

**CITY OF MACCLENNY
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2019**

**LYONS AND LYONS
CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF MACCLENNY, FLORIDA
AUDIT REPORT
SEPTEMBER 30, 2019
TABLE OF CONTENTS

	<u>PAGE</u>
CITY OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Governmental Funds Financial Statements:	
Balance Sheet	11
Reconciliation of Balance Sheet to Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances	13
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to Statement of Activities	14
Proprietary Fund Financial Statements:	
Statement of Net Position	15
Statement of Revenues, Expenses and Changes in Fund Net Position	16
Statement of Cash Flows	17
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to Financial Statements	20
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual—General Fund	39
Other Postemployment Benefits	40
Schedules of Proportionate Share of Net Pension Liability-Governmental Funds	41
Schedules of Proportionate Share of Net Pension Liability-Proprietary Fund	42
Schedules of Employer Contributions	43
SUPPLEMENTARY INFORMATION:	
Special Revenue Funds	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance Proprietary Fund Types	45
Combining Statement of Net Position	46
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	47
Combining Statement of Cash Flows	48
ADDITIONAL ELEMENTS REQUIRED BY THE RULES OF THE AUDITOR GENERAL:	
Independent Auditors' Management Letter	49
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	51
Independent Accountants' Report on Compliance with Section 218.415, Florida Statutes	53
Schedule of Findings and Questioned Costs	54
Management's Follow-Up of Auditors' Comments Corrective Action Plan (For Current Year Audit Findings)	-

CITY OF MACCLENNY, FLORIDA
CITY OFFICIALS
SERVING AS OF SEPTEMBER 30, 2019

CITY COMMISSIONERS

Mark Bryant (Mayor)

Cecil Horne, Jr.

Danny Norton

Lynward Bones

Sam Kitching

CITY MANAGER

Phillip E. Rhoden

CITY ATTORNEY

Frank E. Maloney, Jr.

LYONS AND LYONS

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Commission
City of Macclenny, Florida

Report on the Financial Statements

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 Macclenny, Florida (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The supplementary information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 25, 2020, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



June 25, 2020
Macclenny, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Macclenny, Florida's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2018-2019.

- The City's overall net position increased by \$1,423,191 from \$12,462,407 to \$13,885,598.
- Total ending unrestricted net position increased \$829,266, from \$3,473,763 to \$4,303,029.
- The City's notes payable increased by \$5,397, from \$138,327 to \$143,724. Bonds payable decreased by \$226,000, from \$4,208,628 to \$3,982,628. Capital lease obligations decreased by \$8,003, from \$8,003 to \$0.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 and administration, public safety, sanitation services, street and storm water maintenance, and culture and recreation. The business-type activities of the City include water and sewer operations and rental of five residential properties. These activities are financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that are 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. The City currently maintains three fund types: governmental fund, proprietary fund, and fiduciary fund.

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 used in evaluating a government's near term financial 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 financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate comparison between governmental funds and governmental activities.

The City maintains numerous 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, which is considered to be a non-major fund. Data from the Special Revenue Funds are combined into a single, aggregated presentation as a major fund. Individual fund data for each of the special revenue funds is provided in the form of combining statements elsewhere in the report.

Proprietary funds – The City maintains one type of proprietary fund, the Enterprise Fund. The Enterprise Fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Enterprise Fund to account for its water and sewer operations and five residential rental homes. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs.

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.

Other Information

In addition to the basic financial statements, and accompanying notes, this report also presents certain required supplementary information containing budget to actual comparisons for the general fund and the special revenue fund, and other postemployment benefits information. Supplementary information and additional elements as required by the auditor general, as listed in the table of contents, are also presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

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 \$13,885,598 at the close of the fiscal year ended September 30, 2019.

City of Macclenny's Net Position

	Governmental Activities		Business-type Activities		Total	
	FY 19	FY 18	FY 19	FY 18	FY 19	FY 18
Current and other assets	\$ 5,212,314	\$ 4,143,870	\$ 4,645,587	\$ 4,298,440	\$ 9,857,901	\$ 8,442,310
Capital assets	5,147,629	5,144,641	7,784,425	7,309,902	12,932,054	12,454,543
Total assets	<u>10,359,943</u>	<u>9,288,511</u>	<u>12,430,012</u>	<u>11,608,342</u>	<u>22,789,955</u>	<u>20,896,853</u>
Deferred outflows	759,077	828,641	514,839	552,258	1,273,916	1,380,899
Total assets and deferred outflows	<u>11,119,020</u>	<u>10,117,152</u>	<u>12,944,851</u>	<u>12,160,600</u>	<u>24,063,871</u>	<u>22,277,752</u>
Current and other liabilities	313,938	326,440	592,949	439,844	906,887	766,284
Long-term liabilities	3,716,972	3,413,557	4,325,328	4,351,491	8,042,300	7,765,048
Total liabilities	<u>4,030,910</u>	<u>3,739,997</u>	<u>4,918,277</u>	<u>4,791,335</u>	<u>8,949,187</u>	<u>8,531,332</u>
Deferred inflows	116,670	152,922	1,112,416	1,131,091	1,229,086	1,284,013
Total liabilities and deferred inflows	<u>4,147,580</u>	<u>3,892,919</u>	<u>6,030,693</u>	<u>5,922,426</u>	<u>10,178,273</u>	<u>9,815,345</u>
Net position:						
Net investment in capital assets	3,583,001	3,542,013	5,222,701	4,565,575	8,805,702	8,107,588
Restricted	1,861	1,852	775,006	879,204	776,867	881,056
Unrestricted	3,386,578	2,680,368	916,451	793,395	4,303,029	3,473,763
Total net position	<u>\$ 6,971,440</u>	<u>\$ 6,224,233</u>	<u>\$ 6,914,158</u>	<u>\$ 6,238,174</u>	<u>\$ 13,885,598</u>	<u>\$ 12,462,407</u>

Changes in Net Position

The following schedule provides a summary of the changes in net position.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>FY 19</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 18</u>	<u>FY 19</u>	<u>FY 18</u>
Revenues:						
Program revenues						
Charges for services	\$ 1,226,280	\$ 1,139,000	\$ 2,844,230	\$ 2,514,531	\$ 4,070,510	\$ 3,653,531
Operating grants and contributions	-	96,476	-	-	-	96,476
Capital grants and contributions	372,265	-	303,708	467,626	675,973	467,626
General revenues						
Property taxes	871,774	821,546	-	-	871,774	821,546
Other taxes	1,962,076	1,922,886	73,294	71,090	2,035,370	1,993,976
State shared revenues	527,258	493,675	-	-	527,258	493,675
Interest and other	345,839	309,352	69,385	23,252	415,224	332,604
Total revenues	<u>5,305,492</u>	<u>4,782,935</u>	<u>3,290,617</u>	<u>3,076,499</u>	<u>8,596,109</u>	<u>7,859,434</u>
Expenses:						
General government	1,135,909	1,006,864	-	-	1,135,909	1,006,864
Public safety	1,906,960	1,844,236	-	-	1,906,960	1,844,236
Physical environment	801,472	790,795	2,614,633	2,445,998	3,416,105	3,236,793
Transportation	469,721	435,657	-	-	469,721	435,657
Culture and recreation	192,550	187,966	-	-	192,550	187,966
Interest on long-term debt	51,673	54,006	-	117,119	51,673	171,125
Total expenses	<u>4,558,285</u>	<u>4,319,524</u>	<u>2,614,633</u>	<u>2,563,117</u>	<u>7,172,918</u>	<u>6,882,641</u>
Change in net position	747,207	463,411	675,984	513,382	1,423,191	976,793
Beginning net position -						
as previously reported	<u>6,224,233</u>	<u>5,760,822</u>	<u>6,238,174</u>	<u>5,724,792</u>	<u>12,462,407</u>	<u>11,485,614</u>
Ending net position	<u>\$ 6,971,440</u>	<u>\$ 6,224,233</u>	<u>\$ 6,914,158</u>	<u>\$ 6,238,174</u>	<u>\$ 13,885,598</u>	<u>\$ 12,462,407</u>

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental and Business-type Activities

The governmental activities generated \$1,598,545 in program revenues and \$3,706,947 of general revenues, and incurred \$4,558,285 of program expenses. This resulted in a \$747,207 increase in net assets from current operations. The business-type activities generated operating revenue of \$2,844,230 while expending \$2,505,823 resulting in a net increase from operations of \$338,407. Non-operating revenues of \$142,679 less non-operating expenses of \$108,810 together with capital grant revenue of \$303,708 plus the net increase from operations of \$338,407 resulted in a total increase of \$675,984 in net position.

THE CITY'S INDIVIDUAL FUNDS

The General Fund's fund balance increased by \$1,075,503 from \$3,859,825 to \$4,935,328. The Special Revenue Fund's fund balance increased by \$9 from \$1,852 to \$1,861. The Proprietary Fund's net position increased by \$675,984 from \$6,238,174 to \$6,914,158; net position from operations increased \$338,407; net cash increased \$254,500. The City's utility system was operated principally from charges to customers.

BUDGETARY HIGHLIGHTS

General Fund revenues were greater than budgeted amounts by \$550,722 and expenditures were less than budgeted amounts by \$429,609.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City had significant capital asset activity during the year. Please refer to the note to the accompanying financial statements entitled *Capital Assets* for more detailed information about the City's capital asset activity. Several construction projects were in progress at September 30, 2019, totaling \$1,120,020. These projects include continuation of sewer rehabilitation, lift station rehabilitation, extension of utility services to new subdivision, and a pipe storage shed.

Debt Administration

During the year, loan advances of \$22,705 were received on the note payable approved to provide funding for evaluating the sanitary/sewer system infrastructure with anticipated total of \$466,320 less principal debt forgiveness of \$299,844. This note balance was \$143,724 on September 30, 2019. The City's capital lease, notes and revenue bonds payable decreased by \$228,606. Please refer to the note to the accompanying financial statements entitled *Changes in Long-Term Liabilities* for more detailed information about the City's changes in long-term liabilities.

ECONOMIC FACTORS

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Macclenny at 118 East Macclenny Ave., Macclenny, Florida 32063.

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current assets:			
Cash and equivalents	\$ 4,863,476	\$ 2,955,333	\$ 7,818,809
Accounts receivable (net)	168,418	281,981	450,399
Due from other funds	157,122	(157,122)	-
Accrued interest receivable	-	1,425	1,425
Inventories	19,187	89,610	108,797
Prepaid expenses	2,250	-	2,250
Total current assets	<u>5,210,453</u>	<u>3,171,227</u>	<u>8,381,680</u>
Noncurrent assets:			
Restricted assets:			
Cash	1,861	1,474,360	1,476,221
Capital assets:			
Non-depreciable	760,971	1,627,129	2,388,100
Depreciable, net	4,386,658	6,157,296	10,543,954
Total noncurrent assets	<u>5,149,490</u>	<u>9,258,785</u>	<u>14,408,275</u>
Deferred outflows of resources	759,077	514,839	1,273,916
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>11,119,020</u>	<u>12,944,851</u>	<u>24,063,871</u>
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
Current liabilities:			
Accounts payable	85,616	250,815	336,431
Accrued interest payable	40,820	66,521	107,341
Accrued payroll payable	10,936	9,078	20,014
Capital lease obligation	-	-	-
Notes payable	-	17,215	17,215
Bonds payable	40,000	196,000	236,000
Net pension liabilities	11,413	3,880	15,293
Due to other governments	128	-	128
Accrued compensated absences	125,025	49,440	174,465
Total current liabilities	<u>313,938</u>	<u>592,949</u>	<u>906,887</u>
Noncurrent liabilities:			
Customer deposits	12,600	699,354	711,954
Notes payable	-	126,509	126,509
Bonds payable	1,524,628	2,222,000	3,746,628
Net pension liabilities	2,111,612	1,231,214	3,342,826
Accrued compensated absences	39,642	30,872	70,514
Accrued insurance supplement	-	900	900
Accrued OPEB obligation	28,490	14,479	42,969
Total noncurrent liabilities	<u>3,716,972</u>	<u>4,325,328</u>	<u>8,042,300</u>
Deferred inflows of resources	116,670	1,112,416	1,229,086
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>4,147,580</u>	<u>6,030,693</u>	<u>10,178,273</u>
<u>NET POSITION</u>			
Net investment in capital assets	3,583,001	5,222,701	8,805,702
Restricted	1,861	775,006	776,867
Unrestricted	3,386,578	916,451	4,303,029
TOTAL NET POSITION	<u>\$ 6,971,440</u>	<u>\$ 6,914,158</u>	<u>\$ 13,885,598</u>

The accompanying "Notes to financial statements" form an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,135,909	\$ 12,011	\$ -	\$ -	\$ (1,123,898)	\$ -	\$ (1,123,898)
Public safety	1,906,960	-	-	-	(1,906,960)	-	(1,906,960)
Physical environment	801,472	1,106,451	372,265	-	677,244	-	677,244
Transportation	469,721	107,818	-	-	(361,903)	-	(361,903)
Culture and recreation	192,550	-	-	-	(192,550)	-	(192,550)
Interest on long-term debt	51,673	-	-	-	(51,673)	-	(51,673)
Total Governmental activities	4,558,285	1,226,280	372,265	-	(2,959,740)	-	(2,959,740)
Business-type activities:							
Water and sewer	2,494,667	2,815,430	-	303,708	-	624,471	624,471
Rental	11,156	28,800	-	-	-	17,644	17,644
Interest on long-term debt	108,810	-	-	-	-	(108,810)	(108,810)
Total Business-type activities	2,614,633	2,844,230	-	303,708	-	533,305	533,305
Total	\$ 7,172,918	\$ 4,070,510	\$ 372,265	\$ 303,708	(2,959,740)	533,305	(2,426,435)
General Revenues:							
Property taxes					871,774	-	871,774
Sales and use taxes					554,361	-	554,361
Local option taxes					150,021	-	150,021
Franchise fees					454,497	-	454,497
Utility service tax					563,046	73,294	636,340
Communication service tax					240,151	-	240,151
State shared revenue					527,258	-	527,258
Fines and forfeitures					9,332	-	9,332
Interest income					1,733	40,922	42,655
Miscellaneous					334,774	28,463	363,237
Total General Revenues					3,706,947	142,679	3,849,626
Change in net position					747,207	675,984	1,423,191
Net position, October 1, 2018					6,224,233	6,238,174	12,462,407
Net position, September 30, 2019					\$ 6,971,440	\$ 6,914,158	\$ 13,885,598

The accompanying "Notes to financial statements" form an integral part of this statement.

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

CITY OF MACCLENNY, FLORIDA

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>			
Cash	\$ 4,863,476	\$ -	\$ 4,863,476
Cash - restricted	-	1,861	1,861
Accounts receivable (net)	168,418	-	168,418
Due from other funds	157,122	-	157,122
Inventory	19,187	-	19,187
Prepaid expenses	2,250	-	2,250
TOTAL ASSETS	\$ 5,210,453	\$ 1,861	\$ 5,212,314
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 85,616	\$ -	\$ 85,616
Accrued payroll	10,936	-	10,936
Accrued compensated absences	125,025	-	125,025
Accrued interest	40,820	-	40,820
Due to other governments	128	-	128
Customer deposits	12,600	-	12,600
TOTAL LIABILITIES	275,125	-	275,125
<u>FUND EQUITY</u>			
Fund balances:			
Nonspendable			
Inventory	19,187	-	19,187
Prepaid expenses	2,250	-	2,250
Due from utility fund	157,122	-	157,122
Committed to:			
Impact fees	-	1,861	1,861
Unassigned	4,756,769	-	4,756,769
TOTAL FUND EQUITY	4,935,328	1,861	4,937,189
TOTAL LIABILITIES AND FUND EQUITY	\$ 5,210,453	\$ 1,861	\$ 5,212,314

The accompanying "Notes to financial statements" form an integral part of this statement.

RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET POSITION -
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

FUND BALANCES--TOTAL GOVERNMENTAL FUNDS	\$ 4,937,189
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the governmental funds:	
Capital assets--net	5,147,629
Deferred outflows of resources related to pension earnings are not recognized in the governmental funds and are recorded in the statement of net position.	
Change in pension assumptions	759,077
Deferred inflows of resources related to pension earnings are not recognized in the governmental funds and are recorded in the statement of net position.	
Change in pension assumptions	(116,670)
Liabilities are not reported in the governmental funds:	
Compensated absences	(39,642)
Bonds payable	(1,564,628)
Other post employment benefits payable	(28,490)
Net pension liabilities	<u>(2,123,025)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 6,971,440</u>

The accompanying "Notes to financial statements" form an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	GENERAL	SPECIAL REVENUE	TOTALS (Memorandum Only)
<u>REVENUES</u>			
Taxes	\$ 2,379,353	\$ -	\$ 2,379,353
Licenses and permits	197,143	-	197,143
Franchise fees	454,497	-	454,497
Intergovernmental	911,208	-	911,208
Charges for services	1,228,988	-	1,228,988
Fines and forfeitures	9,332	-	9,332
Private donations and contributions	40	-	40
Miscellaneous revenues	<u>123,198</u>	-	<u>123,198</u>
TOTAL REVENUES	<u>5,303,759</u>	-	<u>5,303,759</u>
<u>EXPENDITURES</u>			
Current:			
General government	948,432	-	948,432
Public safety	1,531,102	-	1,531,102
Physical environment	728,976	-	728,976
Transportation	350,673	-	350,673
Culture and recreation	135,947	-	135,947
Capital outlay:	437,174	-	437,174
Debt service:			
Principal	46,003	-	46,003
Interest and fiscal charges	<u>51,673</u>	-	<u>51,673</u>
TOTAL EXPENDITURES	<u>4,229,980</u>	-	<u>4,229,980</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,073,779</u>	-	<u>1,073,779</u>
OTHER FINANCING SOURCES (USES)			
Interest on investments	<u>1,724</u>	<u>9</u>	<u>1,733</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,724</u>	<u>9</u>	<u>1,733</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,075,503	9	1,075,512
FUND BALANCES, October 1, 2018	<u>3,859,825</u>	<u>1,852</u>	<u>3,861,677</u>
FUND BALANCES, September 30, 2019	<u>\$ 4,935,328</u>	<u>\$ 1,861</u>	<u>\$ 4,937,189</u>

The accompanying "Notes to financial statements" form an integral part of this statement.

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,075,512
<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 those assets is depreciated over their estimated useful lives.</p>		
Acquisition of capital assets		352,118
Current year depreciation expense		(349,129)
<p>The issuance of long-term debt provides current financial resources to governmental funds, however this does not affect net position</p>		
Increase in net pension liability		(305,857)
Principal loan repayment		46,003
Change in deferred outflows related to pension		(116,750)
Change in deferred inflows related to pension		36,251
Deferred outflows for contributions subsequent to the measurement date		47,187
<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>		
Increase in compensated absences		(12,180)
Increase in OPEB expense and miscellaneous		(25,948)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>747,207</u>

The accompanying "Notes to financial statements" form an integral part of this statement.

STATEMENT OF NET POSITION-
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	TOTALS
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	
Current assets:	
Cash and equivalents	\$ 2,955,333
Accounts receivable (net)	281,981
Accrued interest receivable	1,425
Inventories	89,610
Total current assets	3,328,349
Noncurrent assets:	
Restricted assets:	
Cash	1,474,360
Total cash, restricted	1,474,360
Capital assets:	
Land	511,669
Construction in progress	1,115,460
Buildings, improvements and infrastructure	17,464,061
Machinery and equipment	2,541,498
Less: accumulated depreciation	(13,848,263)
Total capital assets net	7,784,425
Total noncurrent assets	9,258,785
Deferred outflows of resources	
Net underwriter's discount	17,440
Deferred gain on early retirement	3,729
Change in pension assumptions	493,670
Total deferred outflow of resources	514,839
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	13,101,973
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>	
Current liabilities:	
Accounts payable	250,815
Accrued interest payable	66,521
Accrued payroll payable	9,078
Due to other funds	157,122
Notes payable	17,215
Bonds payable	196,000
Net pension liabilities	3,880
Accrued compensated absences	49,440
Total current liabilities	750,071
Noncurrent liabilities:	
Customer deposits	699,354
Notes payable	126,509
Bonds payable	2,222,000
Net pension liabilities	1,231,214
Accrued compensated absences	30,872
Accrued insurance supplement	900
Accrued OPEB obligation	14,479
Total noncurrent liabilities	4,325,328
Deferred inflows of resources	
Change in pension assumptions	103,516
Deferred developer revenues	1,008,900
Total deferred inflows of resources	1,112,416
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,187,815
<u>NET POSITION</u>	
Net investment in capital assets	5,222,701
Restricted for water and sewer development	775,006
Unrestricted	916,451
TOTAL NET POSITION	\$ 6,914,158

The accompanying "Notes to financial statements" form an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

OPERATING REVENUES

Charges for services \$ 2,844,230

TOTAL OPERATING REVENUES

2,844,230

OPERATING EXPENSES

Personal services 1,274,674

Materials, supplies and other expenses 611,436

Depreciation expense 618,129

Amortization expense 1,584

TOTAL OPERATING EXPENSES

2,505,823

OPERATING INCOME (LOSS)

338,407

NON-OPERATING REVENUES (EXPENSES)

Utility tax 73,294

Grant revenue 303,708

Miscellaneous income 28,463

Interest income 40,922

Interest expense (108,810)

TOTAL NONOPERATING REVENUES (EXPENSES)

337,577

Changes in net position

675,984

NET POSITION - October 1, 2018

6,238,174

NET POSITION - September 30, 2019

\$ 6,914,158

The accompanying "Notes to financial statements" form an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 2,904,851
Cash payments to suppliers for goods and services	(521,345)
Cash payments to employees for services	<u>(1,085,874)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,297,632</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(1,092,653)
Proceeds from capital grant	303,708
Interest paid on long term debt	(113,230)
Loan proceeds	22,705
Principle paid on notes payable	(17,308)
Principle paid on bonds payable	<u>(188,000)</u>
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,084,778)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>41,646</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>41,646</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

254,500

CASH AND CASH EQUIVALENTS - October 1, 2018

4,175,193

CASH AND CASH EQUIVALENTS - September 30, 2019

\$ 4,429,693

CASH AND CASH EQUIVALENTS CLASSIFIED AS:

Cash and cash equivalents - unrestricted	\$ 2,955,333
Cash and cash equivalents - restricted	<u>1,474,360</u>
TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED	<u>\$ 4,429,693</u>

RECONCILIATION OF OPERATING INCOME TO

NET CASH PROVIDED BY OPERATING ACTIVITIES:

Operating income (loss)	\$ 338,407
Utility tax and miscellaneous nonoperating revenue	101,757
Adjustments to reconcile operating income (loss) to net cash provided	
by operating activities:	
Depreciation	618,129
Amortization	1,584
Change in assets and liabilities:	
Accounts receivable	(50,152)
Accounts payable	133,310
Accrued compensated absences	(977)
Net pension liability	174,723
Net OPEB obligation	12,079
Accrued payroll	2,975
Customer deposits	9,016
Inventory	<u>(43,219)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,297,632</u>

The accompanying "Notes to financial statements" form an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	<u>HRA Fund</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ <u>136,271</u>	\$ <u>136,271</u>
TOTAL ASSETS	<u>136,271</u>	<u>136,271</u>
 <u>NET POSITION</u>		
Held in trust for health reimbursement purposes	\$ <u><u>136,271</u></u>	\$ <u><u>136,271</u></u>

The accompanying "Notes to financial statements" form an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	<u>HRA Fund</u>	<u>Total</u>
ADDITIONS		
Contributions:	\$ 42	\$ 42
Total additions	<u>42</u>	<u>42</u>
DEDUCTIONS		
Health reimbursements paid	<u>15,644</u>	<u>15,644</u>
Total deductions	<u>15,644</u>	<u>15,644</u>
Changes in net position	(15,602)	(15,602)
Net position, October 1, 2018	<u>151,873</u>	<u>151,873</u>
Net position, September 30, 2019	<u>\$ 136,271</u>	<u>\$ 136,271</u>

The accompanying "Notes to financial statements" form an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the City's accounting policies are hereafter described.

Reporting Entity

The City is a unit of local government, established under Section 166, Florida Statutes and Chapter 24670, Laws of the State of Florida, and operates under a Commissioners-Manager form of government. As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the City as a primary government.

The City uses the criteria established in GASB Statement 14 to define the reporting entity and identify component units. Component units are entities for which a primary government is considered to be financially accountable. Component units, if any, are included in the reporting entity because of the significance of their operational or financial relationships with the primary government.

A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

Blended component units, although legally separate entities are, in substance, part of the primary government's operations and, accordingly, data from these units would be combined with data of the City. There are no blended component units included in the City's financial reporting entity.

Discretely presented component units, on the other hand, would be reported in separate columns to emphasize that they are legally separate from the City. There are no discretely presented component units included in the City's financial reporting entity.

The Macclenny Housing Authority is a legally separate fiscally independent organization in which the City Commissioners appoint the Authority Board. The City is not able to impose its will on the Authority and no financial responsibility of the Authority rests with the City. The Authority is not included as a component unit of the City's financial statements since the City does not exercise sufficient oversight responsibility.

There were no additional entities for which there were positive responses to specific criteria used for establishing oversight responsibility that were excluded from the City's financial statements.

The City did not participate in any joint ventures during the 2018 – 2019 fiscal year.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

Government-wide Financial Statements

separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program; and operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate financial statements are presented for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements, but all non-major funds are aggregated and presented in a single column. The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the General Fund as a major governmental fund. The General Fund is the primary operating fund. It is used to account for all activities except those required to be accounted for in another fund.

The City reports the Special Revenue Funds as a non-major fund. The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

The City reports the Proprietary Fund (enterprise fund) as a major fund. The Proprietary Fund consists of two separate funds identified as the Utility and Rental Funds. The City provides services for water and sewer to its residents, which are financed by user charges. The City also maintains several homes located adjacent to the City's sewer treatment plant which are rented to tenants. Activities of the Utility Fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The Utility Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds. The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets.

The City reports the Health Reimbursement Account as fiduciary funds. These funds are held in a purely custodial capacity and are reported using the accrual basis of accounting.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance – Governmental Funds

The City follows the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to classify fund balances for governmental funds into specifically defined classifications. The classifications comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

The fund balance classifications specified in GASB Statement No. 54 are as follows:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the City’s highest level of decision-making authority, which is the City Commission. 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 are amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the City Manager; or (b) a body or official to whom the City Manager has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund.

The City’s policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Governmental fund balances with restrictions as of September 30, 2019, are as follows:

	Classification					Total
	Nonspendable	Restricted	Committed	Assigned	Unassigned	
General Fund	\$ 178,559	\$ -	\$ -	\$ -	\$ 4,756,769	\$ 4,935,328
Transportation Impact Fee Fund	-	1,861	-	-	-	1,861
	<u>\$ 178,559</u>	<u>\$ 1,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,756,769</u>	<u>\$ 4,937,189</u>

Measurement Focus and Basis of Accounting

The government-wide financial statements and the fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current year. Expenditures are generally recognized when the related liability is incurred. However, debt service expenditures and expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Budgets and Budgetary Accounting

The City adopts annual budgets for the General, Special Revenue and Enterprise Funds. The following procedures are used in establishing the budgetary data reflected in the financial statements:

- Prior to July 1, the City Manager submits to the City Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of an ordinance.
- Any revision that alters total expenditures of any fund or to transfer budgeted amounts between departments within any fund must be approved by the City Commissioners. Budgetary control is maintained at the department level. The fund is the legal level of control. Budgetary data presented in the accompanying financial statements represent the “final” budget data; i.e., the effects of budget amendments have been applied to “original” budgetary data. Budgeted appropriations lapse at year-end.
- The budget amounts presented in the accompanying financial statements were prepared on the modified accrual basis of accounting.
- All budget changes during the fiscal year are approved by the City Commissioners.
- Appropriations lapse at the end of the fiscal year.

Budgets are adopted for the General, Special Revenue and Enterprise Funds on a basis that does not differ materially from accounting principles generally accepted in the United States of America. In accordance with Section 166.241(3), Florida Statutes, total expenditures did not exceed budget appropriations for the fiscal year ended September 30, 2019.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation.

Application of FASB Pronouncements

For its enterprise fund, the City applies all applicable GASB pronouncements. Additionally, the City applies pronouncements of the FASB and its predecessor bodies issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise funds consider all highly liquid investments, including restricted assets to be cash equivalents. Restricted cash for customer deposits, bond reserves, impact fees and utility improvement funds total \$1,476,221. Unrestricted resources are used first when expense is incurred for both restricted and unrestricted purposes.

Deposits with Financial Institutions

All cash resources and certificates of deposit of the City are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or collateralized pursuant to Chapter 280, Florida Statutes.

Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market.

Prepaid Expenses

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses.

Assets capitalized generally have an original cost of \$1,000 or more and a useful life of more than one year. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-30 years
Water and Sewer System	30-50 years
Infrastructure	20-35 years
Machinery and Equipment	5-15 years
Improvements other than Buildings	20-50 years

Compensated Absences

The City's policy on sick leave allows accumulation from one year to the next. Vesting occurs after an employee has five years of service with the City. An employee may be paid, depending on length of service, for 35% to 60% of a maximum of 960 hours of accumulated sick time.

City policies allow employees to accumulate vacation time and carryover unused vacation to the next calendar year. The maximum amount that can be carried over is one year's accumulated leave. The City follows accounting principles generally accepted in the United States of America in accounting for accrued compensated absences. A liability for accrued compensated absences of employees has been accrued in the Proprietary Fund and in the Government-wide financial statements. Compensated absences are recorded as expenditures in Governmental Funds to the extent of the amount of the liability that would normally be liquidated with expendable available financial resources (the current portion).

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

A *deferred outflow of resources* is a consumption of net assets that is applicable to a future reporting period.

A *deferred inflow of resources* is an acquisition of net assets that is applicable to a future reporting period.

Net Position

Net position represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The government-wide statement of net position reports \$776,867 of restricted net position, which is restricted by enabling legislation. Governmental restricted net position in the amount of \$1,861 consists of impact fees held in the special revenue accounts. Proprietary restricted net position in the amount of \$775,006 consists of water and sewer development funds, bond reserves and sinking funds.

Property Taxes

The Baker County Tax Collector bills and collects property taxes for the City. City property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the City's property tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Installment Payments	
1st Installment	No later than June 30
2nd Installment	No later than September 30
3rd Installment	No later than December 31
4th Installment	No later than March 31
Regular Payments	
Discount Periods	November-February
No Discount Period	March
Delinquent Date	April 1

Debt Premiums, Discounts, Issuance Costs and Debt Refunding Gains and Losses

On the government-wide statement of net position and the proprietary fund type statement of net position, debt premiums and discounts are netted against the debt payable. On the government-wide and proprietary fund type statement of activities, debt premiums and discounts are deferred and amortized over the life of the debt using the effective interest method.

Debt refunding gains and losses are reported as deferred inflows or outflows of resources on the statements of net position. These gains and losses are deferred and amortized over the shorter of the life of the refunding debt (new debt) and the refunded debt (the old debt).

Bond issue costs are recognized as an outflow of resources in the reporting period in which they are incurred. At the government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separately from the face amount of the bonds issued. Bond issuance costs are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Capitalization of Interest Costs

When applicable, the City follows the guidelines of Statement of Financial Accounting Codification No. 835-20 to determine if interest costs related to construction of fixed assets should be capitalized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City to make various estimates and assumptions. Actual results could vary from estimates used.

NOTE 2 – INVESTMENTS

The City invests excess public funds pursuant to the guidelines established in Section 218.415, Florida Statutes. Accordingly, the City is authorized to invest excess public funds in the following instruments: the Local Government Investment Pool; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposit in qualified public depositories; and direct obligations of the U.S. Treasury.

Investment Risks

The City is exposed to the following risks associated with its investment portfolio:

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

Interest Rate Risk – the risk that changes in interest rate will adversely affect the fair value of an investment.

The City invested \$550,000 in a certificate of deposit in a qualified public depository. The rate of return is .846% and matures on June 19, 2022. The value at September 30, 2019 was \$596,764. The City does not have a formal investment policy relating to the aforementioned risks, other than Section 218.415, Florida Statutes, for investing public funds. That statute limits the City's exposure to credit risk and interest rate risk by limiting authorized investment options as previously described. Certificate of deposits are reported as a cash equivalent.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance October 1	Additions	Deletions	Balance September 30
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 756,411	\$ -	\$ -	\$ 756,411
Construction in progress	6,575	4,560	(6,575)	4,560
Total capital assets not being depreciated	762,986	4,560	(6,575)	760,971
Capital assets being depreciated				
Buildings, improvements and infrastructure	5,668,618	56,678	-	5,725,296
Machinery and equipment	2,656,877	297,455	-	2,954,332
Total capital assets being depreciated	8,325,495	354,133	-	8,679,628
Total capital assets, before depreciation	9,088,481	358,693	(6,575)	9,440,599
Less accumulated depreciation for:				
Buildings, improvements and infrastructure	(1,788,671)	(227,284)	-	(2,015,955)
Machinery and equipment	(2,155,170)	(121,845)	-	(2,277,015)
Total accumulated depreciation	(3,943,841)	(349,129)	-	(4,292,970)
Total capital assets being depreciated, net	4,381,654	5,004	-	4,386,658
Governmental activities capital assets, net	<u>\$ 5,144,640</u>	<u>\$ 9,564</u>	<u>\$ (6,575)</u>	<u>\$ 5,147,629</u>
Business-type activities:				
Capital assets not being depreciated				
Land	\$ 511,669	\$ -	\$ -	\$ 511,669
Construction in progress	742,529	577,787	(204,856)	1,115,460
Total capital assets not being depreciated	1,254,198	577,787	(204,856)	1,627,129
Capital assets being depreciated				
Buildings, improvements and infrastructure	16,929,444	534,617	-	17,464,061
Machinery and equipment	2,356,395	185,103	-	2,541,498
Total capital assets being depreciated	19,285,839	719,720	-	20,005,559
Total capital assets, before depreciation	20,540,037	1,297,507	(204,856)	21,632,688
Less accumulated depreciation for:				
Buildings, improvements and infrastructure	(11,182,478)	(489,370)	-	(11,671,848)
Machinery and equipment	(2,047,657)	(128,758)	-	(2,176,415)
Total accumulated depreciation	(13,230,135)	(618,128)	-	(13,848,263)
Total capital assets being depreciated, net	6,055,704	101,592	-	6,157,296
Business-type activities capital assets, net	<u>\$ 7,309,902</u>	<u>\$ 679,379</u>	<u>\$ (204,856)</u>	<u>\$ 7,784,425</u>

Depreciation expense was charged as direct expense to programs of the government as follows:

Governmental Activities:	
General Government	\$ 18,686
Public Safety	114,939
Physical Environment	69,501
Transportation	96,285
Culture and Recreation	49,718
Total Depreciation Expense-Governmental Activities	<u>\$ 349,129</u>
Business-Type Activities:	
Water and Sewer	<u>\$ 618,128</u>
Total Depreciation Expense-Business-Type Activities	<u>\$ 618,128</u>

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 4 – CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance October 1, 2018			Balance September 30, 2019		Amounts Due within One Year
	Additions	Reductions				
<u>Governmental activities:</u>						
Revenue bonds payable	\$ 1,602,628	\$ -	\$ 38,000	\$ 1,564,628	\$ 40,000	
Capital lease obligation	8,003	-	8,003	-	-	
Compensated absences	156,643	10,387	2,363	164,667	125,025	
OPEB obligation	2,543	25,947	-	28,490	-	
Net pension liability - FRS	1,817,168	305,857	-	2,123,025	11,413	
Total Governmental activities	<u>\$ 3,586,985</u>	<u>\$ 342,191</u>	<u>\$ 48,366</u>	<u>\$ 3,880,810</u>	<u>\$ 176,438</u>	
<u>Business-type activities:</u>						
Notes payable	\$ 138,327	\$ 22,705	\$ 17,308	\$ 143,724	\$ 17,215	
Revenue bonds payable	2,606,000	-	188,000	2,418,000	196,000	
Compensated absences	81,289	195	1,172	80,312	49,439	
OPEB obligation	1,200	13,279	-	14,479	-	
Net pension liability -FRS	1,077,532	157,562	-	1,235,094	3,880	
Total Business-type activities	<u>\$ 3,904,348</u>	<u>\$ 193,741</u>	<u>\$ 206,480</u>	<u>\$ 3,891,609</u>	<u>\$ 266,534</u>	

NOTE 5 – NOTES AND REVENUE BONDS PAYABLE

The City's notes and revenue bonds payable are segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Governmental activities:

As of September 30, 2019, the governmental bonds payable of the City consisted of the following:

Bonds Payable:

Public Improvement Revenue Bonds were issued on December 11, 2015 in the amount of \$1,685,800 bearing interest at a rate of 3.25%. The purpose of the bonds was to provide permanent financing of the fire station. The bonds are secured by the pledge of the City's discretionary one cent sales tax revenue.

\$1,564,628

Total Governmental Activities Bonds Payable

\$1,564,628

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 5 – NOTES AND REVENUE BONDS PAYABLE (continued)

Business-type activities:

The business-type activities notes and revenue bonds payable for the City at September 30, 2019, consist of the following:

Notes Payable:

A Clean Water State Revolving Fund Planning Loan Agreement was entered into with the Florida Department of Environmental Protection on January 12, 2016 to provide funding up to \$871,652 for the evaluation and rehabilitation of the sanitary/sewer system infrastructure. The loan agreement was amended on February 18, 2020, in which the amount awarded was reduced to \$466,320 and the loan principal forgiveness was reduced to \$299,844. The interest rate is 1.62% with semiannual loan payments that began June 15, 2018. As of September 30, 2019, the City has received loan draws totaling \$466,320, debt forgiveness of \$299,846, and principal repayments of \$22,750.

\$ 143,724

Total Notes Payable

143,724

Bonds Payable:

\$1,800,000 Water and Sewer Revenue Bonds, Series 1997, dated January 28, 1997, issued to finance a part of the cost of certain additions, extensions, and improvements to the sewer facilities of the City. The Bonds are due in annual installments of \$18,000 to \$94,000 through January 1, 2037. Interest is at 4.5%. Net revenues from the related system and certain franchise and public service tax are pledged as collateral.

1,213,000

\$2,475,000 Water and Sewer Revenue Refunding Bonds, Series 2008, dated September 30, 2008, issued to refund certain bond issues. The bonds were purchased by Regions Bank and are to be repaid in semi-annual payments beginning April 1, 2009 ranging from \$97,435 to \$102,292 through April 1, 2026. Interest is at 4.14%. Net revenues from the related system and certain municipal excise taxes are pledged as collateral.

1,205,000

Total Bonds Payable

2,418,000

Total Business-type Activity Notes and Revenue Bonds Payable

\$ 2,561,724

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 5 – NOTES AND REVENUE BONDS PAYABLE (concluded)

Annual debt service requirements to maturity for long-term debt are as follows:

Year ending <u>September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 40,000	\$ 50,850	\$ 213,215	\$ 105,283
2021	41,000	49,550	224,601	96,513
2022	42,000	48,218	231,887	87,488
2023	44,000	46,853	240,178	78,058
2024	45,000	45,423	252,474	68,280
2025-2029	247,000	204,299	742,369	212,032
2030-2034	287,000	161,497	385,000	114,705
2035-2039	322,000	112,519	272,000	24,795
2040-2044	355,000	58,083	-	-
2045-2046	<u>141,628</u>	<u>6,769</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,564,628</u>	<u>\$ 784,061</u>	<u>\$ 2,561,724</u>	<u>\$ 787,154</u>

NOTE 6 – STATE OF FLORIDA PENSION PLANS

Defined Benefit Plans

The City participates in two defined benefit pension 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 may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (844) 377-1888.

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. The 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 Retiree 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.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 6 – STATE OF FLORIDA PENSION PLANS (continued)

Benefits Provided

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

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 City are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The City's contribution rates as of September 30, 2019, were as follows:

	FRS	HIS
Regular Class	6.81%	1.66%
Special Risk Class	23.82%	1.66%
Senior Management Service Class	23.75%	1.66%
Elected Officials	47.16%	1.66%
DROP from FRS	12.94%	1.66%

The City's contributions for the year ended September 30, 2019, were \$245,444 to the FRS and \$33,465 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2019, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2019, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2019. 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.

	FRS	HIS
Net pension liability	\$ 2,685,486	\$ 672,633
Proportion at:		
Current measurement date	0.007797893%	0.006011560%
Prior measurement date	0.007572262%	0.005800145%
Pension expense (benefit)	\$ 736,354	\$ 56,150

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 6 – STATE OF FLORIDA PENSION PLANS (continued)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 159,284	\$ 1,667	\$ 8,170	\$ 824
Changes of assumptions	689,748	-	77,885	54,976
Net difference between projected and actual earnings on pension plan investments	-	148,575	434	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	181,177	-	64,554	14,144
Employer contributions subsequent to measurement date	63,171	-	8,324	-
Total	\$ 1,093,380	\$ 150,242	\$ 159,367	\$ 69,944

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, 2019. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending September 30,	FRS	HIS
2020	\$ 331,625	\$ 17,638
2021	125,589	24,453
2022	209,714	17,361
2023	155,118	4,181
2024	46,147	8,145
Thereafter	11,774	9,321
Total	\$ 879,967	\$ 81,099

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2019. The total pension liability for the FRS Pension Plan was determined by an actuarial valuation dated July 1, 2019. For the HIS Program, the total pension liability was determined by an actuarial valuation dated July 1, 2018, rolled-forward using standard actuarial procedures. The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	6.90%	N/A
Discount rate	6.90%	3.50%

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 6 – STATE OF FLORIDA PENSION PLANS (continued)

Mortality assumptions for both plans were based on the PUB2010 with Scale MP-218.

For both plans, the actuarial assumptions 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 2019:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.00% to 6.90%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.87% to 3.50%.

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.

Asset Class	Target Allocation	Annual	Compound	Standard Deviation
		Arithmetic Return	Annual (Geometric) Return	
Cash	1%	3.3%	3.3%	1.2%
Fixed income	18%	4.1%	4.1%	3.5%
Global equity	54%	8.0%	6.8%	16.5%
Real estate (property)	10%	6.7%	6.1%	11.7%
Private equity	11%	11.2%	8.4%	25.8%
Strategic investments	<u>6%</u>	5.9%	5.7%	6.7%
	<u>100%</u>			

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.90%. 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 the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.50% 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.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 6 – STATE OF FLORIDA PENSION PLANS (concluded)

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 City's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

	FRS			HIS		
	Current			Current		
	Discount			Discount		
	1% Decrease	Rate	1% Increase	1% Decrease	Rate	1% Increase
	5.90%	6.90%	7.90%	2.50%	3.50%	4.50%
Employer's proportionate share						
of the net pension liability	\$ 4,642,311	\$ 2,685,486	\$ 1,051,206	\$ 767,846	\$ 672,633	\$ 593,333

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan ("FRS Investment Plan"), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2019, totaled \$0.

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City follows Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits provided by the City. The philosophy driving this accounting standard is that non-pension post employment benefits are part of the compensation paid to employees in return for their services, and the cost of these benefits should be recognized while the employees are providing those resources, rather than after they have retired.

Plan Description

The City offers postemployment medical and pharmacy insurance benefits to any employee who satisfies the normal retirement provisions of the applicable retirement plan (FRS). Former employees who retire from the City are eligible to participate in the City's healthcare insurance benefits, a single-employer defined benefit plan. According to the City's Personnel Policy & Procedures, a regular/permanent full time employee hired before July 1, 2011; after full retirement with at least ten years of full time service who has obtained the required time of service for full retirement benefits (age of 62 or 30 years of service under regular class retirement or 25 years of service under special risk class retirement) can continue to participate in the City's healthcare insurance benefits. Retirees are required to enroll in the Federal Medicare program for their primary health coverage as soon as they are eligible. The City does not issue a stand-alone annual report for the plan and it is not included in the annual report of a public employment retirement system or another entity. As of September 30, 2019, the latest actuarial valuation date, there were 37 active participants and no retiree participating in the plan.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Funding Policy

The City's OPEB benefits are currently unfunded; there is no separate trust fund or equivalent arrangement into which the City would make contributions to advance-fund the obligation, as it does for its pension plans. Therefore, the ultimate subsidies which are provided over time are financed directly by the general assets of the City. Although an actuarial valuation for OPEBs was completed to measure current year's subsidies and project future year subsidies, the City has not determined if a separate trust fund or equivalent arrangement will be established.

Annual OPEB Cost and Net OPEB Liability

The City's net OPEB liability (NOL) is measured as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service, net of the OPEB plan's fiduciary net position as actuarially determined in accordance with the parameters of Governmental Accounting Standards Board Statement No.75. The following table shows the City's annual OPEB cost for the year, the amount actually contributed to the plans, and changes in the City's net OPEB obligation:

	<u>Amount</u>
Prior measurement balance at 9/30/2018	\$ 3,743
Increase in Net OPEB Liability	<u>39,226</u>
Net OPEB Liability at 9/30/2019	<u>\$ 42,969</u>

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial methods are:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Amortization Period	20 Years
Asset Valuation Method	Unfunded
Healthcare Cost Trend	Rates are expected to be 4.6% for medical, 7.6% pharmacy, 3.5% for dental and 3.0% for vision.
Turnover Assumption	Derived from data maintained by the U. S. Office of Personnel Management regarding the most recent Experience of the employee group covered by the Federal Employees Retirement System.
Coverage Election	Assumed that 25% of eligible employees participate.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (concluded)

Actuarial Methods and Assumptions (concluded)

The actuarial assumptions are:

Bond yield & discount rate	3.00%
Projected salary increase	1.50%
Mortality	RP2000 Mortality Tables for males & females projected 18 years; this assumption does not include a margin for the future improvements in longevity.

Funded Status and Funding Progress

No OPEB payments for the 2019 fiscal year were made. As of September 30, 2019, the most recent actuarial valuation report date, the actuarial value of assets was \$0, the covered payroll (annual payroll of active participating employees) was \$2,051,994 and the unfunded actuarial accrued liability as a percentage of covered payroll was 2.094%.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE 8 – COMMITMENTS

The City entered into an operating lease of a postage meter machine for five years beginning August 4, 2019. Lease payments of \$213.78 are paid quarterly. Future lease payments are as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Governmental</u> <u>Activities</u>
2020	\$ 855
2021-2024	<u>3,420</u>
Total	<u>\$ 4,275</u>

NOTE 9 – CONTINGENT LIABILITIES

The City is sometimes involved in litigation arising from the normal operations of a local government. It is the opinion of management that such litigation will not have a material financial impact on the financial statements of the City.

NOTE 10 – ALLOWANCE FOR UNCOLLECTIBLES

Accounts receivable have been reported in the funds net of allowance for uncollectibles. The allowance for uncollectibles is as follows:

General Fund	\$ 5,692
Enterprise Fund	<u>8,822</u>
Total	<u>\$ 14,514</u>

The allowance is based upon a moving average of the collection experience relating to these receivables.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 11 – DEFERRED INFLOWS OF RESOURCES

The City entered into an agreement with a residential property developer on March 28, 2006. This agreement allowed the developer to connect to City’s water and wastewater utility plants and pipes and to reserve sufficient capacity in the utility plant and the wastewater pipe associated with utility plant capacity. Upon execution of the contract, the developer paid \$1,022,175 for impact fees. As homes are constructed and connected to the utility system, revenue will be recognized. At September 30, 2019, three homes in the development were connected to the City utility system; unearned revenue at September 30, 2019 was \$1,008,900. In addition, an additional \$700,000 was paid by the developer for cost to increase the water and sewer line capacity to the subdivision. Of this amount, \$376,600 together with 6% interest for the two calendar years following the date of completion, was due back to the developer as additional users connect to the lines; the balance due of \$361,227 at September 30, 2019, is reflected in customer deposits.

NOTE 12 – SEGMENTS OF ENTERPRISE ACTIVITIES

The City provides services for water and sewer to its residents, which are financed by user charges. The City also maintains an Enterprise Fund relating to five homes, which the City rents to five tenants. Financial data for water and sewer services and the rental home fund is combined in these financial statements under the Enterprise Fund of the Proprietary Fund Type. Segment information reported for both funds is presented as supplementary information.

NOTE 13 – INTERFUND BALANCES

At September 30, 2019, interfund balances consisted of:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 157,122	\$ -
Enterprise Fund	-	157,122
Totals	<u>\$ 157,122</u>	<u>\$ 157,122</u>

The interfund balances resulted from the normal course of operations and should be paid within one year.

NOTE 14 – RISK MANAGEMENT

Commercial Insurance

The City carries commercial insurance for general liability, auto liability, collision, property, inland marine and crime. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Public Entity Risk Pool

The City is exposed to a risk of loss related to workers’ compensation. To manage this risk, the City joined a public entity risk pool (the “pool”). Premiums paid to the pool are designed to fund the risks assumed by the pool and are based on certain actual exposures of each member.

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 25, 2020, the date which the financial statements were available to be issued. There were no subsequent events determined to have occurred that would have a material effect on the fair presentation of the financial statements taken as a whole through the date of the report, June 25, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
<u>REVENUES</u>	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>WITH FINAL</u>
				<u>BUDGET</u>
Taxes	\$ 2,289,288	\$ 2,289,288	\$ 2,379,353	\$ 90,065
Licenses and permits	92,700	92,700	197,143	104,443
Franchise fees	433,200	433,200	454,497	21,297
Intergovernmental	776,531	776,531	911,208	134,677
Charges for services	1,133,818	1,133,818	1,228,988	95,170
Fines and forfeitures	8,000	8,000	9,332	1,332
Private donations and contributions	-	-	40	40
Miscellaneous revenues	<u>19,500</u>	<u>19,500</u>	<u>123,198</u>	<u>103,698</u>
TOTAL REVENUES	<u>4,753,037</u>	<u>4,753,037</u>	<u>5,303,759</u>	<u>550,722</u>
<u>EXPENDITURES</u>				
Current:				
General government	1,040,518	1,040,518	948,432	92,086
Public safety	1,773,912	1,773,912	1,531,102	242,810
Physical environment	836,365	836,365	728,976	107,389
Transportation	401,178	401,178	350,673	50,505
Culture and recreation	155,736	155,736	135,947	19,789
Capital outlay:				
General government	28,582	28,582	41,711	(13,129)
Public safety	79,712	79,712	135,045	(55,333)
Physical environment	135,500	135,500	136,820	(1,320)
Transportation	103,000	103,000	96,807	6,193
Culture and recreation	15,000	15,000	26,791	(11,791)
Debt service:				
Principal, General government	-	-	8,003	(8,003)
Principal, Public safety	38,000	38,000	38,000	-
Interest expense, General government	-	-	579	(579)
Interest expense, Public safety	<u>52,086</u>	<u>52,086</u>	<u>51,094</u>	<u>992</u>
TOTAL EXPENDITURES	<u>4,659,589</u>	<u>4,659,589</u>	<u>4,229,980</u>	<u>429,609</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	93,448	93,448	1,073,779	980,331
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfer to other funds	(127,000)	(127,000)	-	127,000
Interest revenue	<u>900</u>	<u>900</u>	<u>1,724</u>	<u>824</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(126,100)</u>	<u>(126,100)</u>	<u>1,724</u>	<u>127,824</u>
NET CHANGE IN FUND BALANCE	(32,652)	(32,652)	1,075,503	1,108,155
FUND BALANCES, October 1, 2018	<u>3,859,825</u>	<u>3,859,825</u>	<u>3,859,825</u>	<u>-</u>
FUND BALANCES, September 30, 2019	<u>\$ 3,827,173</u>	<u>\$ 3,827,173</u>	<u>\$ 4,935,328</u>	<u>\$ 1,108,155</u>

Notes to Budgetary Comparison Schedules

The preparation, adoption, and amendment of the budgets are governed by Florida Statutes. The fund is the legal level of control. Budgets are prepared and adopted on a basis that does not differ materially from generally accepted accounting principles (GAAP). Appropriations lapse at year-end.

The accompanying "Notes to financial statements" form an integral part of this statement.

**OTHER POSTEMPLOYMENT BENEFITS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA**

I. Total OPEB Liability

-Service Cost	\$	234
-Interest		168
-Effect of economic/demographic gains or losses		35,380
-Effect of assumptions, changes, or inputs		3,444
Net change in OPEB Liability		39,226
Total OPEB liability, beginning		3,743
Total OPEB liability, ending	\$	42,969

Plan fiduciary net position as a percentage of the total OPEB liability		0%
Covered employee payroll	\$	2,051,994
City's net OPEB liability as a percentage of covered employee payroll		2.094%

II. Nine-year Trend Information

Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation	Covered Employee Payroll	Net OPEB Liability As Percentage of Covered Employee Payroll
9/30/2010	\$ 59,000	\$ -	0.00%	\$ 59,000	1,825,355	1.695%
9/30/2011	60,497	-	0.00%	119,497	1,926,285	6.203%
9/30/2012	62,173	-	0.00%	181,670	2,010,841	9.035%
9/30/2013	18,055	-	0.00%	199,725	1,954,358	10.219%
9/30/2014	18,820	-	0.00%	218,545	1,708,840	12.789%
9/30/2015	(9,881)	-	0.00%	208,664	1,621,439	12.867%
9/30/2016	(168,337)	-	0.00%	40,327	1,771,449	2.276%
9/30/2017	(1,722)	-	0.00%	38,605	1,191,935	3.234%
9/30/2018	(34,862)	-	0.00%	3,743	1,993,816	0.188%
9/30/2019	39,226	-	0.00%	42,969	2,051,994	2.094%

III. Additional supplementary information

Valuation date	September 30, 2019
Alternate measurement method	Entry age
Amortization method	Level percentage
Asset valuation method	Unfunded
Discount rate utilized in the current valuation	3.00%
Projected salary increases	1.50%
Mortality basis	RP2000 mortality table for males and females projected 18 years; this assumption does not include a margin for future improvements in longevity.

The accompanying "Notes to financial statements" form an integral part of this statement.

City of Macclenny

Governmental Funds

Schedules of Proportionate Share of Net Pension Liability

Last 10 Fiscal Years (1)

Florida Retirement System	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.00514661%	0.00507342%	0.0049594%	0.0045360%	0.0038467%
Employer's proportionate share of the net pension liability (asset)	\$ 1,709,610	\$ 1,442,521	\$ 1,467,470	\$ 1,129,053	\$ 496,859
Employer's covered-employee payroll (2)	\$ 1,325,517	\$ 1,269,274	\$ 1,191,935	\$ 1,061,922	\$ 973,070
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	128.98%	113.65%	123.12%	106.32%	51.06%
Plan fiduciary net position as a percentage of the total pension liability	54.53%	56.45%	56.21%	56.86%	61.64%
Health Insurance Subsidy Program	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.00396763%	0.0038861%	0.0037400%	0.0000374%	0.0032330%
Employer's proportionate share of the net pension liability (asset)	\$ 413,415	\$ 374,646	\$ 357,294	\$ 390,181	\$ 327,102
Employer's covered-employee payroll (2)	\$ 1,325,517	\$ 1,269,274	\$ 1,191,935	\$ 1,061,922	\$ 973,070
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.19%	29.52%	29.98%	36.74%	33.62%
Plan fiduciary net position as a percentage of the total pension liability	1.74%	1.45%	1.10%	0.65%	0.34%

Notes to schedules:

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

The accompanying "Notes to financial statements" form an integral part of this statement.

City of Macclenny

Proprietary Fund

Schedules of Proportionate Share of Net Pension Liability

Last 10 Fiscal Years (1)

Florida Retirement System	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.00265128%	0.00249885%	0.00233385%	0.00266400%	0.002459390%
Employer's proportionate share of the net pension liability (asset)	\$ 975,876	\$ 838,284	\$ 690,573	\$ 688,953	\$ 317,664
Employer's covered-employee payroll (2)	\$ 682,842	\$ 625,165	\$ 560,910	\$ 623,669	\$ 622,126
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	142.91%	134.09%	142.18%	110.47%	51.06%
Plan fiduciary net position as a percentage of the total pension liability	28.09%	27.81%	27.68%	28.02%	30.36%
Health Insurance Subsidy Program	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	0.00204393%	0.0019140%	0.017600%	0.00203500%	0.002067000%
Employer's proportionate share of the net pension liability (asset)	\$ 259,219	\$ 239,248	\$ 230,702	\$ 246,178	\$ 209,131
Employer's covered-employee payroll (2)	\$ 682,842	\$ 625,165	\$ 560,910	\$ 623,669	\$ 622,126
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	37.96%	38.27%	41.13%	39.47%	39.47%
Plan fiduciary net position as a percentage of the total pension liability	0.89%	0.70%	0.54%	0.32%	0.16%

Notes to schedules:

(1) The amounts presented for each fiscal year were determined as of the measurement date, which was June 30th of the current fiscal year.

(2) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

The accompanying "Notes to financial statements" form an integral part of this statement.

City of Macclenny
Schedules of Employer Contributions
Last 10 Fiscal Years

Florida Retirement System	2019	2018	2017	2016	2015
Contractually required contribution	\$ 245,444	\$ 225,183	\$ 186,727	\$ 191,263	\$ 153,011
Contributions in relation to the contractually required contribution	(245,444)	(225,183)	(186,727)	(191,263)	(153,011)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll (1)	\$ 2,008,359	\$ 1,894,438	\$ 1,752,845	\$ 1,685,591	\$ 1,595,196
Contributions as a percentage of covered-employee payroll	12.22%	11.89%	10.65%	11.35%	9.59%

Health Insurance Subsidy Program	2019	2018	2017	2016	2015
Contractually required contribution	\$ 33,465	\$ 32,273	\$ 28,491	\$ 29,527	\$ 21,568
Contributions in relation to the contractually required contribution	(33,465)	(32,273)	(28,491)	(29,527)	(21,568)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll (1)	\$ 2,008,359	\$ 1,894,438	\$ 1,752,845	\$ 1,685,591	\$ 1,595,196
Contributions as a percentage of covered-employee payroll	1.67%	1.70%	1.63%	1.75%	1.35%

Notes to schedules:

(1) Covered-employee payroll includes defined benefit plan actives, investment plan members, and members in DROP.

GASB Statement No. 68 was implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

The accompanying "Notes to financial statements" form an integral part of this statement.

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	TRANSPOR- TATION IMPACT FEE	TOTAL SPECIAL REVENUE FUNDS
	<u> </u>	<u> </u>
<u>ASSETS</u>		
Cash	\$ 1,861	\$ 1,861
Due from other agencies	-	-
TOTAL ASSETS	<u>\$ 1,861</u>	<u>\$ 1,861</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ -
Due to other Funds	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>		
Fund Balances:		
Committed to:		
Impact fees	<u>1,861</u>	<u>1,861</u>
TOTAL FUND BALANCES	<u>1,861</u>	<u>1,861</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,861</u>	<u>\$ 1,861</u>

The accompanying "Notes to financial statements" form an integral part of this statement.

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
SPECIAL REVENUE FUND
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	<u>TRANSPOR-</u>	<u>TOTAL SPECIAL</u>
	<u>TATION</u>	<u>REVENUE FUNDS</u>
	<u>IMPACT FEE</u>	
<u>REVENUES</u>		
Grant revenue	\$ -	\$ -
Private donations and contributions	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>
<u>EXPENDITURES</u>		
Capital outlay:		
General government	-	-
Public safety	-	-
Culture and recreation	-	-
Transportation	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER)		
EXPENDITURES	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)		
Interest income	<u>9</u>	<u>9</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>9</u>	<u>9</u>
EXCESS OF REVENUES AND OTHER		
SOURCES OVER (UNDER) EXPENDITURES		
AND OTHER USES	<u>9</u>	<u>9</u>
FUND BALANCES, October 1, 2018	<u>1,852</u>	<u>1,852</u>
FUND BALANCES, September 30, 2019	<u>\$ 1,861</u>	<u>\$ 1,861</u>

The accompanying "Notes to financial statements" form an integral part of this statement.

COMBINING STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	WATER AND SEWER UTILITY	RENTAL HOMES	COMBINED TOTAL
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>			
Current assets:			
Cash and equivalents	\$ 2,671,478	\$ 283,855	\$ 2,955,333
Accounts receivable (net)	278,445	3,536	281,981
Accrued interest receivable	1,425	-	1,425
Inventories	89,610	-	89,610
Total current assets	3,040,958	287,391	3,328,349
Noncurrent assets:			
Restricted assets:			
Cash	1,473,610	750	1,474,360
Total cash and investments, restricted	1,473,610	750	1,474,360
Capital assets:			
Non-depreciable capital assets:			
Land	475,922	35,747	511,669
Construction in progress	1,115,460	-	1,115,460
Total non-depreciable capital assets	1,591,382	35,747	1,627,129
Depreciable capital assets:			
Buildings, improvements and infrastructure	17,205,185	258,876	17,464,061
Machinery and equipment	2,541,498	-	2,541,498
Accumulated depreciation	(13,592,799)	(255,464)	(13,848,263)
Total depreciable assets net of accumulated depreciation	6,153,884	3,412	6,157,296
Total capital assets net of accumulated depreciation	7,745,266	39,159	7,784,425
Total noncurrent assets	9,218,876	39,909	9,258,785
Deferred outflows of resources:			
Net underwriter's discount	17,440	-	17,440
Deferred gain on early retirement	3,729	-	3,729
Change in pension assumptions	493,670	-	493,670
Total deferred outflow of resources	514,839	-	514,839
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	12,774,673	327,300	13,101,973
<u>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</u>			
Current liabilities:			
Accounts payable	250,815	-	250,815
Accrued interest payable	66,521	-	66,521
Accrued payroll payable	9,078	-	9,078
Due to other funds	157,122	-	157,122
Notes payable	17,215	-	17,215
Bonds payable	196,000	-	196,000
Net pension liabilities	3,880	-	3,880
Accrued compensated absences	49,440	-	49,440
Total current liabilities	750,071	-	750,071
Noncurrent liabilities:			
Customer deposits	698,604	750	699,354
Notes payable	126,509	-	126,509
Bonds payable	2,222,000	-	2,222,000
Net pension liabilities	1,231,214	-	1,231,214
Accrued compensated absences	30,872	-	30,872
Accrued insurance supplement	900	-	900
Accrued OPEB obligation	14,479	-	14,479
Total noncurrent liabilities	4,324,578	750	4,325,328
Deferred inflows of resources:			
Change in pension assumptions	103,516	-	103,516
Deferred developer revenues	1,008,900	-	1,008,900
Total deferred inflows of resources	1,112,416	-	1,112,416
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,187,065	750	6,187,815
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	5,183,542	39,159	5,222,701
Restricted for water and sewer development	775,006	-	775,006
Unrestricted	629,060	287,391	916,451
TOTAL NET POSITION	\$ 6,587,608	\$ 326,550	\$ 6,914,158

The accompanying "Notes to financial statements" form an integral part of this statement.

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019
CITY OF MACCLENNY, FLORIDA

	<u>WATER AND SEWER UTILITY</u>	<u>RENTAL HOMES</u>	<u>COMBINED TOTAL</u>
<u>OPERATING REVENUES</u>			
Charges for services	\$ 2,815,430	\$ 28,800	\$ 2,844,230
TOTAL OPERATING REVENUES	<u>2,815,430</u>	<u>28,800</u>	<u>2,844,230</u>
<u>OPERATING EXPENSES</u>			
Personal services	1,274,674	-	1,274,674
Materials, supplies and other expenses	600,368	11,068	611,436
Depreciation	618,041	88	618,129
Amortization expense	1,584	-	1,584
TOTAL OPERATING EXPENSES	<u>2,494,667</u>	<u>11,156</u>	<u>2,505,823</u>
OPERATING INCOME (LOSS)	<u>320,763</u>	<u>17,644</u>	<u>338,407</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>			
Utility tax	73,294	-	73,294
Grant revenue	303,708	-	303,708
Miscellaneous income	28,463	-	28,463
Interest income	40,922	-	40,922
Interest expense	(108,810)	-	(108,810)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>337,577</u>	<u>-</u>	<u>337,577</u>
Changes in net position	658,340	17,644	675,984
NET POSITION, October 1, 2018	<u>5,929,268</u>	<u>308,906</u>	<u>6,238,174</u>
NET POSITION, September 30, 2019	<u>\$ 6,587,608</u>	<u>\$ 326,550</u>	<u>\$ 6,914,158</u>

The accompanying "Notes to financial statements" form an integral part of this statement.

COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE (ENTERPRISE FUND)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

	WATER AND SEWER UTILITY	RENTAL HOMES	COMBINED TOTAL
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Cash received from customers	\$ 2,876,251	\$ 28,600	\$ 2,904,851
Cash payments to suppliers for goods and services	(510,277)	(11,068)	(521,345)
Cash payments to employees for services	(1,085,874)	-	(1,085,874)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,280,100	17,532	1,297,632
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Acquisition of capital assets	(1,089,153)	(3,500)	(1,092,653)
Proceeds from capital grant	303,708	-	303,708
Interest paid on long term debt	(113,230)	-	(113,230)
Loan proceeds	22,705	-	22,705
Principle paid on notes payable	(17,308)	-	(17,308)
Principle paid on bonds payable	(188,000)	-	(188,000)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,081,278)	(3,500)	(1,084,778)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Interest income	41,646	-	41,646
NET CASH PROVIDED BY INVESTING ACTIVITIES	41,646	-	41,646
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	240,468	14,032	254,500
CASH AND CASH EQUIVALENTS - October 1, 2018	3,904,620	270,573	4,175,193
CASH AND CASH EQUIVALENTS - September 30, 2019	\$ 4,145,088	\$ 284,605	\$ 4,429,693
CASH AND CASH EQUIVALENTS CLASSIFIED AS:			
Cash and cash equivalents - unrestricted	\$ 2,671,478	\$ 283,855	\$ 2,955,333
Cash and cash equivalents - restricted	1,473,610	750	1,474,360
TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED	\$ 4,145,088	\$ 284,605	\$ 4,429,693
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 320,763	\$ 17,644	\$ 338,407
Utility tax and miscellaneous nonoperating revenue	101,757	-	101,757
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	618,041	88	618,129
Amortization	1,584	-	1,584
Change in assets and liabilities:			
Accounts receivable	(49,952)	(200)	(50,152)
Accounts payable	133,310	-	133,310
Accrued compensated absences	(977)	-	(977)
Net pension liability	174,723	-	174,723
Net OPEB obligation and insurance supplement	12,079	-	12,079
Accrued payroll	2,975	-	2,975
Customer deposits	9,016	-	9,016
Inventory	(43,219)	-	(43,219)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,280,100	\$ 17,532	\$ 1,297,632

The accompanying "Notes to financial statements" form an integral part of this statement.

ADDITIONAL ELEMENTS REQUIRED
BY THE
RULES OF THE AUDITOR GENERAL

LYONS AND LYONS

CERTIFIED PUBLIC ACCOUNTANTS

106 West Boulevard
Macclenny, Florida 32063

Telephone (904) 259-4307
Fax (904) 259-5102

INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Honorable Mayor and
Members of the City Commission
City of Macclenny, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Macclenny, Florida (the City), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 25, 2020.

Auditors' Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditors' Report, Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C, Section 315, regarding compliance requirements in accordance with chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 25, 2020, 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 findings reported in the preceding financial audit report have been corrected and recommendations made in the preceding audit report have been followed. To comply with the Rules of the Auditor General, unresolved prior audit findings are once again addressed in the accompanying Schedule of Findings as items 2019-001 and 2019-002.

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report 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, and identification of the specific conditions 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)5b and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial conditions, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same. The application of such procedures did not reveal evidence of "deteriorating financial condition."

Other Matters

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we noted items 2019-01, and 2019-02 in the accompanying Schedule of Findings.

Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address 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 have 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, and the City and management, and is not intended to be and should not be used by anyone other than those specified parties.

We wish to take this opportunity to express our appreciation for the courtesies, which have once again, been extended to our staff. We have sincerely enjoyed our association with the City and look forward to a continuing relationship. If you have any questions or comments concerning this letter, our accompanying reports, or any other matters, please do not hesitate to contact us.

A handwritten signature in cursive script that reads "Lyons and Lyons, CPAs". The signature is written in black ink and is positioned above the typed name and date.

June 25, 2020
Macclenny, Florida

LYONS AND LYONS

CERTIFIED PUBLIC ACCOUNTANTS

106 West Boulevard
Macclenny, Florida 32063

Telephone (904) 259-4307
Fax (904) 259-5102

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

To the Honorable Mayor and
Members of the City Commission
City of Macclenny, 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 Macclenny, Florida (the "City"), as of and for the year ended September 30, 2019, 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 25, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 *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. 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, and 2019-002 to be material weaknesses.

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 of Macclenny, Florida's Response to Findings

City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Lyons and Lyons, CPAs". The signature is written in black ink and is positioned above the date and location text.

June 25, 2020
Macclenny, Florida

LYONS AND LYONS

CERTIFIED PUBLIC ACCOUNTANTS

106 West Boulevard
Macclenny, Florida 32063

Telephone (904) 259-4307
Fax (904) 259-5102

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

To the Honorable Mayor and
Members of the City Commission
City of Macclenny, Florida

We have examined the City of Macclenny's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the fiscal year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2019.

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



June 25, 2020
Macclenny, Florida

CITY OF MACCLENNY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2019-001 **Condition** – Because of a limited number of personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or all phases of a transaction. Consequently, the possibility exist that unintentional or intentional errors or irregularities could exist and not be detected.

Recommendation – To the extent possible, given available personnel, steps should be taken to segregate employee duties so no one individual has access to both physical assets and the related accounting records, or all phases of a transaction. A similar finding was noted in our prior report. Our audit did not reveal any significant errors or irregularities resulting from this lack of separation of duties and responsibilities. However, we feel it is important you are made aware of this condition.

Similar findings were reported in previous audit reports as items 2018-001 and 2017-001.

2019-002 **Condition** – As part of the audit process, we proposed material adjustments to the City's financial statements. It was also necessary for us to assist with the preparation of the financial statements. Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

Recommendation – We recommend that the City consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. By improving the financial reporting process, the City will have an enhanced ability to monitor its financial position on an ongoing basis.

Similar findings were reported in previous audit reports as items 2018-002 and 2017-002.



June 26, 2020

118 East Macclenny Avenue
Macclenny, Florida 32063
Tel: 904.259.6261

Sherrill F. Norman, CPA
Auditor General
111 W Madison Avenue
Tallahassee, FL 32399-1450

Dear Madam:

In reply to the audit findings of the City of Macclenny's financial statements for the fiscal year ending September 30, 2019, please find below corrective action on each of the findings which will be implemented by appropriate staff and me:

Current Audit Finding 2019-001

Lack of segregation of incompatible employee duties.

Corrective Action Plan

We continue to recognize that this is an ongoing weakness common for small agencies. As stated in previous years, we will continue to monitor and implement additional controls to help avoid undetected errors and possible fraud. The responsible staff member for this corrective action plan is Melissa Thompson, Finance Director.

Current Audit Finding 2019-002

Material Adjustments required by the auditor to the City's financial statements and assistance in preparing the financial statements.

Corrective Action Plan

We continue to train key accounting personnel responsible for preparation of financial statements and through the assistance of professional oversight, we will continue to attempt minimize the adjustments by our auditors to the financial statements. The responsible staff member for this corrective action plan is Melissa Thompson, Finance Director.

If you should have questions and need additional information, please feel free to contact me.

Sincerely,

Phil Rhoden
City Manager