferred inflows and deferred outflows related to the recording of changes in its net pension liability and total OPEB liability. Certain changes in the net pension liability and total OPEB liability are recognized as pension and OPEB expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the City's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service life of plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining lives of plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five-year period. The changes in proportion and differences between City contributions and proportionate share of contributions are also deferred and amortized against pension expense over a five-year period. Additionally, any contributions made by the City to the pension and OPEB plans before year-end but subsequent to the measurement date of the City's net pension liability or total OPEB liability are reported as deferred outflows of resources.

J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year the debt is issued. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF CRYSTAL RIVER, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

K. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when the employees separate from service with the City. Therefore, all sick pay is expensed when incurred. The City does allow for employees to accumulate earned but unused vacation time with such time being fully vested when earned. For the City's government-wide funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

L. Net Position/Fund Balance Classification

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure into one component of net position. Accumulated depreciation and the outstanding balance of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions in enabling legislation.

At year-end, governmental activities net position restricted for other purposes was composed of amounts related to purposes as noted in the statement of net position.

Unrestricted Net Position – This category represents net position that does not meet the definition of "net investment in capital assets" or "restricted."

In accordance with GASB Statement No. 54, the City classifies governmental fund balance as follows:

Nonspendable Fund Balance – This represents amounts that cannot be spent due to form (e.g. inventories, prepaid amounts) or legally or contractually required to be maintained intact (such as corpus of an endowment fund).

Restricted Fund Balance – This represents amounts constrained for a specific purpose by external parties, such as creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – This represents amounts that can only be used for specific purposes determined by a formal action (ordinance) of the City Council, the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City removes those constraints by taking the same type of action.

Assigned Fund Balance – Assigned fund balances includes spendable fund balance amounts established by management of the City that are intended to be used for a specific purposes that are neither considered restricted or committed. Intent is expressed by the City Council or a body or official to which the City Council have delegated authority, which is the City Manager, to assign amounts to be used for specific purposes. Appropriations of existing fund balances to eliminate deficits in a future budget and encumbrances are considered assignments of fund balance.

Unassigned Fund Balance – This represents fund balance in the General Fund in excess of nonspendable, restricted, committed and assigned fund balance. If another governmental fund has a fund balance deficit, it is reported as a negative amount in unassigned fund balance.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Net Position/Fund Balance Classification – Continued

The desired unassigned General Fund balance shall be not less than two months or 16% of General Fund operating expenditures. The desired combined unrestricted available fund balances should not be less than three months or 25%. The three month minimum is based on the caveat that there is sufficient cash available for borrowing in other funds in case of a natural disaster. Minimum target levels of unassigned fund balance are reviewed annually. If fund balance falls below minimum target levels, the City Manager will so advise the City Council in order for the necessary action to be taken to restore the unassigned fund balance to acceptable levels within two budget cycles.

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it such as in grant agreements requiring dollar for dollar spending.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

M. Property Taxes

Property tax revenue is recognized in the year for which taxes are levied provided the availability test is met.

The value of all taxable property is assessed as of January 1. The City Council levies property taxes by approving the millage rate for the following fiscal year in September. Property taxes become due and payable on November 1 of the same year. A 4% discount is allowed if the taxes are paid in November, with the discount declining by 1% each month thereafter. Taxes become delinquent on April 1 of the next year and tax certificates for the full amount of any unpaid taxes and assessments must be sold not later than June 1. Tax certificate proceeds are remitted to the City, thereby assuring that virtually all taxes levied are collected within the same fiscal year, after allowing for discounts and any disputed assessment in litigation. The tax certificate, once sold, represents a lien on the property, which may be redeemed by the property owner by paying the face amount of the certificate plus interest and other costs. Property taxes receivable and a corresponding reserve for uncollectable property taxes are not included in the financial statements, as there are no material delinquent taxes as of September 30, 2022. No accrual for the property tax levy becoming due in November of 2022, is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

O. Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's FRS plan and additions to/deductions from this plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 2 – LEGAL COMPLIANCE – BUDGETS

A. Budgets and Budgetary Data

The annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopts a project-length budget.

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

1. The City Council prepares a proposed operating budget for the year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted at the City offices to obtain taxpayer comments.
3. After the public hearing, the City Council formally adopts the budget.
4. Formal budgetary integration is employed as a management control device during the year for all the governmental funds and the enterprise funds. Budgets for the enterprise funds are prepared for planning and control purposes only.
5. Budgets for the governmental funds and the enterprise funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Budget amounts are as originally adopted or as amended by the City Council.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the City.

NOTE 3 – DEPOSITS AND INVESTMENTS

At September 30, 2022, the City had the following investments:

<u>Investments</u>	<u>Maturities</u>	<u>Rating</u>	<u>Fair Value</u>
Florida Fund B	37 days weighted average	AAAm	\$ 163,475
Certificates of deposit	3 to 12 months	N/A	5,010,996
			<u>\$ 5,174,471</u>

Interest rate risk. The City does not have a formal investment policy limiting investment maturities as part of managing its exposure to fair value losses arising from increasing interest rates. However, the City has minimal interest rate risk as cash and cash equivalents have maturity dates of less than one year.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk. Custodial credit risk for deposits is the risk that, in the event of a depository financial institution's failure, the City's deposits may not be returned. The City does not have a formal custodial credit risk policy. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of September 30, 2022, the City had no uncollateralized deposits as defined by GASB pronouncements.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 4 – RECEIVABLES

Receivables as of September 30, 2022 including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Improvements Fund	Water and Sewer Fund	Sanitation Fund	Total
Receivables					
Accounts	\$ 1,721,385	\$ 22,040	\$ 1,480,525	\$ 157,637	\$ 3,408,191
Notes	-	-	165,021	-	165,021
Due from other governments	43	115,478	1,055,240	-	1,170,761
Less allowance for uncollectible receivables	(1,180,254)	-	(730,335)	(77,839)	(1,988,428)
	<u>\$ 541,174</u>	<u>\$ 137,518</u>	<u>\$ 1,970,451</u>	<u>\$ 79,798</u>	<u>\$ 2,755,545</u>

Notes receivable represent amounts due from new water and sewer customers for expansion fees. Principal and interest are due in monthly installments of \$38 on various maturities.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2022 was as follows:

	Beginning Balance	Additions	Deletions	Net Transfers	Ending Balance
Primary government:					
Governmental activities					
Capital assets not being depreciated					
Land	\$ 2,952,789	\$ -	\$ -	\$ -	\$ 2,952,789
Construction in progress	3,899,159	609,265	(49,853)	(1,999,416)	2,459,155
Total assets not being depreciated	<u>6,851,948</u>	<u>609,265</u>	<u>(49,853)</u>	<u>(1,999,416)</u>	<u>5,411,944</u>
Capital assets being depreciated					
Buildings and improvements	8,759,622	9,100	-	1,818,832	10,587,554
Equipment and vehicles	3,653,359	341,644	(40,755)	(61,426)	3,892,822
Infrastructure	8,131,783	11,828	-	242,010	8,385,621
Total assets being depreciated	<u>20,544,764</u>	<u>362,572</u>	<u>(40,755)</u>	<u>1,999,416</u>	<u>22,865,997</u>
Less accumulated depreciation					
Buildings and improvements	(3,433,595)	(419,713)	-	-	(3,853,308)
Equipment and vehicles	(3,017,633)	(150,664)	40,755	-	(3,127,542)
Infrastructure	(3,569,706)	(228,338)	-	-	(3,798,044)
Total accumulated depreciation	<u>(10,020,934)</u>	<u>(798,715)</u>	<u>40,755</u>	<u>-</u>	<u>(10,778,894)</u>
Total assets depreciated, net	<u>10,523,830</u>	<u>(436,143)</u>	<u>-</u>	<u>1,999,416</u>	<u>12,087,103</u>
Governmental activities, net	<u>\$ 17,375,778</u>	<u>\$ 173,122</u>	<u>\$ (49,853)</u>	<u>\$ -</u>	<u>\$ 17,499,047</u>

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 5 – CAPITAL ASSETS – CONTINUED

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Net Transfers</u>	<u>Ending Balance</u>
Business-type activities					
Capital assets not being depreciated					
Land	\$ 616,898	\$ -	\$ -	\$ -	\$ 616,898
Construction in progress	1,165,861	4,672,715	-	(7,210)	5,831,366
Total assets not being depreciated	<u>1,782,759</u>	<u>4,672,715</u>	<u>-</u>	<u>(7,210)</u>	<u>6,448,264</u>
Capital assets being depreciated					
Buildings and improvements	22,177,733	-	-	-	22,177,733
Equipment and vehicles	10,394,013	176,402	(66,042)	7,210	10,511,583
Infrastructure	18,403,449	-	-	-	18,403,449
Total assets being depreciated	<u>50,975,195</u>	<u>176,402</u>	<u>(66,042)</u>	<u>7,210</u>	<u>51,092,765</u>
Less accumulated depreciation					
Buildings and improvements	(13,636,667)	(984,655)	-	-	(14,621,322)
Equipment and vehicles	(7,373,961)	(255,593)	66,042	-	(7,563,512)
Infrastructure	(3,815,931)	(397,992)	-	-	(4,213,923)
Total accumulated depreciation	<u>(24,826,559)</u>	<u>(1,638,240)</u>	<u>66,042</u>	<u>-</u>	<u>(26,398,757)</u>
Total assets depreciated, net	26,148,636	(1,461,838)	-	7,210	24,694,008
Business-type activities, net	<u>\$ 27,931,395</u>	<u>\$ 3,210,877</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,142,272</u>

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

Governmental Activities

General government	\$ 42,881
Public safety	58,569
Culture and recreation	623,392
Highways and streets	31,121
Economic development	42,752
Total depreciation expense, governmental activities	<u>\$ 798,715</u>

Business-Type Activities

Water and sewer	\$ 1,603,283
Three Sisters	34,957
Total depreciation expense, business-type activities	<u>\$ 1,638,240</u>

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities					
Note payable from direct borrowings	\$ 3,080,198	\$ -	\$ (177,677)	\$ 2,902,521	\$ 182,287
Total OPEB liability	252,426	36,035	(19,399)	269,062	-
Net pension liability	818,713	1,809,381	(338,560)	2,289,534	-
Compensated absences	146,675	143,522	(150,777)	139,420	90,623
Total governmental activities	<u>\$ 4,298,012</u>	<u>\$ 1,988,938</u>	<u>\$ (686,413)</u>	<u>\$ 5,600,537</u>	<u>\$ 272,910</u>
Business-type activities					
Bonds payable	\$ 2,015,000	\$ -	\$ (430,000)	\$ 1,585,000	\$ 439,000
Notes payable from direct borrowings	1,149,194	938,335	(81,891)	2,005,638	82,302
Net pension liability	229,568	510,338	(98,143)	641,763	-
Total business-type activities	<u>\$ 3,393,762</u>	<u>\$ 1,448,673</u>	<u>\$ (610,034)</u>	<u>\$ 4,232,401</u>	<u>\$ 521,302</u>

Long-term debt payable as of September 30, 2022 is composed of the following issues:

Revenue Bonds

Utility System Revenue Refunding Bond, Series 2012, due in annual installments through October 1, 2026, in amounts ranging from \$233,000 to \$476,000, plus interest at a rate of 2.39%; collateralized by revenue from the water and sewer system. The purpose of the issuance was: (1) refunding the City's Water and Sewer Revenue Refunding Bonds, Series 1992, (2) financing improvements to the City's water and sewer system, and (3) funding the cost of issuance of the bonds.

	<u>\$ 1,585,000</u>
Total bonds payable	<u>\$ 1,585,000</u>

Notes Payable from Direct Borrowings

Community Redevelopment Agency Note, due in quarterly installments of \$63,784 including interest at the rate of 2.57% through January 2036.	<u>\$ 2,902,521</u>
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Water and Sewer State Revolving Fund Loan, due in annual installments of \$37,977 including interest at the rate of 2.06% on various maturities; collateralized by revenues of the Water and Sewer Fund.	\$ 335,519
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Water and Sewer State Revolving Fund Loan, due in annual installments of \$37,518 including interest at the rate of 1.46% on various maturities; collateralized by revenues of the Water and Sewer Fund.	379,623
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Water and Sewer State Revolving Fund Loan, due in annual installments of \$34,050 including interest at the rate of 1.23% on various maturities; collateralized by revenues of the Water and Sewer Fund.	352,161
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Water and Sewer State Revolving Fund Loan, due in annual installments including interest at the rate of 0.68% on various maturities; collateralized by revenues of the Water and Sewer Fund. This loan is still in the draw down	920,720
--	---------

Water and Sewer State Revolving Fund Loan, due in annual installments including interest at the rate of 1.75% on various maturities; collateralized by revenues of the Water and Sewer Fund. This loan is still in the draw down	17,615
Total business-type notes payable	<u>\$ 2,005,638</u>

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 6 – LONG-TERM DEBT – CONTINUED

The annual debt service payments required on outstanding debt at September 30, 2022 are as follows:

Fiscal Year	Revenue Bonds, Series 2012			State Revolving Fund Loans		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 439,000	\$ 35,288	\$ 474,288	\$ 82,302	\$ 27,263	\$ 109,565
2024	451,000	24,725	475,725	84,452	25,113	109,565
2025	462,000	13,896	475,896	86,659	22,906	109,565
2026	233,000	2,784	235,784	88,924	20,642	109,566
2027	-	-	-	91,247	18,318	109,565
2028-2032	-	-	-	493,271	54,550	547,821
2033-2036	-	-	-	140,448	5,120	145,568
	<u>\$ 1,585,000</u>	<u>\$ 76,693</u>	<u>\$ 1,661,693</u>	<u>\$ 1,067,303</u>	<u>\$ 173,912</u>	<u>\$ 1,241,215</u>

Fiscal Year	Community Redevelopment Agency Note		
	Principal	Interest	Total
2023	\$ 182,287	\$ 72,847	\$ 255,134
2024	187,017	68,117	255,134
2025	191,870	63,264	255,134
2026	196,849	58,286	255,135
2027	201,957	53,178	255,135
2028-2032	1,091,165	184,507	1,275,672
2033-2036	851,376	41,595	892,971
	<u>\$ 2,902,521</u>	<u>\$ 541,794</u>	<u>\$ 3,444,315</u>

Total State Revolving Funds have a loan that is still in draw down phase in the amount of \$938,335.

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 1,151,478
General Fund	Three Sisters Fund	10,125
General Fund	Sanitation Fund	570
Capital Improvements Fund	Water and Sewer Fund	306,448
		<u>\$ 1,468,621</u>

These balances resulted from the time lag between the dates that: (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 7 – INTERFUND BALANCES AND TRANSFERS – CONTINUED

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Water and Sewer Fund	\$ 160,430
General Fund	Sanitation Fund	7,500
General Fund	Commuity Redevelopment Fund	16,884
Commuity Redevelopment Fund	General Fund	9,000
Capital Improvements Fund	General Fund	480,200
		\$ 674,014

NOTE 8 – 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; injuries to employees; natural disasters and pollution related activities. The City’s participation in the risk pool described below requires annual premium payments in return for transferring risks among pool participants. Settled claims from these risks have not exceeded the risk pool insurance limits nor have additional premiums been assessed relative to the past three years.

The City is a member of a purchasing cooperative of government agencies for the purpose of providing employee health benefits through Public Risk Management of Florida Group Health Trust. The City offers to its employees and covered dependents a choice of two medical plans, two dental plans, vision, life and long and short-term disability insurance. Medical plans do not have a lifetime maximum per insured.

NOTE 9 – PENSION PLANS

Defined Benefit Plans

The City participates in two defined benefit pension plans (Plans) that are administered by the State of Florida, Department of Management Services, Division of Retirement. The Plans provide retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the Plans. That report is available from the Florida Department of Management Services’ website at www.dms.myflorida.com.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retirees’ Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 9 – PENSION PLANS – CONTINUED

Benefits Provided

Benefits under FRS are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The employer's contribution rates for the period October 1, 2020 through June 30, 2022, and July 1, 2022 through September 30, 2022, were as follows: Regular Class 10.82% and 11.91%, Senior Management 29.01% and 31.57%, Elected Officials 51.42% and 57.00%, and DROP Participants 18.34% and 18.60%.

The City's contributions for the year ended September 30, 2022 were \$281,833 to FRS and \$30,598 to HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2022, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2022, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2022. The City's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Net pension liability	\$ 2,407,674	\$ 523,623	\$ 2,931,297
Proportion at:			
Current measurement date	0.00647084%	0.00494376%	
Prior measurement date	0.00630082%	0.00466576%	
Pension expense (benefit)	\$ 417,872	\$ 55,910	\$ 473,782

As of September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	FRS		HIS		Totals	
	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual experience	\$ 114,351	\$ -	\$ 15,893	\$ 2,304	\$ 130,244	\$ 2,304
Change of assumptions	296,515	-	30,014	81,004	326,529	81,004
Net difference between projected and actual earnings on Pension Plan investments	158,978	-	758	-	159,736	-
Changes in proportion and differences between City Pension Plan contributions and proportionate share of contributions	209,198	-	73,899	1,409	283,097	1,409
City Pension Plan contributions subsequent to the measurement date	77,345	-	8,205	-	85,550	-
Total	<u>\$ 856,387</u>	<u>\$ -</u>	<u>\$ 128,769</u>	<u>\$ 84,717</u>	<u>\$ 985,156</u>	<u>\$ 84,717</u>

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 9 – PENSION PLANS – CONTINUED

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year-end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2023. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending	FRS	HIS
September 30:		
2023	\$ 188,399	\$ 8,585
2024	71,092	4,629
2025	(63,623)	2,117
2026	553,572	4,685
2027	29,602	10,875
Thereafter	-	4,956

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2021, was determined by an actuarial valuation dated July 1, 2022, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	<u>FRS</u>	<u>HIS</u>
Inflation	2.40%	2.40%
Salary increases	3.25%	3.25%
Investment rate of return	6.70%	N/A
Discount rate	6.70%	3.54%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2022, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2021:

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 2.16% to 3.54%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.6%	2.6%	1.1%
Fixed income	19.8%	4.4%	4.4%	3.2%
Global equity	54.0%	8.8%	7.3%	17.8%
Real estate	10.3%	7.4%	6.3%	15.7%
Private equity	11.1%	12.0%	8.9%	26.3%
Strategic investments	3.8%	6.2%	5.9%	7.8%
	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.3%

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 9 – PENSION PLANS – CONTINUED

Discount Rate

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

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.16% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

	FRS			HIS		
	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
City's proportionate share of the net pension liability	\$ 4,163,907	\$ 2,407,674	\$ 939,255	\$ 599,068	\$ 523,623	\$ 461,194

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At September 30, 2022, the City reported a payable in the amount of \$0 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2022.

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS

A. Plan Description

The City maintains a single employer defined benefit Other Post-Employment Benefit Plan in accordance with Florida Statutes. The City of Crystal River Other Post-Employment Benefits Plan (the "OPEB Plan"), includes retirees from the City. The City offers post-employment benefits other than pension benefits for healthcare insurance for eligible retirees and spouse through the City's group health insurance plan, which covers both active and retired members. The OPEB Plan does not issue a publicly available financial report.

B. Plan Membership

Membership of the OPEB Plan consisted of the following at September 30, 2022, the date of the latest actuarial valuation:

Inactive employees and beneficiaries, receiving benefits	12
Active employees	37
	49

CITY OF CRYSTAL RIVER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

C. Contributions

The City has elected to fund the OPEB Plan on a “pay as you go” basis. Plan members, once retired, contribute to the plan based on number of years of creditable service. The City is required to contribute the current year benefit costs of the OPEB Plan which are not paid by the retiree. For the year ended September 30, 2022, the City contributed \$10,283 for the pay as you go benefits of the OPEB Plan.

D. Total OPEB Liability of the City

The City’s total OPEB liability was measured as of September 30, 2021, and was determined by an actuarial valuation as of October 1, 2019 with the actuary using standard techniques to roll forward the liability to the measurement date.

Actuarial Assumptions: The total OPEB liability in the October 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate:	2.43%
Salary increases:	3.00%
Cost of living adjustments:	In accordance with healthcare cost trend rates
Healthcare cost trend rate:	7.00% - 5.00%, ultimate trend in 2025
Participation rate:	75% single coverage and 25% single and spouse coverage

Mortality rates were based on the PUB-2010 Combined Mortality Table, with full generational improvements in mortality using Scale MP-2020.

The actuarial assumptions used in the October 1, 2019 valuation were based on the results of an actuarial experience study for the period 2008-2012.

E. Discount Rate

The discount rate used to measure the total OPEB liability was 2.43%. This rate was determined using the 20 year municipal bond index as provided by the Asset Consulting Group.

F. Changes in the Total OPEB Liability of the City

The changes in the total OPEB liability of the City for the year ended September 30, 2022 were as follows:

	Total OPEB Liability
Balances at September 30, 2021	\$ 252,426
Changes for the year:	
Service cost	29,313
Interest	6,722
Assumption changes	(9,116)
Benefit payments	(10,283)
Net changes	<u>16,636</u>
Balance at September 30, 2022	<u>\$ 269,062</u>

The required schedule of changes in the City’s total OPEB liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about the total OPEB liability.

CITY OF CRYSTAL RIVER, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

F. Changes in the Total OPEB Liability of the City – Continued

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

	1% Decrease (1.43%)	Discount Rate 2.43%	1% Increase (3.43%)
Total OPEB liability	\$ 307,804	\$ 269,062	\$ 238,241

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan net position is increasing or decreasing over time relative to the actuarial accrued liability.

G. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower (6% decreasing to 4%) or 1-percentage point higher (8% decreasing to 6%) than the current healthcare cost trend rates:

	1% Decrease (6% decreasing to 4%)	Discount Rate (7% decreasing to 5%)	1% Increase (8% decreasing to 6%)
Total OPEB liability	\$ 257,338	\$ 269,062	\$ 287,256

H. OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2022, the City recognized OPEB expense of \$10,026. In addition, the City reported deferred outflows of resources and deferred in flows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 31,100	\$ 51,116
Changes in expected and actual experience	-	34,330
Contributions subsequent to the measurement date	9,500	-
Totals	\$ 40,600	\$ 85,446

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS – CONTINUED

H. OPEB Expense and Deferred Outflows of Resources Related to OPEB – Continued

The deferred outflows of resources related to the OPEB Plan, totaling \$9,500 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Plan will be recognized in OPEB expense as follows:

Year ending September 30:		
2023	\$	(15,728)
2024		(8,860)
2025		(8,860)
2026		(8,860)
2027		(8,860)
Thereafter		(3,178)
Total	\$	<u>(54,346)</u>

NOTE 11 – UTILITY OPERATING CONTRACT

The City contracts with a private company to operate the City’s water and sewer facilities. The company is responsible for operating and maintenance expenses of the facilities, including operation personnel. The City is responsible for the: (1) capital expenses, (2) debt service, (3) maintenance and repairs in excess of approximately \$100,000 annually, and (4) maintaining property damage insurance on the facilities and equipment.

The contract is cancelable by either party. During the year ended September 30, 2022, the monthly fee was \$123,070. Annual fees are negotiable annually on or before December 1. Failure to agree upon an annual fee will be resolved by application of a formula based upon the most current annual fee adjusted for the Consumer Price Index.

NOTE 12 – POLICE CONTRACT WITH CITRUS COUNTY SHERIFF’S OFFICE

In 2008, The City Council dissolved the police department and entered into a contract with the Citrus County Sheriff’s Office to provide public safety services. Substantially all police assets were transferred to the Sheriff’s Office. The contract with the Sheriff’s Office expires on September 30 of each year, subject to automatic renewal on an annual basis, provided no action is taken to terminate the contract. The City paid \$1,060,099 during the year ended September 30, 2022.

NOTE 13 – CONSTRUCTION COMMITMENTS

The City has active construction commitments on various projects in the approximate amount of \$2.69 million as of September 30, 2022.

NOTE 14 – SUBSEQUENT EVENTS

The City has evaluated all subsequent events through June 29, 2023 the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF CRYSTAL RIVER, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

Reporting period ending Measurement date	9/30/2022 6/30/2022	9/30/2021 6/30/2021	9/30/2020 6/30/2020	9/30/2019 6/30/2019	9/30/2018 6/30/2018
City's proportion of the FRS net pension liability	0.00647084%	0.00630082%	0.00614891%	0.00525489%	0.004972746%
City's proportionate share of the FRS net pension liability	\$ 2,407,674	\$ 475,955	\$ 2,665,028	\$ 1,809,710	\$ 1,497,817
City's covered payroll	\$ 1,804,624	\$ 1,655,364	\$ 1,612,907	\$ 1,354,012	\$ 1,308,467
City's proportionate share of the pension liability as a percentage of its covered payroll	133.42%	28.75%	165.23%	133.66%	114.47%
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	82.89%	96.40%	78.85%	82.61%	84.26%
Reporting period ending Measurement date	9/30/2017 6/30/2017	9/30/2016 6/30/2016	9/30/2015 6/30/2015	9/30/2014 6/30/2014	
City's proportion of the FRS net pension liability	0.004886759%	0.004517327%	0.004048011%	0.003132361%	
City's proportionate share of the FRS net pension liability	\$ 1,445,967	\$ 1,140,629	\$ 522,855	\$ 191,120	
City's covered payroll	\$ 1,233,491	\$ 1,146,105	\$ 966,759	\$ 919,962	
City's proportionate share of the pension liability as a percentage of its covered payroll	117.23%	99.52%	54.08%	20.77%	
FRS Plan fiduciary net position as a percentage of the FRS total pension liability	83.89%	84.88%	92.00%	96.09%	

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF CRYSTAL RIVER, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN**

Reporting period ending	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Contractually required FRS contribution	\$ 281,833	\$ 256,892	\$ 161,076	\$ 170,238	\$ 144,979
FRS contributions in relation to the contractually required FRS contribution	<u>281,833</u>	<u>256,892</u>	<u>161,076</u>	<u>170,238</u>	<u>144,979</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,844,605	\$ 1,741,622	\$ 1,634,663	\$ 1,412,818	\$ 1,305,426
FRS contributions as a percentage of covered payroll	15.28%	14.75%	9.85%	12.05%	11.11%
Reporting period ending		<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Contractually required FRS contribution		\$ 127,214	\$ 110,162	\$ 98,694	\$ 68,612
FRS contributions in relation to the contractually required FRS contribution		<u>127,214</u>	<u>110,162</u>	<u>98,694</u>	<u>68,612</u>
FRS contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		\$ 1,308,467	\$ 1,233,491	\$ 1,146,105	\$ 966,759
FRS contributions as a percentage of covered payroll		9.72%	8.93%	8.61%	7.10%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF CRYSTAL RIVER, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PENSION PLAN**

Reporting period ending Measurement date	9/30/2022 6/30/2022	9/30/2021 6/30/2021	9/30/2020 6/30/2020	9/30/2019 6/30/2019	9/30/2018 6/30/2018
City's proportion of the HIS net pension liability	0.00494376%	0.00466576%	0.00464722%	0.00404857%	0.004006128%
City's proportionate share of the HIS net pension liability	\$ 523,623	\$ 572,326	\$ 567,418	\$ 452,993	\$ 424,013
City's covered payroll	\$ 1,804,624	\$ 1,655,364	\$ 1,612,907	\$ 1,354,012	\$ 1,308,467
City's proportionate share of the pension liability as a percentage of its covered payroll	29.02%	34.57%	35.18%	33.46%	32.41%
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	4.81%	3.56%	3.00%	2.63%	2.15%
Reporting period ending Measurement date	9/30/2017 6/30/2017	9/30/2016 6/30/2016	9/30/2015 6/30/2015	9/30/2014 6/30/2014	
City's proportion of the HIS net pension liability	0.004051647%	0.003772839%	0.003027934%	0.002559239%	
City's proportionate share of the HIS net pension liability	\$ 433,221	\$ 439,710	\$ 308,802	\$ 239,295	
City's covered payroll	\$ 1,308,467	\$ 1,233,491	\$ 966,759	\$ 919,962	
City's proportionate share of the pension liability as a percentage of its covered payroll	33.11%	35.65%	31.94%	26.01%	
HIS Plan fiduciary net position as a percentage of the HIS total pension liability	1.64%	0.97%	1.22%	1.06%	

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF CRYSTAL RIVER, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN**

Reporting period ending	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Contractually required HIS contribution	\$ 30,598	\$ 28,774	\$ 20,969	\$ 23,327	\$ 21,675
HIS contributions in relation to the contractually required HIS contribution	<u>30,598</u>	<u>28,774</u>	<u>20,969</u>	<u>23,327</u>	<u>21,675</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,844,605	\$ 1,741,622	\$ 1,634,663	\$ 1,412,818	\$ 1,305,426
HIS contributions as a percentage of covered payroll	1.66%	1.65%	1.28%	1.65%	1.66%
Reporting period ending		<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Contractually required HIS contribution		\$ 21,442	\$ 19,338	\$ 11,575	\$ 8,767
HIS contributions in relation to the contractually required HIS contribution		<u>21,442</u>	<u>19,338</u>	<u>11,575</u>	<u>8,767</u>
HIS contribution deficiency (excess)		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll		\$ 1,308,467	\$ 1,233,491	\$ 966,759	\$ 919,962
HIS contributions as a percentage of covered payroll		1.64%	1.57%	1.20%	0.95%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

CITY OF CRYSTAL RIVER, FLORIDA

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 29,313	\$ 30,926	\$ 21,345	\$ 18,269	\$ 18,904
Interest	6,722	4,949	10,247	10,990	8,072
Experience differences	-	(21,021)	(21,019)	-	-
Assumption changes	(9,116)	41,918	(64,817)	(34,332)	-
Benefit payments	(10,283)	(9,320)	(11,248)	(16,102)	(9,400)
Net change in total OPEB liability	<u>16,636</u>	<u>47,452</u>	<u>(65,492)</u>	<u>(21,175)</u>	<u>17,576</u>
Total OPEB liability - beginning	<u>252,426</u>	<u>204,974</u>	<u>270,466</u>	<u>291,641</u>	<u>274,065</u>
Total OPEB liability - ending	<u>\$ 269,062</u>	<u>\$ 252,426</u>	<u>\$ 204,974</u>	<u>\$ 270,466</u>	<u>\$ 291,641</u>
Covered-employee payroll	\$ 1,422,406	\$ 1,422,406	\$ 1,199,673	\$ 951,649	\$ 951,649
Total OPEB liability as a percentage of covered employee payroll	18.9%	17.7%	17.1%	28.4%	30.6%

Notes to the Schedule:

The schedule will present 10 years of information once it is accumulated.

The City is not accumulating assets in a trust fund that meets the criteria in paragraph 4 of GASB Statement No. 75 for payment of future OPEB benefits.

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SUPPLEMENTARY INFORMATION

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CITY OF CRYSTAL RIVER, FLORIDA
NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Public Safety Expansion is used to account for resources received from impact funds for the support of public safety expenditures.

Buy a Brick is used to account for resources restricted to improve the downtown streets.

Impact Fees is used to account for general impact fees and the associated capital projects.

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CITY OF CRYSTAL RIVER, FLORIDA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Public Safety Expansion	Buy A Brick	Impact Fees	
Assets				
Cash and cash equivalents	\$ 24,119	\$ 5,626	\$ 31,327	\$ 61,072
Accounts receivable, net	400	-	26,204	26,604
Total assets	<u>\$ 24,519</u>	<u>\$ 5,626</u>	<u>\$ 57,531</u>	<u>\$ 87,676</u>
Liabilities and fund balances				
Liabilities				
Due to other governments	\$ -	\$ -	\$ 45,262	\$ 45,262
Total liabilities	<u>-</u>	<u>-</u>	<u>45,262</u>	<u>45,262</u>
Fund balances				
Restricted				
Community development	-	5,626	-	5,626
Public safety	24,519	-	12,269	36,788
Total fund balances	<u>24,519</u>	<u>5,626</u>	<u>12,269</u>	<u>42,414</u>
Total liabilities and fund balances	<u>\$ 24,519</u>	<u>\$ 5,626</u>	<u>\$ 57,531</u>	<u>\$ 87,676</u>

**CITY OF CRYSTAL RIVER, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Public Safety Expansion	Buy A Brick	Impact Fees	
Revenues				
Impact fees	\$ 600	\$ -	\$ 10,259	\$ 10,859
Investment earnings	-	-	136	136
Total revenues	<u>600</u>	<u>-</u>	<u>10,395</u>	<u>10,995</u>
Expenditures				
Current				
General government	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	600	-	10,395	10,995
Fund balances, beginning	<u>23,919</u>	<u>5,626</u>	<u>1,874</u>	<u>31,419</u>
Fund balances, ending	<u>\$ 24,519</u>	<u>\$ 5,626</u>	<u>\$ 12,269</u>	<u>\$ 42,414</u>

OTHER REPORTS

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

Honorable Mayor and Members of
the City Commission,
City of Crystal River, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Crystal River, Florida (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Bradenton, Florida
June 29, 2023



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

Honorable Mayor and Members of
the City Commission,
City of Crystal River, Florida

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the City of Crystal River, Florida's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement and the requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2022. The City's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City 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 and state projects for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program and State Project

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; 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); and Chapter 10.550, Rules of the Auditor General. 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 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 City's 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 City's federal and state 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's 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 Chapter 10.550, Rules of the Auditor General 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's 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*, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, 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's 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's 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 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Bradenton, Florida
June 29, 2023

CITY OF CRYSTAL RIVER, FLORIDA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

	<u>Assistance Listing Number</u>	<u>Grant ID Number</u>	<u>Actual Expenditures</u>
Federal Awards			
U.S. Department of Environmental Protection			
Passed through the Florida Department of Environmental Protection			
State Revolving Funds	66.468	DW090240	\$ 43,846
State Revolving Funds	66.468	DW090241	2,441,016
Total Department of Environmental Protection			<u>2,484,862</u>
U.S. Department of Interior			
Passed through the Florida Department of Environmental Protection			
Clean Vessel Act	15.616	MV433	115,478
Total U.S. Department of Interior			<u>115,478</u>
Total Expenditures of Federal awards			<u>\$ 2,600,340</u>
State Awards			
Florida Department of Environmental Protection			
Florida Springs Grant Program	37.052		1,300,400
Crystal River Linear Park	37.085	L1904	450,000
Total U.S. Department of Justice			<u>1,750,400</u>
Total Expenditures of State awards			<u>\$ 1,750,400</u>

Notes to the Schedule:

The above schedule is presented using the modified accrual basis of accounting and is presented in accordance with Chapter 10.550, Rules of the Auditor General. As such, some amounts presented in this schedule may differ from amounts in, or used in the preparation of the basic financial statements.

CITY OF CRYSTAL RIVER, FLORIDA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Crystal River, Florida (the “City”), and is presented on the modified accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – DE MINIMIS INDIRECT COST RATE

The City chose not to use the ten percent de minimis cost rate for the year ended September 30, 2022.

NOTE 3 – NON-CASH AWARDS

The City did not receive non-cash federal awards during the year ended September 30, 2022.

CITY OF CRYSTAL RIVER, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes no

Noncompliance material to financial statements noted? yes no

Federal Programs

Internal control over major federal programs:
Material weaknesses identified? yes no

Significant deficiencies identified not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? yes no

Identification of major federal programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	U.S. Department of Environmental Protection - State Revolving Funds

Identification of major state programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
37.052	Florida Department of Environmental Protection – Florida Springs Grant Program

Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF CRYSTAL RIVER, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2022-001. Accounts Payables – Material Weakness

Criteria – Internal controls should be in place to provide reasonable assurance that all transactions are recorded in accordance with accounting principles generally accepted in the United States of America. As part of the audit process, accounts payable were not properly recorded.

Condition – Invoices relating to fiscal year 2022 were not recorded in accounts payable as of year-end.

Context – Our testing identified of subsequent disbursements noted invoices that the City's accounts payable balances were understated by \$520,929. There was no corresponding entry recorded within the City's Funds to correct this balance.

Effect – A correcting adjustment to increase accounts payable by \$520,929 was required to be made to the City's general ledger to properly record actual activity.

Recommendation – We recommend the City review the invoices at year-end to ensure that funds register the proper cut-off for transactions. This would provide a more efficient approach to reporting the accounts payable balances within each fund at year-end.

View of Responsible Officials and Planned Corrective Action – We concur with the finding and will implement controls to the year-end close process in future periods to prevent this from occurring again.

SECTION III
FEDERAL AWARDS AND STATE PROJECTS FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF CRYSTAL RIVER, FLORIDA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2022

SECTION IV
STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding 2021-001 – Hazard Mitigation Grant Program Reporting (CFDA#97.039)

Condition – There were two projects within this program. The City did not submit its 2nd Quarterly (January-March 2021) quarterly progress report for project one and project two timely. Additionally, the required closeout report for project two was also not submitted timely.

Criteria – The Uniform Guidance requires quarterly reporting for this grant program to be submitted within 15 days of period end and the closeout report within 45 days to maintain compliance.

Cause – Due to staffing issues, the quarterly report was submitted outside of the 15 day required timeframe for the two quarterly reports and outside the 45 day required timeframe for the closeout report.

Effect – The City submitted its quarterly progress reports for the above timeframe outside of the 15 day timeframe and its closeout report outside of the 45 day timeframe which is not in compliance with reporting requirements of the grant program. There was no known negative implication for the grants.

Questioned Cost – \$0

Recommendation – We recommend the City implement proper controls which includes cross-training of employees to ensure compliance with all grant requirements including timeliness of reporting.

Status – Cleared in fiscal year 2022.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor and Members of
the City Council,
City of Crystal River, Florida

Report on the Financial Statements

We have audited the financial statements of Islamorada, City of Islands, Florida's (the "City"), as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated June 29, 2023.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in these reports, which are dated June 29, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions were taken on finding 2021-001 in the preceding annual financial audit report requiring correction.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Crystal River, Florida was incorporated in 1903. Additional information on the City's creation and the City's component units is disclosed within the City's footnotes.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Mayor and Members of the City Council, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Bradenton, Florida
June 29, 2023

Mauldin & Jenkins, LLC



INDEPENDENT ACCOUNTANT'S REPORT

Honorable Mayor and Members of
the City Council,
City of Crystal River, Florida

We have examined the City of Crystal River, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2022. Management of the City 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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 during the year ended September 30, 2022.

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.

Bradenton, Florida
June 29, 2022

A handwritten signature in cursive script that reads "Mauldin & Jenkins, LLC". The signature is written in black ink and is positioned to the right of the date.

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