

**City of Marianna
Marianna, Florida**

**Basic
Financial Statements**

For the year ended September 30, 2020

City of Marianna
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September 30, 2020

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CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Marianna, 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 Marianna, Florida (the City), as of and for the year ended September 30, 2020, 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*, used 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 of Marianna, Florida, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Community Redevelopment Agency, and the Debt Service Fund 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 on pages 4.1 through 4.10 and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2021 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

May 26, 2021
Marianna, Florida

Grimsley & Associates

Grimsley & Associates, P.A.
Certified Public Accountants

CITY OF MARIANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Marianna (the "City") has prepared the following discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the City's financial activities, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify material deviations from the financial plan (approved budget), and (e) highlight significant issues in individual funds.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City of Marianna exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$93,459.303. Of this amount, \$8,844,893 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position increased by \$4,347,937 from the prior year.

As of the close of the current fiscal year, the City of Marianna governmental funds reported combined ending fund balances of \$7,144,724, an increase of \$825,598 in comparison with the prior year. A majority of the increase is due to unexpected additional revenues along with expenditures lower than budgeted. Approximately 81% of this amount, or \$5,796,740, is available for spending at the City's discretion (unassigned fund balance).

Governmental funds' revenue increased \$2,839,005 or (28.8%) from the prior year. Current expenditures decreased \$115,941 from the prior year. Other financing sources decreased \$2,166,577 from the prior year.

The City's Enterprise Funds ended the year with a net position in the amount of \$64,973,566, an increase of \$2,647,100 over last year. Operating revenues decreased from last year by \$2,057,655, mainly due to the pandemic.

The MH&R experienced decreased revenues from the prior year of \$1,681,242 due to the effects of the pandemic on occupancy.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements provide both short-term and long-term information about the City's overall financial condition in a manner similar to those of a private-sector business. This statement combines and consolidates governmental fund's current financial resources (short-term expendable resources) with capital assets and long-term obligations. The statements include a *statement of net position* and a *statement of activities* that are designed to provide consolidated financial information about the governmental activities of the City presented on the accrual basis of accounting.

CITY OF MARIANNA MANAGEMENT'S DISCUSSION AND ANALYSIS

The *Statement of Net Position* provides information about the government's financial position, its assets, deferred outflows of resources, deferred inflows of resources, and liabilities, using an economic resources measurement focus. The difference between the assets, deferred outflows, deferred inflows, and liabilities, the net position, is a measure of the financial health of the City.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This statement is intended to summarize and simplify the user's analysis of cost of various governmental services. An increase or decrease in net position is an indication of whether the City's financial health is improving or deteriorating.

Both of these government-wide financial statements present the functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The *governmental activities* of the City include general government, planning, public safety, streets, mainstreet, and parks and recreation. Property taxes and state and federal revenues finance most of the governmental activities. In addition, in 1993 the City created a Community Redevelopment Agency (CRA) which is a blended component unit in the City's financial statements. The CRA area is 0.3993 square miles and is governed by the City Commission.

The *business-type activities* of the City consist of the natural gas, water, and sewer utilities, the health and rehabilitation center and the airport. The City charges fees to customers and residents to help cover the costs of services it provides.

Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets including infrastructure assets.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds-not the City as a whole. Funds are accounting devices that the City uses to keep track of specific resources of funding and spending for particular purposes. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements, such as bond covenants. Fund financial statements provide more detailed information about the City's financial activities, focusing on its most significant or "major" funds rather than fund types. All City's funds may be classified in the broad category of *Governmental Funds and Proprietary Funds* as discussed below.

CITY OF MARIANNA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds - these funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. This financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that may be used to evaluate the City's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

Governmental fund 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 and the Debt Service fund. The Community Redevelopment Agency (CRA) is reported as a blended component unit in the City's general fund financial statements.

Proprietary Funds – these funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail.

The City maintains one type of proprietary fund, which is the Enterprise Funds. The City uses enterprise funds to account for the fiscal activities relating to the natural gas, water, and sewer systems, the airport and the health and rehabilitation center.

Fiduciary Funds-these funds provide information about financial relationships-like the retirement plan for the City's employees-in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The City has the municipal fireman's and police officers' pension trust fund and a deferred compensation plan. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in net position. These activities are excluded from the government-wide financial statements because the assets cannot be used to support or finance the City's programs or operations.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This section is used to present condensed financial information from the government-wide statements.

STATEMENT OF NET POSITION

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 outflow of resources exceeded liabilities and deferred inflows of resources (governmental and business-type activities) by approximately \$93.5 million at the close of the most recent fiscal year.

CITY OF MARIANNA MANAGEMENT'S DISCUSSION AND ANALYSIS

STATEMENT OF NET POSITION

| | Governmental Activities | | Business - Type Activities | | Totals | |
|----------------------------------|-------------------------|----------------------|----------------------------|----------------------|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| Current and other assets | \$ 10,444,484 | \$ 10,464,392 | \$ 14,024,354 | \$ 12,378,350 | \$ 24,468,838 | \$ 22,842,742 |
| Non-current assets | 24,999,327 | 24,005,287 | 69,512,298 | 68,083,033 | 94,511,625 | 92,088,320 |
| Total assets | 35,443,811 | 34,469,679 | 83,536,652 | 80,461,383 | 118,980,463 | 114,931,062 |
| Deferred outflows of resources | 1,136,149 | 1,050,986 | 2,866,767 | 2,781,283 | 4,002,916 | 3,832,269 |
| Current and other Liabilities | 911,804 | 2,130,748 | 2,805,808 | 4,855,833 | 3,717,612 | 6,986,581 |
| Non-current liabilities | 6,241,000 | 5,935,505 | 17,961,050 | 15,319,703 | 24,202,050 | 21,255,208 |
| Total liabilities | 7,152,804 | 8,066,253 | 20,766,858 | 20,175,536 | 27,919,662 | 28,241,789 |
| Deferred inflows of resources | 941,419 | 669,512 | 662,995 | 740,664 | 1,604,414 | 1,410,176 |
| Net position: | | | | | | |
| Net investment in capital assets | 20,863,639 | 19,978,249 | 62,175,099 | 61,649,454 | 83,038,738 | 81,627,703 |
| Restricted | 1,347,984 | 1,198,866 | 227,688 | 1,371,640 | 1,575,672 | 2,570,506 |
| Unrestricted | 6,274,114 | 5,607,785 | 2,570,779 | (694,628) | 8,844,893 | 4,913,157 |
| Total net position | \$ 28,485,737 | \$ 26,784,900 | \$ 64,973,566 | \$ 62,326,466 | \$ 93,459,303 | \$ 89,111,366 |

CITY OF MARIANNA MANAGEMENT'S DISCUSSION AND ANALYSIS

STATEMENT OF ACTIVITIES

The following schedule summarizes revenues and expenses for the past two fiscal years:

| | Governmental Activities | | Business - Type Activities | | Totals | |
|--|-------------------------|----------------------|----------------------------|----------------------|----------------------|----------------------|
| | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> | <u>2020</u> | <u>2019</u> |
| REVENUES | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 1,122,200 | \$ 1,034,012 | \$ 20,980,490 | \$ 23,046,446 | \$ 22,102,690 | \$ 24,080,458 |
| Grants and Contributions | 4,033,904 | 1,350,423 | 9,129,868 | 5,111,155 | 13,163,772 | 6,461,578 |
| General Revenues: | | | | | | |
| Property Taxes | 654,259 | 675,752 | - | - | 654,259 | 675,752 |
| Other Taxes | 3,392,886 | 3,367,700 | - | - | 3,392,886 | 3,367,700 |
| Investment Earnings | 47,028 | 92,845 | 33,530 | 112,414 | 80,558 | 205,259 |
| Other | 606,732 | 2,240,011 | 604,144 | 5,437,410 | 1,210,876 | 7,677,421 |
| Total Revenues | 9,857,009 | 8,760,743 | 30,748,032 | 33,707,425 | 40,605,041 | 42,468,168 |
| EXPENSES | | | | | | |
| Program Activities | | | | | | |
| General Government | 4,970,164 | 3,732,412 | - | - | 4,970,164 | 3,732,412 |
| Public Safety | 2,241,862 | 2,419,137 | - | - | 2,241,862 | 2,419,137 |
| Highways and Streets | 1,360,991 | 1,038,636 | - | - | 1,360,991 | 1,038,636 |
| Culture and Recreation | 486,959 | 562,027 | - | - | 486,959 | 562,027 |
| Interest on long-term debt | 114,972 | 120,687 | - | - | 114,972 | 120,687 |
| Business-type Activities | - | - | 27,082,156 | 25,565,193 | 27,082,156 | 25,565,193 |
| Total Expenses | 9,174,948 | 7,872,899 | 27,082,156 | 25,565,193 | 36,257,104 | 33,438,092 |
| Increase (decrease) in Net Position before transfers | 682,061 | 887,844 | 3,665,876 | 8,142,232 | 4,347,937 | 9,030,076 |
| Transfers | 1,018,776 | 1,086,395 | (1,018,776) | (1,086,395) | - | - |
| Increase in Net Position | 1,700,837 | 1,974,239 | 2,647,100 | 7,055,837 | 4,347,937 | 9,030,076 |
| Net Position - Beginning | 26,784,900 | 24,810,661 | 62,326,466 | 55,270,629 | 89,111,366 | 80,081,290 |
| Net Position - Ending | \$ 28,485,737 | \$ 26,784,900 | \$ 64,973,566 | \$ 62,326,466 | \$ 93,459,303 | \$ 89,111,366 |

CITY OF MARIANNA MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

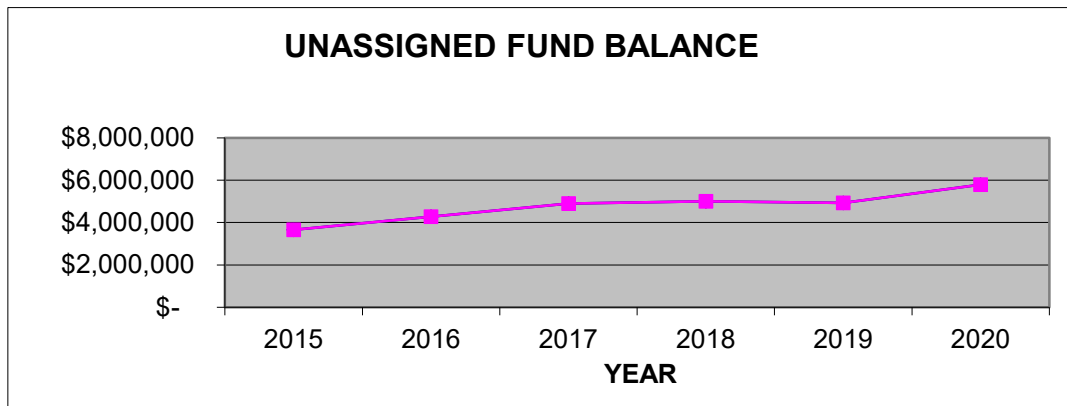
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

GOVERNMENTAL FUNDS

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,144,724. Of this amount, *unassigned fund balance* is \$5,796,740, which is available for spending (depending on fund restrictions) at the City's discretion. The *assigned fund balance* is \$837,057, the *restricted fund balance* is \$481,691, and *nonspendable fund balance* is \$29,236.

General Fund Unassigned/Undesignated Fund Balance. As depicted in the following graph, the unassigned/undesignated fund balances of the City's General Fund (the general operating fund of the City) has steadily been increasing since 2015, with the exception of a slight decline in 2019.



CITY OF MARIANNA MANAGEMENT'S DISCUSSION AND ANALYSIS

MAJOR FUNDS

GOVERNMENTAL FUNDS

The General Fund, Community Redevelopment Agency, and the Debt Service Fund are reported as the major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the General Fund. The General Fund consists of Administration Departments, Police Department, Fire Department, Street Department, Planning Department and Recreation Department.

In addition, the Community Redevelopment Agency (CRA) is reported as a blended component unit in the governmental fund financial statements. The CRA accounts for the resources of the City's Community Redevelopment Plan.

The Debt Service Fund accounts for the resources for and the accumulation of the payments of the interest and principal on debt instruments.

PROPRIETARY FUNDS

There are three major proprietary (business-type) funds:

Utility Department (Gas, Water and Sewer)
Health and Rehabilitation Center (MHR)
Airport

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary control is established within each department at the line item. Budget amendments are presented to and approved by the City Commission. Over the course of the year, the City Council approved one budget amendment. The final budgeted revenues included an increase of \$3,479,100 from the original budget and the final budgeted expenditures resulted in an increase of \$2,840,520 from the original budget. With these budget adjustments, the resources available for appropriation were \$28,964 above the final budgeted amount. The actual expenditures were \$69,385 below the final budget amounts.

CITY OF MARIANNA MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

LONG-TERM DEBT

At year-end, the City had \$12,481,463 in bonds payable, notes payable and compensated absences, an increase of around .8% from last year. More detailed information about the City's long-term liabilities is presented in Note 8 to the financial statements.

Included in the City's long-term debt is \$1,628,012 in notes payable to the State of Florida under their State Revolving Fund (SRF) for improvements to the wastewater treatment facility, \$1,007,611 for improvements to the water system, \$1,116,289 for improvements to the sewer system, \$453,290 for improvements to the Sunland water system, \$1,064,497 for the Solar farm, and \$67,500 for wastewater system upgrades. In addition, the City has an outstanding loan from FEMA of \$2 million for Hurricane Michael repairs. The City was designated by the State as a Disadvantaged Small Community, making it eligible for grant funds from FDEP. These funds are to be received by the City towards the debt repayment, at \$750,000 per year.

As a result of Hurricane Michael in October 2018, the City executed an amendment to the State Revolving Fund (SRF) agreements with the Florida Department of Environmental Protection to suspend payments and capitalized interest on all SRF loans for a period of two years in order to assist the City in the recovery from the hurricane.

CAPITAL ASSETS

Generally, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, and underground pipes not associated with a utility, etc.) are neither reported nor depreciated in governmental fund financial statements. GASB-34 requires that these assets now be valued and reported within the governmental column of the government-wide statements. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system (the modified approach), which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The City has elected to depreciate its infrastructure assets.

At the end of current fiscal year, the City had invested \$94.5 million in a broad range of capital assets, including buildings, equipment, park and recreation facilities, and water, gas and sewer utilities. This amount represents a net increase (including additions and deletions) of \$2,422,961, or 2.6%, over last year. More detailed information about the City's capital assets is presented in Note 7 to the financial statements.

CITY OF MARIANNA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City's investment in capital assets such as land, buildings, machinery and equipment amounts to 88.9% of net position for the current fiscal year, a 2.7% decrease from the prior fiscal year. This amount is presented less any outstanding debt related to the acquisition and accumulated depreciation of those assets. The City uses these capital assets to provide services to the citizens and consequently these assets are not available for future spending. Although our investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

This year's major capital asset additions included the following:

Purchase of a Pumper Truck for the Fire Department-\$509,000
Purchase of lighting at MERE Complex-\$299,500
Completion of Extending Runway 18/36-Airport-\$676,284
Completion of Catalyst repairs-\$569,598
Completion of Catalyst Solar Farm-\$1,356,168
Completion of WWTP Solar Farm-\$358,813
Major Repairs to WWTP Mill Screen-\$214,624
Construction in Progress on Public Safety Complex (Adm. Bldg)-\$876,324
Construction in Progress on WWTP Upgrade Project-\$350,000
Construction in Progress on Access Road Phase II-Airport-\$470,668
Construction in Progress of CDBG-NR Project-\$281,584

SIGNIFICANT ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's total budget for the 2020-2021 fiscal year totals \$39,732,168. Of this, \$7,156,931 is for the General Fund, \$11,594,999 is for the Utility Fund, \$3,294,469 is for the Airport, and \$17,685,769 is for the Health and Rehabilitation Center. The General Fund consists of governmental services such as general administration, public safety, street, mainstreet, planning and zoning, and parks and recreation. The Enterprise Funds consist of the City's sewer, water and gas utilities, the airport and the health and rehabilitation center.

Subsequent to year end:

1. The Commission approved the refinancing of the bond issue the City currently has with Regions and USDA Rural Development. It will be refinanced with Regions at a rate of 1.97% for 15 years for \$3,835,000.
2. The Commission approved a lease with Gilmore Moving & Storage, Inc., for \$2,059 plus tax per month at the Industrial Park.
3. The Commission approved execution of loan agreement with SRF for improvements to the Wastewater Treatment Plant in the amount of \$6,531,545, with 80% grant funded.
4. The Commission approved Task Order #1 between Mott MacDonald and the City for Engineering Services for the WWTP upgrade. Increased project from \$375,455 to \$793,860.
5. The Commission approved to move forward with the completion of the Peel Building at a cost of \$1,629,733.87.
6. The Commission approved change order #1 for the MAI Access Road Project which will add \$132,650.03 to the contract price.
7. The Commission awarded a bid on the WWTP Upgrade Project to Petticoat Schmitt in the amount of \$5,830,000.

CITY OF MARIANNA MANAGEMENT'S DISCUSSION AND ANALYSIS

8. The Commission approved the next phase of the change out program for the ERT's on water and gas meters at a cost of \$152,726.05.
9. The Commission approved the next phase of the street overlay project at a cost of \$99,930 to Baxter's Asphalt.
10. The Commission approved sale of 21 acres at the Family Dollar Distribution Park to Hickinbotham Holdings at \$1,500 per acre.
11. The Commission awarded Old Cottondale Road and waterline replacement and sidewalk project to Baxter's Asphalt in the amount of \$1,239,678.96 and to use Disc. Road Tax monies to fund the shortfall in the project, up to \$339,000.
12. The Commission approved the pay off the \$2 million loan from FEMA that was loaned to City for Hurricane Michael repairs.

REQUESTS FOR INFORMATION

This report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to demonstrate compliance and accountability for its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

KIMBERLY J. APPLEWHITE, CPA, CITY CLERK/FINANCE DIRECTOR
P.O. BOX 936
MARIANNA, FL 32447

City of Marianna Statement of Net Position

September 30, 2020

| | Governmental Activities | Business- Type Activities | Total |
|--|----------------------------|---------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 5,435,319 | \$ 7,961,228 | \$ 13,396,547 |
| Restricted assets | | | |
| Cash and cash equivalents | 1,512,675 | 662,572 | 2,175,247 |
| Receivables, net | 562,403 | 2,007,448 | 2,569,851 |
| Due (to) from other funds | (838,397) | 838,397 | - |
| Due from other governments | 1,085,033 | 2,054,602 | 3,139,635 |
| Inventories | 29,236 | 321,437 | 350,673 |
| Prepaid expenses | - | 15,176 | 15,176 |
| Deposits | - | 74,794 | 74,794 |
| Note receivable | - | 88,700 | 88,700 |
| Net pension asset - police and firefighters' pension | 2,658,215 | - | 2,658,215 |
| Capital assets, net | | | |
| Nondepreciable capital assets | 2,855,534 | 5,992,948 | 8,848,482 |
| Depreciable capital assets, net | 22,143,793 | 63,519,350 | 85,663,143 |
| Total assets | 35,443,811 | 83,536,652 | 118,980,463 |
| Deferred outflows of resources | | | |
| Other post employment benefits | 11,762 | 36,120 | 47,882 |
| Pension - police and firefighters | 551,586 | - | 551,586 |
| Pension - FRS | 572,801 | 2,830,647 | 3,403,448 |
| Total deferred outflows of resources | 1,136,149 | 2,866,767 | 4,002,916 |
| Liabilities | | | |
| Accounts payable | 584,208 | 1,562,275 | 2,146,483 |
| Liabilities payable from restricted assets | - | 434,884 | 434,884 |
| Accrued interest payable | 57,337 | 197,342 | 254,679 |
| Unearned revenue | - | 13,139 | 13,139 |
| Long-term liabilities | | | |
| Portion due or payable within one year | | | |
| Bonds payable | 224,015 | - | 224,015 |
| Notes payable | - | 450,028 | 450,028 |
| Compensated absences payable | 46,244 | 148,140 | 194,384 |
| Portion due or payable after one year | | | |
| Bonds payable | 3,911,673 | - | 3,911,673 |
| Notes payable | - | 6,887,171 | 6,887,171 |
| Compensated absences payable | 184,976 | 676,732 | 861,708 |
| Net pension liability - Florida Retirement System | 2,037,583 | 10,069,272 | 12,106,855 |
| Other post-employment benefits | 106,768 | 327,875 | 434,643 |
| Total liabilities | 7,152,804 | 20,766,858 | 27,919,662 |
| Deferred inflows of resources | | | |
| Other post-employment benefit | 12,901 | 39,617 | 52,518 |
| Pension - police and firefighters | 802,373 | - | 802,373 |
| Pension - FRS | 126,145 | 623,378 | 749,523 |
| Total deferred inflows of resources | 941,419 | 662,995 | 1,604,414 |
| Net position | | | |
| Net investment in capital assets | 20,863,639 | 62,175,099 | 83,038,738 |
| Restricted for: | | | |
| Capital projects | 795,830 | - | 795,830 |
| Debt service | 285,128 | 137,639 | 422,767 |
| Community development projects | 150,284 | - | 150,284 |
| Other purposes | 116,742 | 90,049 | 206,791 |
| Unrestricted | 6,274,114 | 2,570,779 | 8,844,893 |
| Total net position | \$ 28,485,737 | \$ 64,973,566 | \$ 93,459,303 |

The accompanying notes are an integral part of these financial statements

City of Marianna Statement of Activities

For the year ended September 30, 2020

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | |
|---|----------------------|----------------------------|--|--------------------------------------|--|-------------------------|----------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS & CONTRIBUTIONS | CAPITAL GRANTS & CONTRIBUTIONS | PRIMARY GOVERNMENT | | |
| | | | | | GOVERNMENTAL ACTIVITIES | BUSINESS- ACTIVITIES | TOTALS |
| Primary Government | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 4,970,164 | \$ 470,062 | \$ 2,926,177 | \$ - | \$ (1,573,925) | \$ - | \$ (1,573,925) |
| Public Safety | 2,241,862 | 464,785 | 44,694 | 778,297 | (954,086) | - | (954,086) |
| Highways and streets | 1,360,991 | 118,914 | - | 109,736 | (1,132,341) | - | (1,132,341) |
| Culture and recreation | 486,959 | 68,439 | - | 175,000 | (243,520) | - | (243,520) |
| Interest on long-term debt | 114,972 | - | - | - | (114,972) | - | (114,972) |
| Total governmental activities | 9,174,948 | 1,122,200 | 2,970,871 | 1,063,033 | (4,018,844) | - | (4,018,844) |
| Business Type Activities: | | | | | | | |
| Water | 2,329,242 | 1,186,339 | 3,379,779 | 1,900,566 | - | 4,137,442 | 4,137,442 |
| Gas | 2,463,978 | 1,850,845 | - | - | - | (613,133) | (613,133) |
| Sewer | 3,898,342 | 2,305,643 | - | 280,000 | - | (1,312,699) | (1,312,699) |
| Airport | 850,608 | 279,346 | 106,363 | 1,261,058 | - | 796,159 | 796,159 |
| MHR | 17,539,986 | 15,358,317 | 2,158,989 | 43,113 | - | 20,433 | 20,433 |
| Total business-type activities | 27,082,156 | 20,980,490 | 5,645,131 | 3,484,737 | - | 3,028,202 | 3,028,202 |
| Total primary government | \$ 36,257,104 | \$ 22,102,690 | \$ 8,616,002 | \$ 4,547,770 | (4,018,844) | 3,028,202 | (990,642) |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 654,259 | - | 654,259 |
| Franchise and public service taxes | | | | | 3,392,886 | - | 3,392,886 |
| Interest and investment earnings | | | | | 47,028 | 33,530 | 80,558 |
| Miscellaneous | | | | | 606,732 | 604,144 | 1,210,876 |
| Transfers | | | | | 1,018,776 | (1,018,776) | - |
| Total general revenues and transfers | | | | | 5,719,681 | (381,102) | 5,338,579 |
| Change in net position | | | | | 1,700,837 | 2,647,100 | 4,347,937 |
| Net position - beginning | | | | | 26,784,900 | 62,326,466 | 89,111,366 |
| Net position - ending | | | | | \$ 28,485,737 | \$ 64,973,566 | \$ 93,459,303 |

The accompanying notes are an integral part of these financial statements

City of Marianna
Balance Sheet
Governmental Funds

September 30, 2020

| | General | Community Redevelopment Agency | Debt Service Fund | Total |
|--|---------------------|--------------------------------------|-------------------------|---------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 5,435,319 | - | \$ - | \$ 5,435,319 |
| Accounts receivable, net | 562,403 | - | - | 562,403 |
| Due from other governments | 976,694 | 108,339 | - | 1,085,033 |
| Due from other funds | 1,143,216 | - | - | 1,143,216 |
| Inventory | 29,236 | - | - | 29,236 |
| Restricted assets | | | | |
| Cash and cash equivalents | 1,128,265 | 41,945 | 342,465 | 1,512,675 |
| Total assets | \$ 9,275,133 | \$ 150,284 | \$ 342,465 | \$ 9,767,882 |
| Liabilities | | | | |
| Accounts payable | \$ 584,208 | - | \$ - | \$ 584,208 |
| Accrued expenses | - | - | 57,337 | 57,337 |
| Payable to other funds | 1,981,613 | - | - | 1,981,613 |
| Total liabilities | 2,565,821 | - | 57,337 | 2,623,158 |
| Fund balances | | | | |
| Nonspendable | 29,236 | - | - | 29,236 |
| Restricted for: | | | | |
| Law Enforcement | 46,279 | - | - | 46,279 |
| Debt service | - | - | 285,128 | 285,128 |
| Community development projects | - | 150,284 | - | 150,284 |
| Assigned to: | | | | |
| Recreation | 41,227 | - | - | 41,227 |
| Road resurfacing | 676,890 | - | - | 676,890 |
| Fire Department Capital Assets | 118,940 | - | - | 118,940 |
| Unassigned | 5,796,740 | - | - | 5,796,740 |
| Total fund balances | 6,709,312 | 150,284 | 285,128 | 7,144,724 |
| Total liabilities and fund balances | \$ 9,275,133 | \$ 150,284 | \$ 342,465 | \$ 9,767,882 |

The accompanying notes are an integral part of these financial statements

City of Marianna
 Reconciliation of the Balance Sheet of Governmental
 Funds to the Statement of Net Position

September 30, 2020

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

| | | |
|--|----|-----------|
| Total fund balances – governmental funds | \$ | 7,144,724 |
|--|----|-----------|

| | | |
|---|--|------------|
| Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the governmental funds. | | 24,999,327 |
|---|--|------------|

| | | |
|--|--|-----------|
| Net pension assets are not financial resources in the current period and, therefore, are not reported in the governmental funds. | | 2,658,215 |
|--|--|-----------|

Long-term liabilities, including notes payable, are not due
and payable in the current period, and, therefore, are not
reported in the governmental funds.

Balances at September 30, 2020 were:

| | | |
|--------------------------------|----|-----------|
| Bonds payable | \$ | 4,135,688 |
| Other post-employment benefits | | 106,768 |
| Net pension liability | | 2,037,583 |
| Compensated absences | | 231,220 |

| | | |
|-----------------------------|--|-------------|
| Total long-term liabilities | | (6,511,259) |
|-----------------------------|--|-------------|

Deferred outflows and inflows of resources related to
pensions and other post-employment benefits are applicable to
future periods and, therefore, are not reported in the funds.

| | | |
|---|--|-----------|
| Deferred inflow of resources - other post-employment benefits | | (12,901) |
| Deferred outflows of resources - other post-employment benefits | | 11,762 |
| Deferred outflows of resources - pensions | | 1,124,387 |
| Deferred inflows of resources - pensions | | (928,518) |

| | | |
|---|----|------------|
| Net position of governmental activities | \$ | 28,485,737 |
|---|----|------------|

The accompanying notes are an integral part of these financial statements

City of Marianna
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the year ended September 30, 2020

| | GENERAL | COMMUNITY REDEVELOPMENT AGENCY | DEBT SERVICE FUND | TOTAL |
|---|---------------------|--------------------------------------|-------------------------|---------------------|
| Revenues | | | | |
| Property taxes, levied for general purposes | \$ 654,259 | - | \$ - | \$ 654,259 |
| Other taxes | 3,284,547 | 108,339 | - | 3,392,886 |
| Intergovernmental | 218,465 | - | - | 218,465 |
| Licenses and permits | 91,459 | - | - | 91,459 |
| Charges for services | 1,121,450 | - | - | 1,121,450 |
| Fines and forfeitures | 11,969 | - | - | 11,969 |
| Grants | 4,033,904 | - | - | 4,033,904 |
| Interest | 47,006 | 22 | - | 47,028 |
| Other fees and miscellaneous | 285,589 | - | - | 285,589 |
| Total revenues | 9,748,648 | 108,361 | - | 9,857,009 |
| Expenditures | | | | |
| Current | | | | |
| General government | 4,237,930 | 8,500 | - | 4,246,430 |
| Public safety | 2,102,819 | - | - | 2,102,819 |
| Highways and streets | 1,155,983 | - | - | 1,155,983 |
| Culture and recreation | 375,767 | - | - | 375,767 |
| Capital outlay | | | | |
| General government | 992,469 | - | - | 992,469 |
| Public safety | 549,401 | - | - | 549,401 |
| Highways and streets | 315,642 | - | - | 315,642 |
| Culture and recreation | 305,010 | - | - | 305,010 |
| Debt Service | | | | |
| Principal | - | - | 200,694 | 200,694 |
| Interest and other charges | - | - | 114,972 | 114,972 |
| Total expenditures | 10,035,021 | 8,500 | 315,666 | 10,359,187 |
| Excess of revenues over (under) expenditures | (286,373) | 99,861 | (315,666) | (502,178) |
| Other financing sources (uses) | | | | |
| Proceeds from long-term debt | 309,000 | - | - | 309,000 |
| Transfers in | 1,043,356 | 12,964 | 336,840 | 1,393,160 |
| Transfers out | (349,804) | (24,580) | - | (374,384) |
| Net other financing sources (uses) | 1,002,552 | (11,616) | 336,840 | 1,327,776 |
| Net change in fund balances | 716,179 | 88,245 | 21,174 | 825,598 |
| Fund balances - beginning | 5,993,133 | 62,039 | 263,954 | 6,319,126 |
| Fund balances - ending | \$ 6,709,312 | 150,284 | \$ 285,128 | \$ 7,144,724 |

The accompanying notes are an integral part of these financial statements

City of Marianna

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

For the year ended September 30, 2020

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

| | |
|---|---------------------|
| Net change in fund balances - total governmental funds | \$ 825,598 |
| Capital outlay, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position. | 2,162,522 |
| Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Activities. | (1,168,480) |
| Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position | (309,000) |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but as a reduction in long-term liabilities in the Statement of Net Position. | 200,694 |
| 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. These expenses included: | |
| Other post-employment benefits | (3,976) |
| Compensated absences | 21,576 |
| Government funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. | (28,097) |
| <u>Change in net assets of governmental activities</u> | <u>\$ 1,700,837</u> |

The accompanying notes are an integral part of these financial statements

City of Marianna
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund

For the year ended September 30, 2020

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL AMOUNTS (BUDGETAR BASIS) | VARIANCE WITH FINAL BUDGET |
|---|---------------------|---------------------|--|-------------------------------------|
| Revenues | | | | |
| Taxes | \$ 3,503,000 | \$ 3,927,500 | \$ 3,938,806 | \$ 11,306 |
| Licenses and permits | 81,250 | 92,950 | 91,459 | (1,491) |
| Intergovernmental | 233,000 | 217,800 | 218,465 | 665 |
| Charges for services | 1,107,334 | 1,111,234 | 1,121,450 | 10,216 |
| Fine and forfeitures | 12,700 | 12,700 | 11,969 | (731) |
| Grants | 1,127,000 | 4,033,000 | 4,033,904 | 904 |
| Miscellaneous revenue | 176,300 | 324,500 | 332,595 | 8,095 |
| Total revenues | 6,240,584 | 9,719,684 | 9,748,648 | 28,964 |
| Expenditures | | | | |
| General government | 2,209,719 | 5,252,439 | 5,230,399 | 22,040 |
| Public safety | 2,589,941 | 2,747,241 | 2,652,220 | 95,021 |
| Highways and streets | 1,800,658 | 1,450,158 | 1,471,625 | (21,467) |
| Culture and recreation | 663,568 | 654,568 | 680,777 | (26,209) |
| Total expenditures | 7,263,886 | 10,104,406 | 10,035,021 | 69,385 |
| Excess of revenues over (under) expenditures | (1,023,302) | (384,722) | (286,373) | 98,349 |
| Other financing sources (uses) | | | | |
| Proceeds from long-term debt | 249,060 | 309,000 | 309,000 | - |
| Transfers in | 1,110,351 | 1,043,351 | 1,043,356 | 5 |
| Transfers out | (336,109) | (349,689) | (349,804) | (115) |
| Total other financing sources | 1,023,302 | 1,002,662 | 1,002,552 | (110) |
| Net change in fund balances | - | 617,940 | 716,179 | 98,239 |
| Fund balances - beginning | 5,993,133 | 5,993,133 | 5,993,133 | - |
| Fund balances - ending | \$ 5,993,133 | \$ 6,611,073 | \$ 6,709,312 | \$ 98,239 |

The accompanying notes are an integral part of these financial statements

City of Marianna

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Community Redevelopment Agency

For the year ended September 30, 2020

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL AMOUNTS (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET |
|---|--------------------|-----------------|---|-------------------------------------|
| Revenues | | | | |
| Taxes | \$ 110,000 | \$ 110,000 | \$ 108,339 | \$ (1,661) |
| Interest | - | - | 22 | 22 |
| Total revenues | 110,000 | 110,000 | 108,361 | (1,639) |
| Expenditures | | | | |
| General government | 125,420 | 8,520 | 8,500 | 20 |
| Total expenditures | 125,420 | 8,520 | 8,500 | 20 |
| Excess of revenues over (under) expenditures | (15,420) | 101,480 | 99,861 | (1,619) |
| Other financing sources (uses) | | | | |
| Transfers in | 12,964 | 12,964 | 12,964 | - |
| Transfers out | (24,580) | (24,580) | (24,580) | - |
| Total other financing sources | (11,616) | (11,616) | (11,616) | - |
| Net change in fund balance | (27,036) | 89,864 | 88,245 | (1,619) |
| Fund balance - beginning | 62,039 | 62,039 | 62,039 | - |
| Fund balance - ending | \$ 35,003 | \$ 151,903 | \$ 150,284 | \$ (1,619) |

The accompanying notes are an integral part of these financial statements

City of Marianna

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – Debt Service Fund

For the year ended September 30, 2020

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL AMOUNTS (BUDGETAR BASIS) | VARIANCE WITH FINAL BUDGET |
|---------------------------------------|--------------------|-----------------|--|-------------------------------------|
| Revenues | | | | |
| Interest | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| Expenditures | | | | |
| Principal | 201,000 | 201,000 | 200,694 | 306 |
| Interest | 115,000 | 115,000 | 114,972 | 28 |
| Total expenditures | 316,000 | 316,000 | 315,666 | 334 |
| Other financing sources (uses) | | | | |
| Transfers in | 336,840 | 336,840 | 336,840 | - |
| Total other financing sources | 336,840 | 336,840 | 336,840 | - |
| Net change in fund balance | 20,840 | 20,840 | 21,174 | 334 |
| Fund balance - beginning | 263,954 | 263,954 | 263,954 | - |
| Fund balance - ending | \$ 284,794 | \$ 284,794 | \$ 285,128 | \$ 334 |

The accompanying notes are an integral part of these financial statements

City of Marianna
Statement of Net Position
Proprietary Funds

September 30, 2020

| | BUSINESS-TYPE ACTIVITIES/ENTERPRISE FUNDS | | | |
|---|---|-------------------|----------------------|----------------------|
| | UTILITY | MHR | AIRPORT | Total |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 5,386,602 | \$ 2,136,396 | \$ 438,230 | \$ 7,961,228 |
| Accounts receivable, net | 623,771 | 1,229,046 | 154,631 | 2,007,448 |
| Due from other funds | 2,439,780 | - | - | 2,439,780 |
| Due from other governments | 1,103,872 | 689,568 | 261,162 | 2,054,602 |
| Inventories | 186,202 | 104,958 | 30,277 | 321,437 |
| Prepaid expenses | - | 15,176 | - | 15,176 |
| Total current assets | 9,740,227 | 4,175,144 | 884,300 | 14,799,671 |
| Noncurrent assets | | | | |
| Restricted assets | | | | |
| Cash and cash equivalents | 598,964 | 63,608 | - | 662,572 |
| Deposits | 74,026 | 768 | - | 74,794 |
| Note Receivable | - | - | 88,700 | 88,700 |
| Capital assets | | | | |
| Nondepreciable | 4,984,361 | 149,027 | 859,560 | 5,992,948 |
| Depreciable, net | 39,834,775 | 5,497,506 | 18,187,069 | 63,519,350 |
| Total noncurrent assets | 45,492,126 | 5,710,909 | 19,135,329 | 70,338,364 |
| Total assets | 55,232,353 | 9,886,053 | 20,019,629 | 85,138,035 |
| Deferred outflows of resources | | | | |
| Pension | 408,037 | 2,458,730 | - | 2,866,767 |
| Total deferred outflows of resources | 408,037 | 2,458,730 | - | 2,866,767 |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | 437,037 | 776,535 | 348,703 | 1,562,275 |
| Due to other funds | - | 1,143,216 | 458,167 | 1,601,383 |
| Unearned revenue | 13,139 | - | - | 13,139 |
| Accrued compensated absences | 31,247 | 116,893 | - | 148,140 |
| Notes payable | 450,028 | - | - | 450,028 |
| Accrued interest payable | 197,342 | - | - | 197,342 |
| Liabilities payable from restricted assets | 371,276 | 63,608 | - | 434,884 |
| Total current liabilities | 1,500,069 | 2,100,252 | 806,870 | 4,407,191 |
| Noncurrent liabilities | | | | |
| Accrued compensated absences | 124,990 | 551,742 | - | 676,732 |
| Net pension liability | 1,435,873 | 8,633,399 | - | 10,069,272 |
| Notes payable | 6,887,171 | - | - | 6,887,171 |
| Other post-employment benefits | 39,831 | 288,044 | - | 327,875 |
| Total noncurrent liabilities | 8,487,865 | 9,473,185 | - | 17,961,050 |
| Total liabilities | 9,987,934 | 11,573,437 | 806,870 | 22,368,241 |
| Deferred inflows of resources | | | | |
| Other post-employment benefits | 4,813 | 34,804 | - | 39,617 |
| Pensions | 88,893 | 534,485 | - | 623,378 |
| Total deferred inflows of resources | 93,706 | 569,289 | - | 662,995 |
| Net position | | | | |
| Net investment in capital assets | 37,481,937 | 5,646,533 | 19,046,629 | 62,175,099 |
| Restricted for: | | | | |
| Debt service | 137,639 | - | - | 137,639 |
| Other purposes | 90,049 | - | - | 90,049 |
| Unrestricted | 7,849,125 | (5,444,476) | 166,130 | 2,570,779 |
| Total net position | \$ 45,558,750 | \$ 202,057 | \$ 19,212,759 | \$ 64,973,566 |

The accompanying notes are an integral part of these financial statements

City of Marianna
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

For the year ended September 30, 2020

| | BUSINESS -TYPE ACTIVITIES/ENTERPRISE FUNDS | | | |
|---|---|--------------------|----------------------|----------------------|
| | UTILITY | MHR | AIRPORT | TOTAL |
| Operating revenues | | | | |
| Water, sewer, and gas revenue pledged as security for revenue bonds | \$ 5,342,827 | \$ - | \$ - | \$ 5,342,827 |
| Charges for services | - | 15,366,396 | 279,568 | 15,645,964 |
| Total operating revenues | 5,342,827 | 15,366,396 | 279,568 | 20,988,791 |
| Operating expenses | | | | |
| Personal services | 1,533,119 | 10,457,757 | - | 11,990,876 |
| Utilities | 278,956 | 318,004 | 28,179 | 625,139 |
| Services and supplies | 1,250,943 | 3,501,755 | 81,960 | 4,834,658 |
| Repairs and maintenance | 111,945 | 185,130 | 26,219 | 323,294 |
| Insurance premiums | 146,171 | 232,499 | 28,525 | 407,195 |
| Other operating expenses | 2,361,122 | 2,475,009 | 8,734 | 4,844,865 |
| Depreciation | 2,804,565 | 369,832 | 676,991 | 3,851,388 |
| Total operating expenses | 8,486,821 | 17,539,986 | 850,608 | 26,877,415 |
| Net operating income (loss) | (3,143,994) | (2,173,590) | (571,040) | (5,888,624) |
| Nonoperating revenues (expenses) | | | | |
| Interest income | 31,688 | 683 | 1,159 | 33,530 |
| Miscellaneous revenue | 77,378 | 140,938 | 377,527 | 595,843 |
| Interest expense | (204,741) | - | - | (204,741) |
| Total nonoperating revenues (expenses) | (95,675) | 141,621 | 378,686 | 424,632 |
| Income (loss) before contributions and transfers | (3,239,669) | (2,031,969) | (192,354) | (5,463,992) |
| Capital contributions | 5,560,345 | 2,202,102 | 1,367,421 | 9,129,868 |
| Transfers, net | (491,502) | (500,004) | (27,270) | (1,018,776) |
| Change in net position | 1,829,174 | (329,871) | 1,147,797 | 2,647,100 |
| Total net position - beginning | 43,729,576 | 531,928 | 18,064,962 | 62,326,466 |
| Total net position - ending | \$ 45,558,750 | \$ 202,057 | \$ 19,212,759 | \$ 64,973,566 |

The accompanying notes are an integral part of these financial statements

City of Marianna
Statement of Cash Flows (Page 1 of 2)
Proprietary Funds

For the year ended September 30, 2020

| | BUSINESS-TYPE ACTIVITIES/ENTERPRISE FUNDS | | | |
|---|---|---------------------|-------------------|---------------------|
| | UTILITY | MHR | AIRPORT | TOTAL |
| Operating activities | | | | |
| Receipts from customers and users | \$ 5,502,369 | \$ 16,187,066 | \$ 1,736,228 | \$ 23,425,663 |
| Payments to suppliers | (2,185,999) | (4,386,431) | (1,174,124) | (7,746,554) |
| Payments to employees | (1,341,470) | (9,742,850) | - | (11,084,320) |
| Other receipts (payments) | (2,335,985) | (2,475,009) | (97,434) | (4,908,428) |
| Net cash provided by (used in) operating activities | (361,085) | (417,224) | 464,670 | (313,639) |
| Noncapital financing activities | | | | |
| Operating subsidies and transfers to other funds | (1,930,698) | (179,567) | (727,487) | (2,837,752) |
| Net cash provided by (used in) noncapital financing activities | (1,930,698) | (179,567) | (727,487) | (2,837,752) |
| Capital and related financing activities | | | | |
| Proceeds from capital debt | 2,313,495 | - | - | 2,313,495 |
| Capital contributions | 4,810,830 | 2,202,102 | 2,280,932 | 9,293,864 |
| Purchase of capital assets | (3,176,360) | (119,643) | (1,997,298) | (5,293,301) |
| Principal payments on capital debt | (1,409,875) | - | - | (1,409,875) |
| Interest payments on capital debt | (115,329) | - | - | (115,329) |
| Other receipts (payments) | 95,234 | 169,256 | 377,527 | 642,017 |
| Net cash provided by (used in) capital and related financing activities | 2,517,995 | 2,251,715 | 661,161 | 5,430,871 |
| Investing activities | | | | |
| Interest and dividends | 31,688 | 683 | 1,159 | 33,530 |
| Net cash provided by (used in) investing activities | 31,688 | 683 | 1,159 | 33,530 |
| Net increase (decrease) in cash and cash equivalents | 257,900 | 1,655,607 | 399,503 | 2,313,010 |
| Cash - beginning of the year | 5,727,666 | 544,397 | 38,727 | 6,310,790 |
| Cash - ending of the year | \$ 5,985,566 | \$ 2,200,004 | \$ 438,230 | \$ 8,623,800 |
| Classified on the Statement of Net Position as: | | | | |
| Current assets - cash and cash equivalents | \$ 5,386,602 | \$ 2,136,396 | \$ 438,230 | \$ 7,961,228 |
| Noncurrent assets - restricted cash and cash equivalents | 598,964 | 63,608 | - | 662,572 |
| | \$ 5,985,566 | \$ 2,200,004 | \$ 438,230 | \$ 8,623,800 |

The accompanying notes are an integral part of these financial statements

City of Marianna
Statement of Cash Flows (Page 2 of 2)
Proprietary Funds

For the year ended September 30, 2020

| | BUSINESS-TYPE ACTIVITIES/ENTERPRISE FUNDS | | | |
|---|--|---------------------|-------------------|---------------------|
| | UTILITY | MHR | AIRPORT | TOTAL |
| Reconciliation of net operating income to net cash provided by operating activities | | | | |
| Net operating income (loss) | \$ (3,143,994) | \$ (2,173,590) | \$ (571,040) | \$ (5,888,624) |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | | |
| Depreciation | 2,804,565 | 369,832 | 676,991 | 3,851,388 |
| (Increase) decrease in accounts receivable | 159,542 | 820,670 | 1,367,960 | 2,348,172 |
| (Increase) decrease in inventory | (3,257) | (15,742) | (30,277) | (49,276) |
| (Increase) decrease in deposits | 10,236 | - | - | 10,236 |
| (Increase) decrease in prepaid insurance | 12,540 | 278 | - | 12,818 |
| Increase (decrease) in accounts payable | (229,798) | 575,887 | (978,964) | (632,875) |
| Increase (decrease) in unearned revenue | 2,232 | - | - | 2,232 |
| Increase (decrease) in other liabilities | 26,849 | 5,441 | - | 32,290 |
| Net cash provided by (used in) operating activities | \$ (361,085) | \$ (417,224) | \$ 464,670 | \$ (313,639) |

The accompanying notes are an integral part of these financial statements

City of Marianna
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

September 30, 2020

| | PENSION TRUST | | AGENCY |
|--|---|--|--------------------------|
| | MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND | MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND | DEFERRED COMPENSATION |
| Assets | | | |
| Cash and cash equivalents | \$ 51,129 | \$ 21,254 | \$ - |
| Due from the State of Florida | 43,109 | 53,237 | - |
| Investments, at fair value: | | | |
| Other investments, fixed income | 1,362,844 | 1,774,837 | - |
| Other equity investments | 2,821,167 | 3,681,602 | - |
| Other investments | - | - | 2,828,723 |
| Total investments | 4,184,011 | 5,456,439 | 2,828,723 |
| Total assets | \$ 4,278,249 | \$ 5,530,930 | \$ 2,828,723 |
| Liabilities | | | |
| Deferred compensation benefits payable | \$ - | \$ - | \$ 2,828,723 |
| Total liabilities | - | - | 2,828,723 |
| Net position | | | |
| Held in trust for pension and other purposes | \$ 4,278,249 | \$ 5,530,930 | \$ - |

The accompanying notes are an integral part of these financial statements

City of Marianna
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the year ended September 30, 2020

| | PENSION TRUST | |
|---|--|---|
| | MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND | MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND |
| Additions | | |
| Contributions | | |
| State and city contributions | \$ 43,109 | \$ 53,237 |
| Plan members | 26,578 | 31,268 |
| Total contributions | 69,687 | 84,505 |
| Investment earnings | | |
| Net increase in fair value of investments | 285,582 | 368,480 |
| Interest and dividends | 212,791 | 272,564 |
| Total investment earnings | 498,373 | 641,044 |
| Total additions | 568,060 | 725,549 |
| Deductions | | |
| Benefits | 179,342 | 150,515 |
| Administrative expenses | 37,886 | 32,089 |
| Total deductions | 217,228 | 182,604 |
| Change in net position | 350,832 | 542,945 |
| Net position - beginning | 3,927,417 | 4,987,985 |
| Net position - ending | \$ 4,278,249 | \$ 5,530,930 |

The accompanying notes are an integral part of these financial statements

City of Marianna Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marianna (the “City”) was incorporated in 1911 under Section 1911-6371 of the Laws of Florida. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles applicable to governments. The following is a summary of the more specific policies:

A. Reporting Entity

As required by generally accepted accounting principles, the accompanying financial statements present the City as a primary government and its component units, entities for which the City is considered financially accountable. The component units are included in the reporting entity because of the significance of their operational relationship 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 the organization’s governing body and either it is able to impose its will on that organization or there is 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. On this basis, the following entity is not a part of the City of Marianna and thus, is excluded from the accompanying financial statements:

Marianna Housing Authority - This authority was created by the City pursuant to State Statutes with commissioners of the Authority appointed by the City Commission. Operations are administered by the Authority and financed with Federal funds and rentals. Outstanding debt of the Authority is not an obligation of the City.

B. Government-Wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between governmental and business-type activities. Government-wide financial statements comprised of the statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government. 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 separately from business-type activities, which rely to a significant extent on fees and charges for support.

City of Marianna
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contributes to the change in the net assets for the fiscal year.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and non-major funds in the aggregate for governmental funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City of Marianna
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are reported as major governmental funds:

General Fund – This is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Community Redevelopment Agency (CRA) - On June 9, 1993, the City adopted a Community Redevelopment Plan and created a Community Redevelopment Agency (CRA) by Ordinance #822 and Resolution 93-8. The board consists of the Mayor and four City Commissioners. The total area of the CRA was 0.08581 square miles. The plan was amended by the City Commission on June 6, 1995 by Resolution 95-5, which expanded the area of the CRA to 0.3993 square miles. The City reports the blended presented component unit, Community Redevelopment Agency (CRA), as a major fund to comply with Florida Statutes.

Debt Service Fund – Accounts for the resources for and the accumulation of the payments of the interest and principal on debt instruments. The Debt Service Fund is not major for the current year. However, it is presented separately as the only governmental non-major fund.

The City reports the following major proprietary funds:

Utility – Accounts for the operations of the utilities (water, gas and wastewater).

Marianna Health and Rehabilitation Center (MHR) – Accounts for the activities at the City’s nursing home facility.

Airport – Accounts for activities at the municipal airport. It includes the Marianna Airport Authority.

Proprietary funds distinguish 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 operations. The principal operating revenues of the Proprietary Funds are charges to customers for sales and services. Operating expenses for the Proprietary Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Marianna
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following fiduciary funds:

Municipal Firefighter's Pension and Police Officer's Retirement Trust Funds - accounts for the pension funds for City firefighters and police officers. The funds were created by the State of Florida.

Deferred Compensation Agency Fund – accounts for the deferred compensation plan created by the City in accordance with Internal Revenue Code Section 457.

D. Cash and Cash Equivalents

Cash and Cash Equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

E. Investments

Investments are stated at cost or amortized cost, except in the Pension Trust Funds and Agency Fund where Investments are stated at fair value.

F. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or net realizable value. Inventory consists of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased.

G. Compensated Absences

Full time employees accrue annual leave based on years of service (section 4.2 of the Personnel Policy Manual) and one 8 hour day of sick of leave per month. Any unused annual and sick leave at the end of the fiscal year may carry forward up to a maximum of 20 days annual leave and 75 days of sick leave respectively. Any annual leave in excess of 20 days of annual leave and 75 days of sick leave accruing to the benefit of any employee at the end of the fiscal year which is not taken will be forfeited. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and sick leave balances.

H. Bond Discounts and Issue Costs

In the proprietary funds, bond discounts and premiums are amortized over the term of the bonds using the straight-line method which, for the bond discounts and premiums, is not materially different than the effective interest method. Unamortized bond discounts and premiums are presented in the financial statements as reductions/additions in bonds payable.

City of Marianna
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Restricted Assets

Restricted assets consist of cash which is required by resolution or contractual obligation to be set aside for specific purposes and is therefore unavailable for general operating purposes. When both restricted and unrestricted (unassigned) net assets are available, restricted assets are applied first. When both assigned and unassigned net assets are available, assigned net assets are applied first.

J. Estimates

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

K. Accounts Receivables

Accounts receivables are shown at their net realizable value. See Note 5 for allowance for doubtful accounts.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$3,000 and capital assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets (Continued)

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

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

| | |
|--|---------------|
| Buildings | 30 – 50 years |
| Electrical, sewer, water and wastewater system | 30 – 50 years |
| Equipment | 5 – 10 years |
| Infrastructure | 50 years |

M. Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

N. Fund Balance Reporting and Governmental Fund-Type Definitions

The City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions* (GASB Statement No. 54) effective October 1, 2010. This GASB Statement clarifies governmental fund balance classifications and fund-type definitions. Fund balances are classified either as non-spendable or spendable. See Note 19.

O. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

P. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that future time.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Impact of Recently Issued Accounting Pronouncements

New Accounting Standards Adopted

In May 2020, the GASB issued Statement No. 95 (GASB 95), *Postponement of the Effective Date of Certain Authoritative Guidance*. GASB 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. GASB 95 had no impact on the City's financial statements.

Recently Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the City upon implementation. Management has not yet evaluated the effect of implementation of these standards.

| Statement No. | GASB Accounting Standard | GASB Effective Fiscal Year |
|----------------------|--|---|
| 84 | <i>Fiduciary Activities</i> | 2021 |
| 87 | <i>Leases</i> | 2022 |
| 89 | <i>Accounting for Interest Cost Incurred before the End of a Construction Period</i> | 2022 |
| 90 | <i>Majority Equity Interest an amendment of GASB Statements No. 14 and No. 61</i> | 2022 |
| 91 | <i>Conduit Debt Obligations</i> | 2023 |
| 92 | <i>Omnibus 2020</i> | 2023 |
| 93 | <i>Replacement of Interbank Offered Rates</i> | 2022 |
| 94 | <i>Public-Private and Public-Public Partnerships and Availability Payment Arrangements</i> | 2024 |
| 96 | <i>Subscription-Based Information Technology Arrangements</i> | 2024 |
| 97 | <i>Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans</i> | 2023 |

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Pensions

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

1. City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is legally enacted through passage of an ordinance.
3. The budget of the General fund is prepared on the modified accrual basis of accounting the following exception:
The City includes a portion of the prior year's fund balance represented by unappropriated liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The results of operation in accordance with generally accepted accounting principles do not recognize the fund balance allocation as revenue, as it is the result of the prior period's excess of revenues over expenditures.
4. Budgetary control is at the department level.

City of Marianna

Notes to Financial Statements

NOTE 3: PROPERTY TAXES

Under Florida Law, the assessment of all properties and the collection of all county, municipal, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The millage rate assessed by the City for the fiscal year ended September 30, 2020 was 2.9985.

All property is assessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the Department of Revenue for review to determine if the rolls meet all of the appropriate requirements.

The current year taxes for the fiscal year, beginning October 1, are billed in the month of November and are due no later than March 31. On April 1, all unpaid amounts become delinquent and are subject to interest and penalties. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of twenty-two months.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of property or by the seven year statute of limitations.

Since the Jackson County Tax Collector's Office acts quickly in selling tax certificates and in remitting such collections to the City, no delinquent or uncollected property taxes exist at year end. The City Tax Calendar is as follows:

| | |
|-----------------|---------------------------|
| Valuation Date: | January 1 |
| Levy Date: | November 1 |
| Due Date: | March 31, Succeeding Year |
| Lien Date: | April 1, Succeeding Year |

NOTE 4: DEPOSITS AND INVESTMENTS

At year end, the carrying amount of the City's deposits was \$15,644,177 and the bank balance was \$16,847,886. The bank balance was covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Public Deposit Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Florida Statutes authorize the City to invest in certificates of deposit, repurchase agreements and the State Treasurer's Investment Pool. In addition, the statutes allow the City to invest in bonds, notes or other obligations of the United States Government, certain bonds of any state or local government unit, and bonds issued by certain government agencies.

The City invested funds in the Florida State Board of Administration Local Governments Surplus Funds Investment Pool. At September 30, 2020, the market value and the carrying value of these funds was \$8,680,156. The funds are carried as a cash equivalent on the balance sheet at September 30, 2020 (See Note 1, Section D for definition of cash equivalents) and are included in carrying value and bank balance in the first paragraph of this note. Additional information and investment policies regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration at www.sbafla.com/prime.

The State of Florida's Local Government Investment Pool is administered by the Florida State Board of Administration (SBA), which provides regulatory oversight. The powers and duties of the SBA are defined in Florida Statute 218.409. In addition, Chapter 19-7 of the Florida Administrative Code identifies the rules and regulations governing the administration of the State Pool. These rules provide guidance and establish the general operating procedures for the administration of the pool. The SBA provides regulatory oversight for the Florida PRIME Fund. As a pool participant, the City owns a share of the respective pool, not the underlying securities.

The Florida PRIME Fund is an external investment pool that has adopted operating procedures consistent with the requirements of GASB Statement No. 79 to measure its investments at amortized cost. Therefore, the City's investment in PRIME is at amortized cost.

Custodial Credit Risk

At September 30, 2020, the City did not hold any deposits or investments that were considered to have custodial credit risk.

City of Marianna
Notes to Financial Statements

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

At September 30, 2020, the City did not hold any investments that were considered to have concentration of credit risk.

Credit Risk

The credit risk of certain investments, such as investment pools managed by other governments, cannot be categorized as to credit risk because the City investments are not evidenced by specific, identifiable investment securities.

As of September 30, 2020, the City's investment in the Florida PRIME is rated by Standard and Poors and the current rating is AAAM.

Interest Rate Risk

The dollar weighted average days to maturity (WAM) of the Florida PRIME at September 30, 2020, is 48 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2020, is 63 days.

The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan allows the employees to designate where the plan funds are invested. At September 30, 2020, plan funds totaling \$2,828,723 were invested in mutual funds. These funds are carried as an investment in the agency fund.

Foreign Currency Risk

At September 30, 2020, the City did not hold any investments that were considered to have foreign currency risk.

NOTE 5: ACCOUNTS RECEIVABLE AND NOTE RECEIVABLE

| | GENERAL | UTILITY | AIRPORT | MHR | TOTAL |
|--------------------------------------|------------|------------|------------|--------------|--------------|
| Trade receivable | \$ 112,296 | \$ 570,931 | \$ - | \$ 3,058,398 | \$ 3,741,625 |
| Other receivables | 484,115 | 87,871 | 154,631 | - | 726,617 |
| Interest receivable | 20,967 | - | - | - | 20,967 |
| Less allowance for doubtful accounts | (54,975) | (35,031) | - | (1,829,352) | (1,919,358) |
| Accounts Receivables, net | \$ 562,403 | 623,771 | \$ 154,631 | \$ 1,229,046 | \$ 2,569,851 |

City of Marianna
Notes to Financial Statements

NOTE 5: ACCOUNTS RECEIVABLE AND NOTE RECEIVABLE (continued)

Receivables arise primarily from utility services (sewer, gas and water) provided by the City of Marianna, Florida and nursing home services provided by the Marianna Health and Rehabilitation Center. The City grants credit to customers, substantially all of whom are local residents.

Other receivables for the General Fund include \$255,155 in property liens for the removal of dilapidated structures. This amount includes the lien, the associated recording costs and the interest to date. Because of the age of the liens and the likelihood of collection, the City has included the full amount in the allowance for doubtful accounts.

The note receivable for the Airport fund had an original balance of \$100,000. The note is receivable in monthly installments of \$1,266.76, including 9% interest. The note matures December 31, 2021 with a balloon payment of \$80,000.

NOTE 6: INTERFUND BALANCES

Interfund balances are generally used to meet cash demands necessary to pay operating expenses. Amounts are generally repaid during the next fiscal year. Balances due to/from other funds at September 30, 2020 are as follows:

| Receivable fund | Payable fund | | |
|-------------------|--------------|----|---------|
| Proprietary funds | General | \$ | 838,397 |

For Governmental Funds, the interfund balance is comprised of \$838,397 in due to other funds. For Proprietary Funds, the interfund balance is comprised of \$838,397 in due from other funds.

TRANSFERS IN

| Transfers Out | General | CRA | Debt Service | Utility | Airport | MHR | Total |
|------------------|--------------|-----------|-----------------|---------|---------|------|--------------|
| General | \$ - | \$ 12,964 | \$ 336,840 | \$ - | \$ - | \$ - | \$ 349,804 |
| CRA | 24,580 | - | - | - | - | - | 24,580 |
| Utility | 491,502 | - | - | - | - | - | 491,502 |
| Airport | 27,270 | - | - | - | - | - | 27,270 |
| MHR | 500,004 | - | - | - | - | - | 500,004 |
| | \$ 1,043,356 | \$ 12,964 | \$ 336,840 | \$ - | \$ - | \$ - | \$ 1,393,160 |

City of Marianna
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2020 was as follows:

| | BEGINNING BALANCE | INCREASES | DECREASES | ENDING BALANCE |
|--|------------------------------|------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,521,337 | \$ - | \$ - | \$ 1,521,337 |
| Construction in progress | 311,371 | 1,035,771 | (12,945) | 1,334,197 |
| <hr/> | | | | |
| Total capital assets, not being depreciated | 1,832,708 | 1,035,771 | (12,945) | 2,855,534 |
| <hr/> | | | | |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 2,764,416 | 9,177 | - | 2,773,593 |
| Buildings | 7,482,714 | 489,216 | - | 7,971,930 |
| Improvements other than buildings | 15,418,120 | 83,728 | - | 15,501,848 |
| Equipment | 5,525,227 | 557,573 | - | 6,082,800 |
| <hr/> | | | | |
| Total capital assets, being depreciated | 31,190,477 | 1,139,694 | - | 32,330,171 |
| <hr/> | | | | |
| Less: accumulated depreciation for: | | | | |
| Infrastructure | 740,514 | 65,794 | - | 806,308 |
| Buildings | 2,015,981 | 374,095 | - | 2,390,076 |
| Improvements other than buildings | 2,837,803 | 330,614 | - | 3,168,417 |
| Equipment | 3,423,600 | 397,977 | - | 3,821,577 |
| <hr/> | | | | |
| Total accumulated depreciation | 9,017,898 | 1,168,480 | - | 10,186,378 |
| <hr/> | | | | |
| Total capital assets, being depreciated, net | 22,172,579 | (28,786) | - | 22,143,793 |
| <hr/> | | | | |
| Governmental activities capital assets, net | \$ 24,005,287 | \$ 1,006,985 | \$ (12,945) | \$ 24,999,327 |

City of Marianna
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS (Continued)

| | BEGINNING BALANCE | INCREASES | DECREASES | ENDING BALANCE |
|--|------------------------------|------------------|------------------|---------------------------|
| Business-type activities: | | | | |
| Utility | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,073,892 | \$ - | \$ - | \$ 1,073,892 |
| Construction in progress | 7,549,717 | 2,447,713 | (6,086,961) | 3,910,469 |
| <hr/> | | | | |
| Total capital assets, not being depreciated | 8,623,609 | 2,447,713 | (6,086,961) | 4,984,361 |
| <hr/> | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings | 1,325,914 | 51,330 | - | 1,377,244 |
| Improvements other than buildings | 69,696,435 | 6,282,376 | - | 75,978,811 |
| Equipment | 1,738,386 | 481,902 | - | 2,220,288 |
| <hr/> | | | | |
| Total capital assets, being depreciated | 72,760,735 | 6,815,608 | - | 79,576,343 |
| <hr/> | | | | |
| Less: accumulated depreciation for: | | | | |
| Buildings | 1,148,125 | 12,658 | - | 1,160,783 |
| Improvements other than buildings | 34,381,900 | 2,648,475 | - | 37,030,375 |
| Equipment | 1,406,978 | 143,432 | - | 1,550,410 |
| <hr/> | | | | |
| Total accumulated depreciation | 36,937,003 | 2,804,565 | - | 39,741,568 |
| <hr/> | | | | |
| Total capital assets, being depreciated, net | 35,823,732 | 4,011,043 | - | 39,834,775 |
| <hr/> | | | | |
| Utility capital assets, net | \$ 44,447,341 | \$ 6,458,756 | \$ (6,086,961) | \$ 44,819,136 |

City of Marianna
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS (Continued)

| | BEGINNING BALANCE | INCREASES | DECREASES | ENDING BALANCE |
|--|------------------------------|------------------|------------------|---------------------------|
| Airport | | | | |
| Capital Assets, not being depreciated: | | | | |
| Land | \$ 75,509 | \$ - | \$ - | \$ 75,509 |
| Construction in progress | 4,949,629 | 1,817,857 | (5,983,435) | 784,051 |
| <hr/> | | | | |
| Total capital assets, not being depreciated | 5,025,138 | 1,817,857 | (5,983,435) | 859,560 |
| <hr/> | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings | 7,196,642 | 3,834,132 | - | 11,030,774 |
| Improvements other than buildings | 10,649,006 | 2,328,771 | - | 12,977,777 |
| Equipment | 825,959 | - | - | 825,959 |
| <hr/> | | | | |
| Total capital assets, being depreciated | 18,671,607 | 6,162,903 | - | 24,834,510 |
| <hr/> | | | | |
| Less: accumulated depreciation for: | | | | |
| Buildings | 2,217,945 | 166,346 | - | 2,384,291 |
| Improvements other than buildings | 2,951,192 | 487,037 | - | 3,438,229 |
| Equipment | 801,313 | 23,608 | - | 824,921 |
| <hr/> | | | | |
| Total accumulated depreciation | 5,970,450 | 676,991 | - | 6,647,441 |
| <hr/> | | | | |
| Total capital assets, being depreciated, net | 12,701,157 | 5,485,912 | - | 18,187,069 |
| <hr/> | | | | |
| Airport capital assets, net | \$ 17,726,295 | \$ 7,303,769 | \$ (5,983,435) | \$ 19,046,629 |

City of Marianna
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS (Continued)

| | BEGINNING BALANCE | INCREASES | DECREASES | ENDING BALANCE |
|---|------------------------------|---------------------|------------------|---------------------------|
| MHR | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 50,000 | \$ - | \$ - | \$ 50,000 |
| Construction in progress | - | 99,027 | - | 99,027 |
| Total capital assets, not being depreciated | 50,000 | 99,027 | - | 149,027 |
| Capital assets, being depreciated: | | | | |
| Buildings | 9,541,222 | - | - | 9,541,222 |
| Equipment | 3,264,188 | 20,616 | - | 3,284,804 |
| Total capital assets, being depreciated | 12,805,410 | 20,616 | - | 12,826,026 |
| Less: accumulated depreciation for: | | | | |
| Buildings | 4,189,280 | 244,871 | - | 4,434,151 |
| Equipment | 2,769,408 | 124,961 | - | 2,894,369 |
| Total accumulated depreciation | 6,958,688 | 369,832 | - | 7,328,520 |
| Total capital assets, being depreciated, net | 5,846,722 | (349,216) | - | 5,497,506 |
| MHR capital assets, net | \$ 5,896,722 | \$ (250,189) | \$ - | \$ 5,646,533 |

City of Marianna
Notes to Financial Statements

NOTE 7: CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions as follows:

Governmental activities

| | |
|--|---------------------|
| General government | \$ 610,114 |
| Public safety | 308,226 |
| Highways and streets | 171,024 |
| Culture and recreation | 79,116 |
| <hr/> | |
| Total depreciation expense-governmental activities | <u>\$ 1,168,480</u> |

Business-type activities

| | |
|---|---------------------|
| Gas | \$ 215,704 |
| Water | 688,950 |
| Sewer | 1,899,911 |
| MHR | 369,832 |
| Airport | 676,991 |
| <hr/> | |
| Total depreciation expense-business-type activities | <u>\$ 3,851,388</u> |

City of Marianna
Notes to Financial Statements

NOTE 8: LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2020, was as follows:

| | BEGINNING BALANCE | ADDITIONS | REDUCTIONS | ENDING BALANCE | DUE WITHIN ONE YEAR |
|--------------------------------------|------------------------------|---------------------|-----------------------|---------------------------|------------------------------------|
| Governmental activities: | | | | | |
| General | | | | | |
| Bonds payable from direct placement | \$ 4,027,382 | \$ 309,000 | \$ (200,694) | \$ 4,135,688 | \$ 224,015 |
| Compensated absences | 252,796 | 240,156 | (261,732) | 231,220 | 46,244 |
| | <u>4,280,178</u> | <u>549,156</u> | <u>(462,426)</u> | <u>4,366,908</u> | <u>270,259</u> |
| Business-type activities: | | | | | |
| Bonds payable from direct placement | 1,365,000 | - | (1,365,000) | - | - |
| Compensated absences | 745,453 | 350,363 | (270,944) | 824,872 | 148,140 |
| Notes payable from direct borrowings | 5,068,579 | 2,313,495 | (44,875) | 7,337,199 | 450,028 |
| | <u>7,179,032</u> | <u>2,663,858</u> | <u>(1,680,819)</u> | <u>8,162,071</u> | <u>598,168</u> |
| Total | <u>\$ 11,459,210</u> | <u>\$ 3,213,014</u> | <u>\$ (2,143,245)</u> | <u>\$ 12,528,979</u> | <u>\$ 868,427</u> |

City of Marianna
Notes to Financial Statements

NOTE 8: LONG-TERM DEBT (Continued)

Payments on the notes, leases payable, and sales tax revenue bonds that pertain to the City's governmental activities are made by the debt service funds. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

The City's outstanding notes from direct placements related to governmental activities of \$1,991,402 contain provisions that in an event of default, outstanding amounts become immediately due if the City is unable to make payment.

The City's outstanding notes from direct borrowings related to business-type activities of \$7,337,199 contain provisions that if the City meets any conditions of default, the repayment schedule may be accelerated and/or the interest rate increased.

Total interest expense for the year ended September 30, 2020 was \$319,713. Interest paid during the year ended September 30, 2020 was \$233,328.

Debt service requirements on long-term debt at September 30, 2020 are as follows:

| FISCAL YEAR ENDING | GOVERNMENTAL ACTIVITIES | |
|--------------------|-------------------------------------|------------|
| | REVENUE BONDS FROM DIRECT PLACEMENT | |
| | PRINCIPAL | INTEREST |
| SEPTEMBER 30, | | |
| 2021 | \$ 224,015 | \$ 118,817 |
| 2022 | 230,692 | 112,312 |
| 2023 | 1,703,818 | 85,179 |
| 2024 | 114,260 | 59,554 |
| 2025 | 117,682 | 56,147 |
| 2026-2030 | 643,181 | 225,927 |
| 2031-2035 | 745,238 | 123,929 |
| 2036-2040 | 356,802 | 20,360 |
| Total | \$ 4,135,688 | \$ 802,225 |

City of Marianna
Notes to Financial Statements

NOTE 8: LONG-TERM DEBT (Continued)

| FISCAL YEAR ENDING SEPTEMBER 30, | BUSINESS-TYPE ACTIVITIES | |
|-------------------------------------|-------------------------------------|------------|
| | NOTES PAYABLE FROM DIRECT BORROWING | |
| | PRINCIPAL | INTEREST |
| 2021 | \$ 450,028 | \$ 89,805 |
| 2022 | 491,354 | 95,981 |
| 2023 | 2,498,628 | 88,710 |
| 2024 | 506,028 | 46,305 |
| 2025 | 513,562 | 38,775 |
| 2026-2030 | 1,360,952 | 113,239 |
| 2031-2035 | 798,455 | 49,897 |
| 2036-2040 | 556,516 | 11,540 |
| 2041-2045 | 161,676 | - |
| Total | \$ 7,337,199 | \$ 534,252 |

Governmental activities

Revenue Bonds from Direct Placement

\$2,531,401 Capital Improvement Revenue Bonds - Series 2013 due in annual installments of \$70,200 to \$146,500 from March 2014 to March 2038, including interest at 3.125%, collateralized by tax revenue. \$ 1,991,402

\$309,000 Capital Improvement Revenue Bonds - Series 2020 due in annual installments of \$24,501 from September 2021 to September 2035, including interest at 2.25%, collateralized by equipment. 309,000

\$2,600,000 Capital Improvement Revenue Bonds - Series 2012, due in annual installments of \$98,599 to \$122,890 from October 2012 to October 2022, including interest at 2.76%, collateralized by non-advalorem revenues. 1,835,286

Total revenue bonds 4,135,688

Total governmental activities \$ 4,135,688

City of Marianna
Notes to Financial Statements

NOTE 8: LONG-TERM DEBT (Continued)

Business-type activities

Notes Payable from Direct Borrowing

| | |
|--|--------------|
| Federal Emergency Management Agency - Original Amount of \$2,000,000 dated March 2020, interest only at 1.75% per annum, with a balloon payment of \$2,000,000 due April 2023, unsecured. | \$ 2,000,000 |
| State of Florida - State Revolving Fund original amount of \$67,500 dated September 2020, payable in semiannual installments of \$2,065, including interest at 0%, collateralized by equipment, due March 2037. | 67,500 |
| State of Florida - State Revolving Fund original amount \$4,375,466 dated August 2011, payable in semiannual installments of \$140,406, including interest at 1.10%, collateralized by equipment, due June 2035. | 1,116,289 |
| State of Florida - State Revolving Fund original amount \$1,493,124 dated December 2009, payable in semiannual installments of \$48,621, including interest at 2.57%, due April 2030. | 1,007,611 |
| State of Florida - State Revolving Fund original amount \$18,395,733 dated September 2001, payable in semiannual installments of \$530,847, including interest at .83%, due January 2029. | 1,628,012 |
| State of Florida - State Revolving Fund original amount \$461,688 dated March 2014, payable in semiannual installments of \$13,192, including interest at 1.8%, due February 2036. | 453,290 |
| State of Florida - State Revolving Fund original amount \$376,693 dated February 2018, payable in semiannual installments. Payment amount is undetermined, due May 2038. | 78,717 |
| State of Florida - State Revolving Fund, original amount \$932,404 dated August 2018, payable in semiannual installments of \$20,513, including interest at 0%, due March 2032 | 970,016 |
| State of Florida - State Revolving Fund original amount \$15,000 dated June 2017, payable in semiannual installments of \$798, including interest at .36%, due February 2028. | 15,764 |
| <hr/> | |
| Total notes payable | 7,337,199 |
| <hr/> | |
| Total business-type activities | \$ 7,337,199 |

City of Marianna Notes to Financial Statements

NOTE 9: MAJOR SUPPLIER

All natural gas sold by the City is purchased from a single supplier, Florida Gas Utility Company. Purchases totaled \$635,650 for the year ended September 30, 2020. The City has placed a deposit totaling \$74,026 with Florida Gas Utility Company to collateralize the credit needed with the company.

NOTE 10: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the government subject only to the claims of the government's general creditors. Participants' rights under the plan are equal to those of general creditors of the government in an amount equal to the fair market value of the deferred account for each participant.

Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

NOTE 11: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY

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 is available from the Florida Department of Management Services' website (www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports).

NOTE 11: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)

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.

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.

City of Marianna
Notes to Financial Statements

NOTE 11: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)

Contributions

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The employer's contribution rates as of September 30, 2020, were as follows:

| | FRS | HIS |
|---------------------------------|--------|-------|
| Florida Retirement System: | | |
| Regular | 8.34% | 1.66% |
| Senior Management Service Class | 25.63% | 1.66% |
| Special Risk | 22.79% | 1.66% |
| DROP | 15.32% | 1.66% |

The employer's contributions for the year ended September 30, 2020, were \$674,164 to the FRS and \$156,342 to the HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2020, the City reported a liability for its proportionate share of the net pension liabilities of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program. The net pension liabilities were measured as of June 30, 2020. 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 at June 30, 2020 | \$ 8,794,214 | \$ 3,312,641 |
| Proportion at: | | |
| Current measurement date | 0.0002029 | 0.0002713 |
| Prior measurement date | 0.0002166 | 0.0002858 |
| Pension expense (benefit) | \$ 1,801,584 | \$ 280,273 |

City of Marianna
Notes to Financial Statements

NOTE 11: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | FRS | | HIS | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 336,572 | \$ - | \$ 135,507 | \$ (2,555) |
| Changes of assumptions | 1,592,032 | - | 356,203 | (192,617) |
| Net difference between projected and actual earnings on pension plan investments | 523,616 | - | 2,645 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions City contributions subsequent to the measurement date the measurement date | 84,393 | (378,756) | 167,944 | (175,595) |
| | 172,141 | - | 32,395 | - |
| Total | \$2,708,754 | \$ (378,756) | \$ 694,694 | \$ (370,767) |

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, 2020. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | FRS | HIS |
|------------------------------------|---------------------|-------------------|
| 2021 | \$ 453,151 | \$ 78,712 |
| 2022 | 690,514 | 61,220 |
| 2023 | 582,621 | 17,492 |
| 2024 | 345,257 | 37,899 |
| 2025 | 86,314 | 52,475 |
| Thereafter | - | 43,729 |
| Total | \$ 2,157,857 | \$ 291,527 |

NOTE 11: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2020, was determined by an actuarial valuation dated July 1, 2020, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

| | FRS | HIS |
|---------------------------|-------|-------|
| Inflation | 2.40% | 2.40% |
| Salary increases | 3.25% | 3.25% |
| Investment rate of return | 6.80% | N/A |
| Discount rate | 6.80% | 2.21% |

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

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 2020:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 6.9% to 6.8%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.5% to 2.21%.

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 consulting actuary's assumptions based on the long-term target asset allocation.

City of Marianna
Notes to Financial Statements

NOTE 11: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)

| Asset Class | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|------------------------|------------------------------|---|---|-------------------------------|
| Cash | 1.0% | 2.2% | 2.2% | 1.2% |
| Fixed Income | 19.0% | 3.0% | 2.9% | 3.5% |
| Global Equity | 54.2% | 8.0% | 6.7% | 17.1% |
| Real Estate (Property) | 10.3% | 6.4% | 5.8% | 11.7% |
| Private Equity | 11.1% | 10.8% | 8.1% | 25.7% |
| Strategic Investments | 4.4% | 5.5% | 5.3% | 6.9% |
| Total | 100.00% | | | |

Discount Rate

The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.8%. 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 2.21% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

| | FRS Net Pension Liability | | |
|---|---------------------------|--------------------------|------------------------|
| | Current | | |
| | 1% Decrease (5.80%) | Discount Rate (6.80%) | 1% Increase (7.80%) |
| Governmental Employer's proportionate share of the net pension liability | \$ 2,363,417 | \$ 1,480,066 | \$ 742,288 |
| Business-Type Employer's proportionate share of the net pension liability | \$ 11,679,465 | \$ 7,314,148 | \$ 3,668,216 |

City of Marianna
Notes to Financial Statements

NOTE 11: STATE RETIREMENT PROGRAM AND NET PENSION LIABILITY (Continued)

| | HIS Net Pension Liability | | |
|---|---------------------------|----------------------|--------------------|
| | Current | | |
| | 1% Decrease | Discount Rate | 1% Increase |
| | (1.21%) | (2.21%) | (3.21%) |
| | | | |
| Governmental Employer's proportionate share of the net pension liability | \$ 644,465 | \$ 557,517 | \$ 486,351 |
| Business-Type Employer's proportionate share of the net pension liability | \$ 3,184,801 | \$ 2,755,124 | \$ 2,403,436 |

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, 2020, totaled \$128,208.

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN

The City maintains two separate single employer defined benefit pension plans for firefighters and police. They are accounted for as pension trust funds and reported on herein as part of the City's reporting entity. Each plan is administered through its own Board of Trustees.

Summary of significant accounting policies – The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Investments are reported at fair value.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value.

The City recognized as revenues and expenditures on-behalf payments relating to pension contributions for its public safety employees that the State of Florida paid to the Police and Firefighter retirement plans in the amounts of \$53,237 and \$43,109, respectively. These contributions are funded by an excise tax upon certain casualty insurance companies on their gross receipts of premiums from policy holders.

Funding policy – The City uses the Aggregate Actuarial Cost Method (AACM) for the Firefighters' Retirement System and the Police's Retirement System to determine required contributions under its retirement systems because it provides for the systematic funding of the normal cost and any unfunded actuarial accrued liabilities. This is an acceptable method to the State of Florida. These liabilities are being funded over a 5 year period for the Police Retirement System and the Firefighters' Retirement System.

The State of Florida has established guidelines for state and local pension plan funding and requires submission to and approval of the local government's actuarial reports by a State Bureau, at least every third year. The City's pension plans, by policy, require the following:

1. Bi-annual actuarial reports as of October 1 of each year to determine the next year's required contributions.
2. Employee contributions at 5% of compensation for the Police Retirement System and the Firefighters' Retirement System.
3. Employer contributions in accordance with the actuarially determined requirement using the AACM for the Police Retirement System and the Firefighters' Retirement System.

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN (Continued)

Plan Description

| Police Pension Plan | Firefighters' Pension Plan |
|--|---|
| <i>Plan Administration</i> | <i>Plan Administration</i> |
| The Plan is administered by a Board of Trustees comprised of: | The Plan is administered by a Board of Trustees comprised of: |
| a) Two City Council appointees, | a) Two City Council appointees, |
| b) Two Members of the System elected by a majority of the other covered Police Officers, and | b) Two Members of the System elected by a majority of the other covered Firefighters, and |
| c) A fifth Member elected by the other 4 and appointed by Council. | c) A fifth Member elected by the other 4 and appointed by Council. |

Benefits Provided

Both plans provide retirement, termination, disability and death benefits.

| Plan Membership as of October 1, 2020: | Police Pension Plan | Firefighters' Pension Plan |
|---|---------------------|----------------------------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 7 | 6 |
| Inactive Plan Members Entitled to but Not Yet Receiving Benefits | 2 | 1 |
| Active Plan Members | 15 | 17 |
| Total Plan Members | 24 | 24 |

Police Officers Pension Plan:

Normal Retirement:

Date: Earlier of: 1) Age 55 and 10 years of Credited Service, or 2) age 52 and 25 years of Credited Service. Benefit: 3.50% of Average Monthly Earnings times Years of Credited Service.

Early Retirement:

Date: Age 50 and 10 Years of Credited Service.

Benefit: Accrued benefit reduced by 3% for each year that the early retirement date precedes the normal retirement date.

Vesting (Termination of Employment):

Less than 10 Years: Refund of member contributions, without interest.

10 Years or More: Accrued pension payable at normal or early retirement date.

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN (Continued)

Cost of Living Adjustment:

Up to 3% per year beginning at age 65.

Disability:

Eligibility: Total and permanent disability is determined by the Board. The officer must not be able to perform useful and efficient service as a police officer. The disabled officer is subject to periodic medical examinations as directed by the Board.

Benefit: Service Connected: If the disability is service incurred, benefit shall be the accrued benefit as of the date of termination, not be less than 42% of the officer's average final compensation. If the disability is non-service incurred, the benefit shall be the accrued benefit as of the date of termination, not less than 25% of average final compensation.

Pre-Retirement Death:

Vested or Eligible to Retire: Accrued benefits payable to beneficiary for 10 years, or in accordance with available options. If not vested or eligible for early or normal retirement: Refund of contributions, without interest.

Firefighters Pension Plan:

Normal Retirement:

Date: Earlier of: 1) Age 55 and 10 years of Credited Service, or 2) age 52 and 25 years of Credited Service.

Benefit: 3.00% of Average Monthly Earnings times Years of Credited Service.

Early Retirement:

Date: Age 50 and 10 Years of Credited Service.

Benefit: Accrued benefit reduced at 3% for each year that the early retirement date precedes the normal retirement date.

Cost of Living Adjustment for Retirees:

Up to 3% per year beginning at age 65.

Vesting (Termination of Employment):

Less than 10 Years: Refund of member contributions, without interest.

10 Years or More: Accrued pension payable at normal or early retirement date.

Disability:

Eligibility: Total and permanent disability is determined by the Board. The firefighter must not be able to perform useful and efficient service as a firefighter. The disabled firefighter is subject to periodic medical examinations as directed by the Board.

City of Marianna
Notes to Financial Statements

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN (Continued)

Benefit: Service Connected: If the disability is service incurred, benefit shall be the accrued benefit as of the date of termination, not be less than 42% of the firefighters' average final compensation. If the disability is non-service incurred, the benefit shall be the accrued benefit as of the date of termination, not less than 25% of average final compensation.

Pre-Retirement Death Benefits:

Vested or Eligible to Retire: Accrued benefits payable to beneficiary for 10 years, or in accordance with available options. If not vested or eligible for early or normal retirement: Refund of contributions, without interest.

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2020:

| Asset Class | Target Allocation | |
|---------------------------|---------------------|----------------------------|
| | Police Pension Plan | Firefighters' Pension Plan |
| Domestic Equity | 55% | 55% |
| International Equity | 10% | 10% |
| Broad Market Fixed Income | 30% | 30% |
| Global Fixed Income | 5% | 5% |
| Total | 100% | 100% |

Concentrations:

Each plan held several investments that represent five percent or more of the Pension Plan's fiduciary net position. Each plan held 14% in the Dodge & Cox Income Fund, 13% in the Metropolitan West Total Return Bond, 9% in the American Fund Europacific GR Fund, 29% in the JP Morgan US Research Enhanced Equity Fund, and 28% in the Vanguard Total Stock Market Index Fund.

City of Marianna
Notes to Financial Statements

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN (Continued)

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2020 were as follows:

| | Police Pension Plan | Firefighters' Pension Plan |
|---------------------------------|---------------------|----------------------------|
| Total Pension Liability | \$ 3,689,548 | \$ 3,461,418 |
| Plan Fiduciary Net Position | (5,530,931) | (4,278,250) |
| Sponsor's Net Pension Liability | \$ (1,841,383) | \$ (816,832) |

| | | |
|--|----------|----------|
| Plan Fiduciary Net Position as a percentage of | | |
| Total Pension Liability | -149.91% | -123.60% |

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2020 using the following actuarial assumptions applied to all measurement periods.

| | Police Pension Plan | Firefighters' Pension Plan |
|---------------------------|---------------------|----------------------------|
| Inflation | 2.50% | 2.50% |
| Salary Increases | 5.00% | 5.00% |
| Discount Rate | 6.50% | 6.50% |
| Investment Rate of Return | 6.50% | 6.50% |

| Police Pension Plan | Firefighters Pension Plan |
|---|---|
| RP-2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set back four years for males and set forward two years for females. | RP-2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set back four years for males and set forward two years for females. |

The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study for the five years ending September 30, 2017.

The actuarial assumptions used in the October 1, 2017 valuation were based on the results of an actuarial experience study for the five years ending September 30, 2017.

City of Marianna
Notes to Financial Statements

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2020 are summarized in the following table:

| Asset Class | Long Term Expected Real Rate of Return | |
|---------------------------|--|----------------------------|
| | Police Pension Plan | Firefighters' Pension Plan |
| Domestic Equity | 7.50% | 7.50% |
| International Equity | 8.50% | 8.50% |
| Broad Market Fixed Income | 2.50% | 2.50% |
| Global Fixed Income | 3.50% | 3.50% |

Discount Rate:

The discount rate used to measure the total pension liability for the Police and Fire Pension Plan investments was 6.50%.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Marianna
Notes to Financial Statements

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN (Continued)

| Service Cost | Police Pension Plan Increase (Decrease) | | |
|---|--|------------------------------------|------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at September 30, 2019 | \$ 3,504,031 | \$ 4,985,622 | \$ (1,481,591) |
| Changes for a Year: | | | |
| Service Cost | 99,218 | - | 99,218 |
| Interest | 229,777 | - | 229,777 |
| Differences between Expected and Actual Experience | 7,037 | - | 7,037 |
| Changes of Assumptions | - | - | - |
| Contributions - City & State | - | 53,237 | (53,237) |
| Contributions - Employee | - | 31,268 | (31,268) |
| Net Investment Income | - | 641,043 | (641,043) |
| Benefit Payments, including Refunds of Employees Contributions | (150,515) | (150,515) | - |
| Administrative Expense | - | (29,724) | 29,724 |
| Net Changes | 185,517 | 545,309 | (359,792) |
| Balances at September 30, 2020 | \$ 3,689,548 | \$ 5,530,931 | \$ (1,841,383) |

City of Marianna
Notes to Financial Statements

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN (Continued)

| Service Cost | Firefighters' Pension Plan Increase (Decrease) | | |
|---|---|------------------------------------|------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) - (b) |
| Balances at September 30, 2019 | \$ 3,150,847 | \$ 3,927,418 | \$ (776,571) |
| Changes for a Year: | | | |
| Service Cost | 103,579 | - | 103,579 |
| Interest | 216,733 | - | 216,733 |
| Differences between Expected and Actual Experience | 169,601 | - | 169,601 |
| Changes of Assumptions | - | - | - |
| Contributions - City & State | - | 43,109 | (43,109) |
| Contributions - Employee | - | 26,578 | (26,578) |
| Net Investment Income | - | 498,372 | (498,372) |
| Benefit Payments, including Refunds of Employees Contributions | (179,342) | (179,342) | - |
| Administrative Expense | - | (37,886) | 37,886 |
| Net Changes | 310,571 | 350,831 | (40,260) |
| Balances at September 30, 2020 | \$ 3,461,418 | \$ 4,278,249 | \$ (816,831) |

City of Marianna
Notes to Financial Statements

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to changes in the Discount Rate.

Sponsor's Net Pension Liability

| | Current Discount | | |
|----------------------------|----------------------|----------------|----------------------|
| | 1% Decrease 5.50% | Rate 6.50% | 1% Increase 7.50% |
| Police Pension Plan | \$ (1,240,499) | \$ (1,841,383) | \$ (2,322,116) |
| Firefighters' Pension Plan | \$ (294,997) | \$ (816,832) | \$ (1,240,975) |

For the year ended September 30, 2020, the pension expense (benefit) recognized on the Police and Fire Pension Plans was (\$73,719) and (\$6,501), respectively.

On September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Police Pension Plan | | |
| Difference between Expected and Actual Experience | \$ 108,414 | \$ 59,530 |
| Changes in Assumptions | 134,668 | - |
| Net difference between Projected and Actual Earnings on Pension Plan Investments | - | 295,772 |
| Total | \$ 243,082 | \$ 355,302 |

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Firefighters' Pension Plan | | |
| Difference between Expected and Actual Experience | \$ 143,904 | \$ 222,431 |
| Changes in Assumptions | 164,600 | - |
| Net difference between Projected and Actual Earnings on Pension Plan Investments | - | 224,640 |
| Total | \$ 308,504 | \$ 447,071 |

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State Contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2020.

City of Marianna
Notes to Financial Statements

NOTE 12: POLICE AND FIREFIGHTERS' PENSION PLAN (Continued)

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

| Police Pension Plan | |
|-----------------------------------|-------------|
| <i>Years ending September 30:</i> | |
| 2021 | \$ (99,285) |
| 2022 | \$ (44,508) |
| 2023 | \$ 950 |
| 2024 | \$ (28,219) |
| 2025 | \$ 34,612 |
| Thereafter | \$ 24,230 |

| Firefighters' Pension Plan | |
|-----------------------------------|--------------|
| <i>Years ending September 30:</i> | |
| 2021 | \$ (100,891) |
| 2022 | \$ (61,996) |
| 2023 | \$ (47,951) |
| 2024 | \$ (2,715) |
| 2025 | \$ 46,862 |
| Thereafter | \$ 28,124 |

NOTE 13: FIDUCIARY FUND INVESTMENTS

Investments shall be made solely in the interest of providing for the needs and activities of the Municipal Firefighters' Pension Trust Fund (Fire Pension Fund) and the Municipal Police Officers' Retirement Trust Fund (Police Retirement Fund) and for the purpose of providing long-term total return at a reasonable level of risk (volatility). An important objective is attaining "real", after inflation, growth in the Fund over a market cycle consistent with the level of risk assumed.

Investments shall be diversified so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is clearly prudent not to do so.

NOTE 13: FIDUCIARY FUND INVESTMENTS (Continued)

Investment manager(s) retained will be given full investment discretion consistent with the investment objectives and guidelines provided regarding the purchase and sale of individual securities. The Fire Pension Fund Board and the Police Retirement Fund Board acknowledge that while the investment manager(s) expects to meet these objectives, there is no guarantee they can be achieved. The value and related income of the investments held by the Fire Pension Fund and Police Retirement Fund are sensitive to changes in economic conditions. Accordingly, investment values may be subject to risks by shifts in the market's perception of the issuers and changes in interest rates.

Carrying values of investments at September 30, 2020 were \$3,882,019 for the Firefighters' Pension Fund and \$4,994,377 for the Policemen's' Pension Fund.

The net increase in fair value of the investments was \$285,582 and \$368,480 for the Fire Pension Fund and the Police Retirement Fund, respectively, for the year ended September 30, 2020.

The City categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2020:

- Other fixed income investments of \$11,362,844 and \$1,774,837 for the firefighters and police pension plans, respectively, using quoted market prices (Level 1 inputs).
- Other equity investments totaling \$2,821,167 and \$3,681,602 for the firefighters and police pension plans, respectively, using quoted market prices (Level 1 inputs).

NOTE 13: FIDUCIARY FUND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial risk is the risk that in the event of bankruptcy of the custodial entity, the Fire Pension Fund Board and the Police Retirement Fund Board deposits may not be returned to them. Neither the Fire Pension Fund Board nor the Police Retirement Fund Board has a policy for custodial credit risk. As of September 30, 2020, none of the money market and short term investment accounts were exposed to uninsured and uncollateralized custodial credit risk. At September 30, 2020, all investments were registered in the custodian's nominee name for the benefit of the appropriate Fund and were held in the possession of the custodian.

Interest Rate Risk

The Fire Pension Fund and the Police Retirement Fund do not have a formal investment policy that limits investment maturities as a means of managing its exposures to a fair value losses arising from increasing interest rates.

Credit Risk

Neither the Fire Pension Fund nor the Police Retirement Fund has an investment policy that limits its investment choices as it relates to ratings.

Foreign Currency Risk

The Fire Pension Fund and the Police Retirement Fund hold no foreign bonds or equities as of September 30, 2020. Neither Fund has an investment policy that limits its investment choices as it relates to foreign equities.

City of Marianna
Notes to Financial Statements

NOTE 13: INVESTMENTS (Continued)

Concentration of Credit Risk

Neither Fund Board places a limit on the amount the Fund may invest in any one issuer. At year end, more than 5% of the Fire Pension Fund and the Police Retirement Fund investments are held in five mutual funds, as listed below.

| <u>Investment</u> | <u>Market Value Percentage</u> | |
|--|---------------------------------------|--------------------------------|
| | <u>Firefighter's Pension Plan</u> | <u>Police Pension Plan</u> |
| Dodge & Cox Income Fund | 14% | 14% |
| Metropolitan West total Return BD Fund | 13% | 13% |
| American Funds Europacific Growth Fund | 9% | 9% |
| JP Morgan US Research Enhanced | 29% | 29% |
| Vanguard Total Stock Market Index | 28% | 28% |
| Total | 93% | 93% |

NOTE 14: CONTINGENCIES AND COMMITMENTS

Various claims and lawsuits are pending against the City. In the opinion of legal counsel, the potential unrecorded liability on all claims and lawsuits will not be significant to the City's financial position.

The City has various leases for airport buildings and hangers, for office equipment, etc. Most of these leases are for one year and coincide with the City's fiscal year.

NOTE 15: SUBSEQUENT EVENTS

Subsequent to year end, the City refinanced the \$3,835,000 Regions Bank bonds at a rate of 1.97% for fifteen years.

Subsequent to year end, the City executed a State Revolving fund loan agreement with the Florida Department of Environmental Protection in the amount of \$6,531,545 (eighty percent grant funded) for improvements to the wastewater treatment plant.

Subsequent to year end, the City entered into various grant agreements and approved several change orders on existing grants and projects.

City of Marianna Notes to Financial Statements

NOTE 16: RECLASSIFICATION

Certain 2019 amounts have been reclassified to conform to 2020 classifications. Such reclassifications had no effect on reported net income.

NOTE 17: RISK MANAGEMENT

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

- Workers' compensation and employer's liability
- General and automobile liability
- Real and personal property damage
- Public officials' liability
- Accidental death and dismemberment

NOTE 18: GRANTS

The City participates in several state and federal grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for, or including, the year ended September 30, 2020, have not yet been accepted/approved by the grantors. Accordingly, the final determination of the City's compliance with applicable grant requirements will be established at a future date. The amount, if any, of expenditures which may be disallowed by granting agencies cannot be determined, although the City expects such amounts, if any, to be immaterial.

NOTE 19: FUND EQUITY

Governmental Funds

Non-spendable fund balances include amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The City had \$29,236 in non-spendable net assets which represents the inventory balance at September 30, 2020.

City of Marianna
Notes to Financial Statements

NOTE 19: FUND EQUITY (Continued)

Spendable fund balances are classified based on a hierarchy of the City's ability to control the spending of these fund balances and are reported in the following categories: restricted, committed, assigned and unassigned. For the year ending September 30, 2020, the City reports net assets as restricted, assigned and unassigned. Restricted net assets have externally imposed constraints placed on the use of resources by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Assigned net assets have constraints placed on the use of resources by the City's intent to use the resources for a specific purpose. Unassigned fund balances have not been restricted, committed or assigned to specific purposes within the general fund. In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned and unassigned.

Enterprise Funds

Reservations of equity show amounts that are not appropriated for expenditure or are legally restricted for specific uses. The purpose for each is indicated as follows:

| Funds | Purpose | Amount |
|-------------------------------------|----------------|-------------------|
| Utility fund | Debt service | \$ 137,639 |
| Utility fund | Other purposes | 90,049 |
| Total restricted fund equity | | \$ 227,688 |

NOTE 20: POST EMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description – The City has implemented Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for retiree health insurance.

The City of Marianna Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan which provides Other Postemployment Benefits (OPEB) to eligible retirees and their eligible dependents. Pursuant to the provisions of Section 112.0801, the Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group health insurance plan. Retirees and their eligible dependents shall be offered the same health insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The Plan does not issue a publicly available financial report.

City of Marianna
Notes to Financial Statements

NOTE 20: POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Eligibility for participation in the Plan is limited to full-time employees of the City. For all employees participating in the Florida Retirement System, participants are eligible for normal retirement upon attaining the earlier of 1) age 62 or 2) 30 years of service regardless of age. For all employees participating in the Police or Firemen’s pension, participants are eligible for normal retirement upon attained both the age of 50 and 10 years of service.

Benefits Provided – The City provides post-employment healthcare to its retirees. Health benefits are provided through the City’s healthcare provider, Blue Cross Blue Shield. The benefit levels are the same as those afforded to active employees. Health benefits include inpatient and outpatient medical services and prescriptions. Dental Insurance is also provided by Standard Insurance Company.

Membership – At September 30, 2020, there were no terminated employees entitled to benefits but not yet receiving them. The membership of the Plan consisted of:

| | |
|---|------------|
| Active employees | 268 |
| Retirees and beneficiaries currently receiving benefits | 2 |
| <u>Total membership</u> | <u>270</u> |

| | |
|--------------------------------|----------|
| <u>Participating employers</u> | <u>1</u> |
|--------------------------------|----------|

Contributions and Funding Policy – A qualifying trust or agency fund has not been authorized by the City. The City negotiates the premium rates with Blue Cross/Blue Shield and Standard Insurance. The required contribution is based on pay-as-you-go financing requirements. Retirees and beneficiaries currently receiving benefits are required to contribute 100% of their current premium costs, which for fiscal year 2020 was \$16,195. The chart below shows the cost of the monthly retiree premiums.

| Coverage | 3359 BC/BS | Dental Standard |
|--------------------|---------------|--------------------|
| Retiree | \$ 616.67 | \$ 23.96 |
| Retiree & Spouse | \$ 1,033.85 | \$ 42.36 |
| Retiree & Children | \$ 981.67 | \$ 61.60 |
| Family | \$ 1,294.59 | \$ 80.00 |

City of Marianna
Notes to Financial Statements

NOTE 20: POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Inflows of Resources Related to OPEB -

At September 30, 2020, the City reported a liability of \$434,644 for the net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and was determined by an actuarial valuation as of October 1, 2019. Standard actuarial update procedures were used to roll forward to the measurement date from the actuarial valuation date. For the year ended September 30, 2020, the City recognized OPEB expense of \$50,626. At September 30, 2020, the City reported deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ - | \$ 41,055 |
| Changes of assumptions or other inputs | 47,882 | 11,463 |
| Net difference between projected and actual investments | - | - |
| Total | \$ 47,882 | \$ 52,518 |

Amounts reported as Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended September 30, | |
|--------------------------|-------------------|
| 2021 | \$ (1,499) |
| 2022 | (1,499) |
| 2023 | (1,499) |
| 2024 | (1,502) |
| 2025 | 1,363 |
| Thereafter | - |
| Total | \$ (4,636) |

City of Marianna
Notes to Financial Statements

NOTE 20: POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

The following shows the components of OPEB expense:

| | Total OPEB Liability | Deferred Inflows | Deferred Outflows | OPEB Expense |
|--|-------------------------|---------------------|----------------------|------------------|
| Balance at October 1, 2019 | \$ 416,356 | \$ 14,328 | \$ 20,976 | \$ - |
| Service Cost | 29,900 | - | - | 29,900 |
| Interest Cost | 13,985 | - | - | 13,985 |
| Changes in Benefit Terms | - | - | - | - |
| Differences between Expected and Actual Experience with Regard to Economic or Demographic Assumptions | (49,266) | 49,266 | - | - |
| Current Year Amortization of Experience Difference | - | (8,211) | - | (8,211) |
| Change in Assumptions About Future Economic or Demographic Factors or Other Inputs | 36,483 | - | 36,483 | - |
| Current Year Amortization of Change in Assumptions | - | (2,865) | (9,577) | 6,712 |
| Benefit Payments | (12,815) | - | - | - |
| Net Change | \$ 18,287 | \$ 38,190 | \$ 26,906 | \$ 42,386 |
| Pay-As-You Go Related Costs: | | | | |
| Contributions - Employer | \$ 21,055 | \$ - | \$ - | \$ - |
| Benefit Payments | (12,815) | - | - | - |
| Administrative Expenses | (8,240) | - | - | 8,240 |
| Other | - | - | - | - |
| Net Change | - | - | - | 8,240 |
| Ending Balance, September 30, 2020 | \$ 434,643 | \$ 52,518 | \$ 47,882 | \$ 50,626 |

Discount Rate - Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 2.14%. The high-quality municipal bond rate was based on the S&P Municipal Bond 20 Year High Grade Rate Index published by S&P Dow Indices as of the measurement date. The S&P Municipal 20 Year High Grade Rate Index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years. Eligible bonds must be rated at least AA by Standard and Poor's Ratings Services, Aa2 by Moody's, or AA by Fitch. If there are multiple ratings, the lowest rating is used.

City of Marianna
Notes to Financial Statements

NOTE 20: POST EMPLOYMENT BENEFITS OTHER THAN PENSION (Continued)

Actuarial Method and Assumptions – The total OPEB liability in the October 1, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

| | |
|-------------------------|-------------------|
| Inflation Rate | 2.50% |
| Salary Increase Rate(s) | Varies by Service |
| Discount Rate | 2.14% |
| Initial Trend Rate | 7.50% |
| Ultimate Trend Rate | 4.00% |
| Years to Ultimate | 55 |

All mortality rates were based on the MP-2018 mortality tables. All mortality rates are those outlined in Milliman’s July 1, 2019 Florida Retirement System (FRS) valuation report.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the City’s proportionate share of the net OPEB liability using a discount rate that is 1 percent lower (1.14%) or 1 percent point higher (3.14%) than the current discount rate:

| | 1% Decrease (1.14%) | Current Discount Rate (2.14%) | 1% increase (3.14%) |
|--------------------|------------------------|----------------------------------|------------------------|
| Net OPEB Liability | \$ 475,461 | \$ 434,643 | \$ 395,859 |

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the City’s proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are 1 percent lower (3.00% - 6.50%) or 1 percent point higher (5.00% - 8.50%) than the current healthcare cost trend rates:

| | 1% Decrease (3.00% - 6.50%) | Current Discount Rate (4.00% - 7.50%) | 1% increase (5.00% - 8.50%) |
|--------------------|--------------------------------|---|--------------------------------|
| Net OPEB Liability | \$ 363,926 | \$ 434,643 | \$ 523,398 |

NOTE 21: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of May 26, 2021.

Required Supplementary Information

City of Marianna
 Schedule of Proportional Share of Net Pension Liability
 Florida Retirement System (Last 8 fiscal years)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability (asset) | 0.020291% | 0.021658% | 0.021671% | 0.021315% | 0.021838% | 0.022328% | 0.021179% | 0.021269% |
| City's proportionate share of the net pension liability (asset) | \$ 8,794,214 | \$ 7,458,691 | \$ 6,527,353 | \$ 6,304,734 | \$ 5,514,182 | \$ 2,884,014 | \$ 1,292,259 | \$ 3,661,379 |
| City's covered payroll | \$ 9,151,356 | \$ 9,396,288 | \$ 9,061,323 | \$ 8,571,166 | \$ 8,253,153 | \$ 8,247,667 | \$ 7,781,509 | \$ 7,898,166 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 96.10% | 79.38% | 72.04% | 73.56% | 66.81% | 34.97% | 16.61% | 46.36% |
| FRS Plan fiduciary net position as a percentage of the total pension liability | 78.85% | 82.61% | 84.26% | 83.89% | 84.88% | 92.00% | 96.09% | N/A |

Notes to schedules:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which was June 30th of the current fiscal year.

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.

See Independent Auditors' Report

City of Marianna
 Schedule of Contributions
 Florida Retirement System (Last 8 fiscal years)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contributions | \$ 674,164 | \$ 680,723 | \$ 617,600 | \$ 558,353 | \$ 532,561 | \$ 544,386 | \$ 463,921 | \$ 286,219 |
| Contributions in relation to the contractually required contribution | (674,164) | (680,723) | (617,600) | (558,353) | (532,561) | (544,386) | (463,921) | (286,219) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 9,151,356 | \$ 9,396,288 | \$ 9,061,323 | \$ 8,571,166 | \$ 8,253,153 | \$ 8,247,667 | \$ 7,781,509 | \$ 7,898,166 |
| Contributions as a percentage of covered payroll | 7.37% | 7.24% | 6.82% | 6.51% | 6.45% | 6.60% | 5.96% | 3.62% |

Notes to schedules:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which was June 30th of the current fiscal year.

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.

See Independent Auditors' Report

City of Marianna
 Schedule of Proportional Share of Net Pension Liability
 Health Insurance Subsidy (Last 8 fiscal years)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability (asset) | 0.027131% | 0.028578% | 0.027685% | 0.026836% | 0.027428% | 0.026404% | 0.026005% | 0.026498% |
| City's proportionate share of the net pension liability (asset) | \$ 3,312,642 | \$ 3,197,557 | \$ 2,930,254 | \$ 2,869,426 | \$ 3,196,245 | \$ 2,692,816 | \$ 2,431,532 | \$ 2,307,016 |
| City's covered payroll | \$ 9,151,356 | \$ 9,396,288 | \$ 9,061,323 | \$ 8,571,166 | \$ 8,253,153 | \$ 8,247,667 | \$ 7,781,509 | \$ 7,898,166 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 36.20% | 34.03% | 32.34% | 33.48% | 38.73% | 32.65% | 31.25% | 29.21% |
| HIS Plan fiduciary net position as a percentage of the total pension liability | 3.00% | 2.63% | 2.15% | 1.64% | 0.97% | 0.50% | 0.99% | N/A |

Notes to schedules:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which was June 30th of the current fiscal year.

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.

See Independent Auditors' Report

City of Marianna
 Schedule of Contributions
 Health Insurance Subsidy (Last 8 fiscal years)

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contributions | \$ 156,342 | \$ 160,348 | \$ 150,138 | \$ 142,627 | \$ 140,570 | \$ 100,934 | \$ 89,084 | \$ 86,802 |
| Contributions in relation to the contractually required contribution | (156,342) | (160,348) | (150,138) | (142,627) | (140,570) | (100,934) | (89,084) | (86,802) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 9,151,356 | \$ 9,396,288 | \$ 9,061,323 | \$ 8,571,166 | \$ 8,253,153 | \$ 8,247,667 | \$ 7,781,509 | \$ 7,898,166 |
| Contributions as a percentage of covered payroll | 1.71% | 1.72% | 1.66% | 1.66% | 1.70% | 1.22% | 1.14% | 1.10% |

Notes to schedules:

The amounts presented for each fiscal year for the FRS and HIS were determined as of the measurement date, which was June 30th of the current fiscal year.

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.

See Independent Auditors' Report

City of Marianna

Schedule of Changes in the Net Pension Liability and Related Ratios

Police Pension Plan

| Total Pension Liability | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Service Cost | \$ 99,218 | \$ 120,494 | \$ 140,491 | \$ 131,300 | \$ 138,753 | \$ 128,773 |
| Interest | 229,777 | 218,230 | 204,171 | 201,977 | 181,444 | 167,598 |
| Differences between Expected and Actual Experience | - | 138,927 | - | (178,589) | - | - |
| Changes of Assumptions | 7,037 | 127,587 | - | 14,887 | 94,027 | - |
| Benefit Payments, Including Refunds of Employee Contributions | (150,515) | (143,168) | (157,868) | (136,992) | (109,835) | (87,319) |
| Net Change in Total Pension Liability | 185,517 | 462,070 | 186,794 | 32,583 | 304,389 | 209,052 |
| Total Pension Liability - Beginning | 3,504,031 | 3,041,961 | 2,855,167 | 2,822,584 | 2,518,195 | 2,309,143 |
| Total Pension Liability - Ending (a) | \$ 3,689,548 | \$ 3,504,031 | \$ 3,041,961 | \$ 2,855,167 | \$ 2,822,584 | \$ 2,518,195 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - City & State | 53,237 | 49,692 | 46,083 | 45,421 | 43,746 | 46,880 |
| Contributions - Employee | 31,268 | 33,243 | 33,209 | 33,596 | 32,630 | 33,277 |
| Net Investment Income | 641,043 | 226,493 | 404,292 | 553,454 | 196,920 | (16,855) |
| Benefit Payments, Including Refunds of Employee Contributions | (150,515) | (143,168) | (157,868) | (136,992) | (109,835) | (87,319) |
| Administrative Expense | (29,724) | (21,403) | (3,250) | - | (750) | (550) |
| Net Change in Plan Fiduciary Net Position | 545,309 | 144,857 | 322,466 | 495,479 | 162,711 | (24,567) |
| Plan Fiduciary Net Position - Beginning | 4,985,622 | 4,840,765 | 4,518,299 | 4,022,820 | 3,860,109 | 3,884,676 |
| Plan Fiduciary Net Position - Ending (b) | \$ 5,530,931 | \$ 4,985,622 | \$ 4,840,765 | \$ 4,518,299 | \$ 4,022,820 | \$ 3,860,109 |
| Net Pension Liability (Asset) - Ending (a) - (b) | \$ (1,841,383) | \$ (1,481,591) | \$ (1,798,804) | \$ (1,663,132) | \$ (1,200,236) | \$ (1,341,914) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 149.91% | 142.28% | 159.13% | 158.25% | 142.52% | 153.29% |
| Covered Payroll | \$ 637,059 | \$ 664,860 | \$ 664,172 | \$ 669,593 | \$ 652,600 | \$ 715,919 |
| Net Pension Asset as a Percentage of Covered Payroll | -289.04% | -222.84% | -270.83% | -248.38% | -183.92% | -187.44% |
| Police Pension Plan | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
| Actuarially Determined Contribution | \$ - | \$ - | \$ 7,970 | \$ 8,035 | \$ 7,500 | \$ 9,983 |
| Contributions in relation to the Actuarially Determined Contributions | 53,237 | 49,692 | 46,083 | 45,421 | 43,746 | 46,880 |
| Contribution Deficiency (Excess) | \$ (53,237) | \$ (49,692) | \$ (38,113) | \$ (37,386) | \$ (36,246) | \$ (36,897) |
| Covered Payroll | \$ 637,059 | \$ 664,860 | \$ 664,172 | \$ 669,593 | \$ 652,600 | \$ 715,919 |
| Contributions as a Percentage of Covered Payroll | 8.36% | 7.47% | 6.94% | 6.78% | 6.70% | 6.55% |

Notes to schedules: GASB Statements No. 67 and No. 68 were implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

City of Marianna

Schedule of Changes in the Net Pension Liability and Related Ratios
Firefighters' Pension Plan

| Total Pension Liability | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Service Cost | \$ 103,579 | \$ 101,425 | \$ 115,638 | \$ 108,073 | \$ 120,359 | \$ 111,702 |
| Interest | 216,733 | 196,944 | 190,583 | 212,305 | 195,642 | 184,479 |
| Differences between Expected and Actual Experience | 169,601 | (11,974) | - | (498,423) | - | - |
| Changes of Assumptions | - | 172,834 | - | 13,737 | 83,635 | - |
| Benefit Payments, Including Refunds of Employee Contributions | (179,342) | (152,022) | (139,111) | (168,043) | (147,879) | (125,549) |
| Net Change in Total Pension Liability | 310,571 | 307,207 | 167,110 | (332,351) | 251,757 | 170,632 |
| Total Pension Liability -Beginning | 3,150,847 | 2,843,640 | 2,676,530 | 3,008,881 | 2,757,124 | 2,586,492 |
| Total Pension Liability- Ending (a) | \$ 3,461,418 | \$ 3,150,847 | \$ 2,843,640 | \$ 2,676,530 | \$ 3,008,881 | \$ 2,757,124 |
| Plan Fiduciary Net Position | | | | | | |
| Contributions - City & State | 43,109 | 62,705 | 67,551 | 68,232 | 76,268 | 75,497 |
| Contributions - Employee | 26,578 | 32,248 | 30,663 | 28,433 | 27,586 | 30,199 |
| Net Investment Income | 498,372 | 178,195 | 316,906 | 416,110 | 149,012 | (11,330) |
| Benefit Payments, Including Refunds of Employee Contributions | (179,342) | (152,022) | (139,111) | (168,043) | (147,879) | (125,549) |
| Administrative Expense | (37,885) | (12,186) | (3,977) | (342) | (1,339) | (811) |
| Net Change in Plan Fiduciary Net Position | 350,832 | 108,940 | 272,032 | 344,390 | 103,648 | (31,994) |
| Plan Fiduciary Net Position- Beginning | 3,927,418 | 3,818,478 | 3,546,446 | 3,202,056 | 3,098,408 | 3,130,402 |
| Plan Fiduciary Net Position- Ending (b) | \$ 4,278,250 | \$ 3,927,418 | \$ 3,818,478 | \$ 3,546,446 | \$ 3,202,056 | \$ 3,098,408 |
| Net Pension Liability (Asset) - Ending (a) - (b) | \$ (816,832) | \$ (776,571) | \$ (974,838) | \$ (869,916) | \$ (193,175) | \$ (341,284) |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Asset | 123.60% | 124.65% | 134.28% | 132.50% | 106.42% | 112.38% |
| Covered Payroll | \$ 531,560 | \$ 644,960 | \$ 613,263 | \$ 568,447 | \$ 551,720 | \$ 583,468 |
| Net Pension Liability as a Percentage of Covered Payroll | -153.67% | -120.41% | -158.96% | -153.03% | -35.01% | -58.49% |

Notes to schedules:

GASB Statements No. 67 and No. 68 were implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

City of Marianna
 Schedule of Contributions and Other Required Supplementary Information
 Police and Firefighters' Pension Plan

SCHEDULE OF CONTRIBUTIONS – POLICE AND FIREFIGHTERS' PENSION PLANTS

| Police Pension Plan | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Actuarially Determined Contribution | \$ - | \$ - | \$ 7,970 | \$ 8,035 | \$ 7,500 | \$ 9,983 |
| Contributions in relation to the Actuarially Determined Contributions | 53,237 | 49,692 | 46,083 | 45,421 | 43,746 | 46,880 |
| Contribution Deficiency (Excess) | \$ (53,237) | \$ (49,692) | \$ (38,113) | \$ (37,386) | \$ (36,246) | \$ (36,897) |
| Covered Payroll | \$ 637,059 | \$ 664,860 | \$ 664,172 | \$ 669,593 | \$ 652,600 | \$ 715,919 |
| Contributions as a Percentage of Covered Payroll | 8.36% | 7.47% | 6.94% | 6.78% | 6.70% | 6.55% |

| Firefighters' Pension Plan | 9/30/2020 | 9/30/2019 | 9/30/2018 | 9/30/2017 | 9/30/2016 | 9/30/2015 |
|---|-------------|-------------|------------|------------|------------|------------|
| Actuarially Determined Contribution | \$ 43,109 | \$ - | \$ 65,006 | \$ 60,255 | \$ 71,067 | \$ 75,497 |
| Contributions in relation to the Actuarially Determined Contributions | 62,705 | 62,705 | 67,551 | 68,232 | 76,268 | 85,010 |
| Contribution Deficiency (Excess) | \$ (19,596) | \$ (62,705) | \$ (2,545) | \$ (7,977) | \$ (5,201) | \$ (9,513) |
| Covered Payroll | \$ 531,560 | \$ 644,960 | \$ 613,263 | \$ 568,447 | \$ 551,720 | \$ 583,468 |
| Contributions as a Percentage of Covered Payroll | 11.80% | 9.72% | 11.02% | 12.00% | 13.82% | 14.57% |

Notes to schedules:

GASB Statements No. 67 and No. 68 were implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

DISABILITY RATE TABLE – POLICE AND FIREFIGHTERS' PENSION PLANS

| Age | % Becoming Disabled During the Year | |
|-----|-------------------------------------|-----------------------|
| | Police Pension | Firefighters' Pension |
| 20 | 0.03% | 0.03% |
| 30 | 0.04% | 0.04% |
| 40 | 0.07% | 0.07% |
| 50 | 0.18% | 0.18% |

ANNUAL MONEY-WEIGHTED RATE OF RETURN NET OF INVESTMENT EXPENSE

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|----------------------------|--------|-------|-------|--------|-------|--------|
| Police Pension Plan | 11.58% | 4.21% | 9.06% | 13.91% | 6.09% | -0.44% |
| Firefighter's Pension Plan | 11.22% | 4.39% | 8.91% | 13.26% | 6.02% | -0.37% |

Notes to schedules:

GASB Statements No. 67 and No. 68 were implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

City of Marianna

Schedule of Changes in the Sponsor's Total OPEB Liability and Related Ratios

TERMINATION RATE TABLE – POLICE AND FIREFIGHTERS' PENSION PLANS

| % Terminating During the Year | | |
|-------------------------------|-----------------------|------------------------------|
| <u>Service</u> | <u>Police Pension</u> | <u>Firefighters' Pension</u> |
| 0-2 Years | 25.00% | 20.00% |
| 3 Years | 25.00% | 15.00% |
| 4 Years | 15.00% | 15.00% |
| 5-10 Years | 7.50% | 7.50% |
| 11+ Years | 7.50% | 5.00% |

SCHEDULE OF EMPLOYER AND OTHER CONTRIBUTING ENTITIES

**Schedule of Contributions
Police Pension Plan:**

| Year Ended September 30 | Annual Required Contribution | City Contribution | State Contribution | Percentage Contributed |
|----------------------------|------------------------------------|----------------------|-----------------------|---------------------------|
| 2015 | \$ 9,983 | \$ 8,702 | \$ 42,981 | 517.71% |
| 2016 | \$ 7,500 | \$ - | \$ 43,746 | 583.28% |
| 2017 | \$ 8,035 | \$ - | \$ 45,421 | 565.29% |
| 2018 | \$ 7,970 | \$ - | \$ 46,083 | 578.21% |
| 2019 | \$ - | \$ - | \$ 49,692 | N/A |
| 2020 | \$ - | \$ - | \$ 53,237 | N/A |

**Schedule of Contributions
Firefighters' Pension Plan:**

| Ended September 30 | Required Contribution | City Contribution | State Contribution | Percentage Contributed |
|-----------------------|--------------------------|----------------------|-----------------------|---------------------------|
| 2015 | \$ 75,497 | \$ 36,607 | \$ 48,403 | 112.60% |
| 2016 | \$ 71,067 | \$ 25,613 | \$ 50,655 | 107.32% |
| 2017 | \$ 60,255 | \$ 22,377 | \$ 45,854 | 113.24% |
| 2018 | \$ 65,006 | \$ 22,081 | \$ 45,199 | 103.50% |
| 2019 | \$ - | \$ - | \$ 62,705 | N/A |
| 2020 | \$ - | \$ - | \$ 43,109 | N/A |

Notes to schedules:

GASB Statements No. 67 and No. 68 were implemented in 2015. Until a full 10-year trend is compiled, information for those years for which it is available will be presented.

Schedule of Changes in the Sponsor's Total OPEB Liability and Related Ratios

| Reporting Period | 9/30/2020 | 9/30/2019 |
|--|---------------|---------------|
| Measurement Period | 9/30/2020 | 9/30/2019 |
| Total OPEB Liability | | |
| Service Cost | \$ 29,900 | \$ 27,613 |
| Interest | 13,985 | 15,838 |
| Changes of Benefit Terms | - | - |
| Differences Between Expected and Actual Experience | (49,266) | - |
| Changes of Assumptions | 36,483 | 24,470 |
| Benefit Payments | (12,815) | (5,603) |
| Net Change in Total OPEB Liability | 18,287 | 62,318 |
| Total OPEB Liability - Beginning | 416,356 | 354,038 |
| Total OPEB Liability - Ending | \$ 434,643 | \$ 416,356 |
| Covered Employee Payroll * | \$ 10,663,756 | \$ 10,655,235 |
| Sponsor's Total OPEB Liability as a percentage of Covered Employee Payroll | 4.08% | 3.91% |

*FY 2020 covered Payroll, projected based on actual FY 2019 Covered Payroll

Notes to Schedule:

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

| | |
|---------|-------|
| FY 2020 | 2.14% |
| FY 2019 | 3.58% |

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITORS' MANAGEMENT LETTER

Honorable Mayor and City Council
City of Marianna
Marianna, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Marianna, Florida (the City), as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated May 26, 2021.

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance For Each Major Federal Program and Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Profession Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 26, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. No such findings and recommendations were made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but, which warrants the attention of those charges 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, the City Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Grimsley & Associates

May 26, 2021
Marianna, Florida

Grimsley & Associates, P.A.
Certified Public Accountants

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES, LOCAL GOVERNMENT INVESTMENT POLICIES

Honorable Mayor and City Council
City of Marianna
Marianna, Florida

We have examined City of Marianna, Florida's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2020. Management of the City is responsible for the City of Marianna, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Marianna, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether the City of Marianna complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City of Marianna complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City of Marianna, Florida's compliance with specified requirements.

In our opinion, the City of Marianna, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2020.

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.

Grimsley & Associates

May 26, 2021
Marianna, Florida

Grimsley & Associates, P.A.
Certified Public Accountants

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
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CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

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

Honorable Mayor and City Council
City of Marianna
Marianna, 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 Marianna, Florida (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Marianna's basic financial statements and have issued our report thereon dated May 26, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.

May 26, 2021
Marianna, Florida

Grimsley & Associates

Grimsley & Associates, P.A.
Certified Public Accountants

GRIMSLEY & ASSOCIATES

Professional Association

Certified Public Accountants

MEMBER
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550 RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Honorable Mayor and City Council
City of Marianna
Marianna, Florida

Report on Compliance for Each Major Federal Program and Major State Project

We have audited the City of Marianna, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and Department of Financial Services' State Project Compliance Supplement that could have a direct and material effect on each of the City's major federal programs and major state projects for the year ended September 30, 2020. The City's major federal programs and major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards and state assistance applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550 Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.550 Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for each major federal program and major state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and Major State Project

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and major state projects for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and major state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550 Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550 Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

May 26, 2021
Marianna, Florida

Grimsley & Associates

Grimsley & Associates, P.A.
Certified Public Accountants

City of Marianna

Schedule of Expenditures of Federal Awards and State Financial Assistance

For year ended September 30, 2020

| Federal Agency | | | | |
|--|---------------|----------------------------------|--------------|---------------------------------|
| Pass through Entity | CFDA/ CFSA | Contract / Grant | Expenditures | Payments to Subrecipients |
| Name of Cluster | No. | No. | | |
| Federal Program | | | | |
| U.S. Department of Energy | | | | |
| Pass through the State of Florida Department of Agriculture & Consumer Services | | | | |
| Energy Efficiency and Conservation Block Grant Program (EECBG) | 81.128 | 25982 (REA 001) | 175,000 | - |
| Total U.S. Department of Energy | | | 175,000 | - |
| U.S. Department of Homeland Security, Federal Emergency Management Agency | | | | |
| Pass through the Florida Division of Emergency Management | | | | |
| Public Assistance (Presidentially Declared Disasters) - Hurricane Michael | 97.036 | ZO845/FEMA-4399-DR-FL | 5,455,432 | - |
| Public Assistance (Presidentially Declared Disasters) - Covid-19 | 97.036 | Z2045/FEMA-4486-DR-FL | 357,483 | - |
| Total Public Assistance (Presidentially Declared Disasters) | | | 5,812,915 | - |
| Total U.S. Department of Homeland Security, Federal Emergency Management Agency | | | 5,812,915 | - |
| U.S. Department of Transportation, Federal Aviation Administration | | | | |
| Pass through the State of Florida Department of Transportation | | | | |
| Airport Improvement Program (AIP) - CARES Act Airport Program | 20.106 | COVID-19 3-12-0045-020-2020 | 13,312 | - |
| Total U.S. Department of Transportation, Federal Aviation Administration | | | 13,312 | - |
| U.S. Department of Agriculture | | | | |
| Pass through the State of Florida Department of Agriculture & Consumer Services | | | | |
| Rural Business Enterprise Grant (RBEG) - Orange Street Parking Lot | 10.769 | 09-032 | 60,695 | - |
| Community Facilities Technical Assistance Training Grant - Fire Truck | 10.776 | 9/23/2020 | 200,000 | - |
| Total U.S. Department of Agriculture | | | 260,695 | - |
| U.S. Department of Justice | | | | |
| Pass through the State of Florida Department of Law Enforcement | | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2018BUBX18094832 | 1,175 | - |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | 2018-MU-BX-0292 | 2,075 | - |
| Coronavirus Emergency Supplemental Funding (CESF) | 16.034 | COVID-19 2020-CESF-JACK-1-C9-025 | 44,694 | - |
| Total U.S. Department of Justice | | | 47,944 | - |
| U.S. Department of the Treasury | | | | |
| Pass through the State of Florida Executive Office of the Governor | | | | |
| Pass through Jackson County, Florida | | | | |
| Coronavirus Relief Fund | 21.019 | COVID-19 Y2294 | 701,272 | - |
| Total U.S. Department of the Treasury | | | 701,272 | - |
| U.S. Department of Housing and Urban Development | | | | |
| Pass through the State of Florida Department of Economic Security | | | | |
| Community Development Block Grants - Solar Catalyst Project | 14.228 | 18DB-OK-02-41-02-E03 | 1,356,083 | - |
| Community Development Block Grants - NR Grant | 14.228 | 20DB-OC-02-41-02-N04 | 237,226 | - |
| Total Community Development Block Grants | | | 1,593,309 | - |
| Total U.S. Department of Housing and Urban Development | | | 1,593,309 | - |
| Total Federal Awards | | | 8,604,447 | - |

See Independent Auditors' Report and Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

City of Marianna
 Schedule of Expenditures of Federal Awards and State Financial
 Assistance (Continued)

For the year ended September 30, 2020

| State Agency State Project | CFDA/ CFSA No. | Contract / Grant No. | Expenditures | Payments to Subrecipients |
|---|----------------------|----------------------------|---------------|---------------------------------|
| Florida Department of Transportation | | | | |
| Aviation Grant Program - Fuel Farm | 55.004 | G0106/425629-8-94-01 | 65,953 | - |
| Aviation Grant Program- Access Road/Security Improvements Phase I | 55.004 | G0S57/425629-9-94-01 | 14,221 | - |
| Aviation Grant Program- Access Road Phase II | 55.004 | G1596/423820-5-94-01 | 470,668 | - |
| Aviation Grant Program- Backup Generator | 55.004 | 423820-6-94-01 | 20,620 | - |
| Total Aviation Grant Program | | | 571,462 | - |
| Small County Outreach Program (SCOP) - Old Cottondale Road | 55.009 | G1B87/44094-0-54-01 | 49,041 | - |
| Total Florida Department of Transportation | | | 620,503 | - |
| Florida Department of Economic Opportunity | | | | |
| Regional Rural Development and Infrastructure | 40.042 | D0131 | 21,000 | - |
| Economic Development Tax Refund, Tax Credit, and Grant Program | 40.043 | G0008 | 676,284 | - |
| Total Florida Department of Economic Opportunity | | | 697,284 | - |
| Executive Office of the Governor | | | | |
| Hurricane Michael Recovery Grant Program | 31.070 | F0052 | 1,000,000 | - |
| Total Executive Office of the Governor | | | 1,000,000 | - |
| Florida Department of Law Enforcement | | | | |
| Public Safety Administration Building Complex | 71.030 | 2019-SFA-FCO-32-3K-001 | 500,000 | - |
| Public Safety Administration Building Complex | 71.030 | G1620 | 63,343 | - |
| Total Florida Department of Law Enforcement | | | 563,343 | - |
| Florida Department of Environmental Protection | | | | |
| Wastewater Treatment Facility Construction/Solar Construction - Loan | 37.077 | WW-320243 | 918,853 | - |
| Wastewater Treatment Facility Construction/Solar Construction - Grant | 37.077 | WW-320243 | 286,257 | - |
| Total Wastewater Treatment Facility Construction Program | | | 1,205,110 | - |
| Small Community Wastewater Facility Grant - SRF - Upgrade Project - Loan | 37.077 | WW-320250 | 70,000 | - |
| Small Community Wastewater Facility Grant - SRF - Upgrade Project - Grant | 37.075 | WW-320250 | 280,000 | - |
| Total Small Community Wastewater Facility Grant Program | | | 350,000 | - |
| Total Florida Department of Environmental Protection | | | 1,555,110 | - |
| Total State Financial Assistance | | | 4,436,240 | - |
| Total Federal Awards and State Financial Assistance | | | \$ 13,040,687 | \$ - |

See Independent Auditors' Report and Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

City of Marianna, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the year ended September 30, 2020

NOTE 1: BASIS OF PRESENTATION

The supplementary Schedule of Expenditures of Federal Awards and State Financial Assistance include the grant activities of the City of Marianna, Florida (the City). Federal and state expenditures are presented on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: PASS-THROUGH AWARDS

The City receives certain federal awards from pass-through awards of the State. The total amount of such pass-through awards is included on the supplementary schedule of expenditures of federal award programs.

NOTE 3: LOAN PROGRAMS

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance does not include certain loan programs under which no expenditures were made during the year ended September 30, 2020, in accordance with the Uniform Guidance. Certain information related to these programs is disclosed here for transparency purposes. Additional information related to this debt is reported in the Notes to the Financial Statements.

The City of Marianna was awarded a loan of \$4,043,124 as amended in February 2010, by the Environmental Protection Agency. This award is identified under CFDA 66.458, ARRA - Drinking Water State Revolving Fund, which includes Principal forgiveness of \$2,550,000 with the City obligated to repay \$1,493,124 in principal and \$14,200 in capitalized interest. The principal and capitalized interest payable by the City at September 30, 2020 is \$1,073,774.

The City of Marianna was also awarded a loan of \$18,395,733 as amended in April 2010, by the Environmental Protection Agency. This award is identified under CFDA 66.458, Drinking Water State Revolving Fund. The City received a grant award from the Florida Department of Environmental Protection under CSFA 37.039 – Disadvantaged Small Community Grant (DSCG) Projects to assist in the repayment of this loan balance. The Florida Department of Environmental Protection remits \$375,000 on the City's behalf and the City remits the balance due on each semi-annual payment. The DSCG made additional principal payments of \$5,000,000 and \$5,503,625 during the years ending September 30, 2014 and 2015, respectively. This completed their obligation under the loan guarantee grant as of September 30, 2015. The principal and capitalized interest payable by the City at September 30, 2020 is \$1,668,158.

City of Marianna, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the year ended September 30, 2020

NOTE 3: LOAN PROGRAMS (continued)

The City was awarded a loan of \$1,256,196 identified by CSFA 37.077, Waste Water State Revolving Fund, as well as, \$3,119,270 identified by CSFA 37.075 Federal Grants Trust Fund under the same agreement, by the State of Florida Department of Environmental Protection Agency in August 2011 for a total award of \$4,375,466. The City received a final proceed on this loan in the amount of \$627,639 during the fiscal year ended September 30, 2016 for expenditures made during the fiscal year ended September 30, 2015. Semi-annual payments of \$140,406 payable by Florida Department of Environmental Protection Agency grant of \$100,095 and City share of \$40,311, beginning December 15, 2015 as amended. A grant principal payment of \$3,268,751 was made on December 15, 2015 through a Small Community Wastewater Facility Grant awarded by the Department of Environmental Protection Agency, which fulfilled their obligation of payment of grant award. The principal and capitalized interest due by the City as of September 30, 2020 is \$1,160,371 payable in semi-annual payments of \$40,489.

The City received a loan and grant from the Environmental Protection Agency identified by CFDA 66.468, Drinking Water State Revolving Loan Fund which consists of a grant of \$190,472 for preconstruction which was expended as of September 30, 2015. An additional \$461,688 in loan proceeds and \$2,475,816 in grant funds was awarded under this agreement. The City expended and received proceeds for a total of \$2,666,288 in grant funds and an additional \$461,688 in costs attributable to the loan as of September 30, 2018. The principal and capitalized interest due at September 30, 2020 is \$462,117.

The City was awarded a loan in the amount of \$376,693 that includes principal forgiveness of \$301,354 and loan payable of \$75,339, plus capitalized interest and fees of \$7,544. The award is identified under CSFA 37.077, Wastewater Treatment Facility Construction. The City expended and received proceeds for a total of \$376,680 through September 30, 2018. The principal and capitalized interest due at September 30, 2020 is \$78,717.

The City was awarded a loan in 2017 of \$30,000 that includes principal forgiveness of \$15,000 and loan payable of \$15,000. The award is identified under CFDA 66.458. The City expended and received proceeds for the entire loan amount through September 30, 2018. The principal and capitalized interest due at September 30, 2020 is \$15,764.

The City was awarded a loan in 2018, as amended in April 2020, in the amount of \$4,594,268, including principal forgiveness of \$3,675,409. The award is identified under CSFA 37.077, Wastewater Treatment Facility Construction. The City has expended and received proceeds for a total of \$4,594,268. The principal and capitalized interest due at September 30, 2020 is \$970,016.

City of Marianna, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance
For the year ended September 30, 2020

NOTE 3: LOAN PROGRAMS (continued)

The City was awarded a loan of \$6,531,545, including principal forgiveness of \$5,225,236. The award is identified under CSFA 37.077 and 37.075, Small Community Wastewater Facility Construction Program. The City has expended a total of \$280,000 in grant funds and an additional \$70,000 in cost attributable to the loan as of September 30, 2020. The principal due at September 30, 2020 is \$70,000.

NOTE 4: INDIRECT COST

The City has not elected to use the 10% de Minimis indirect cost rate.

NOTE 5: OTHER TYPES OF FINANCIAL ASSISTANCE

There were no other types of financial assistance to include endowments, insurance in effect, non-cash assistance, donated property or free rent received or included in the Schedule of Expenditures of Federal Awards and State Financial Assistance.

NOTE 6: SUBRECIPIENTS

During the year ended September 30, 2020, the City had no subrecipients.

NOTE 7: CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the City.

City of Marianna, Florida
 Schedule of Findings and Questioned Costs
 Year ended September 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Type of auditor's report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | None noted |
| 4. Identification of major programs | |

| CFDA Number | Federal Program |
|-------------|---|
| 97.036 | Public Assistance (Presidentially Declared Disasters) |
| 14.228 | Community Development Block Grants |

- | | |
|--|------------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$ 750,000 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | Yes |

State Projects

- | | |
|--|------------|
| 1. Type of auditor's report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | None noted |
| 4. Identification of major programs | |

| CSFA Number | State Project |
|-------------|--|
| 55.004 | Aviation Grant Program |
| 31.070 | Hurricane Michael Recovery Grant Program |

- | | |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$750,000 |
|--|-----------|

City of Marianna, Florida
Schedule of Findings and Questioned Costs
Year ended September 30, 2020

Section II – Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.

Section IV – State Project Findings and Questioned Costs

None noted.

Section V – Summary of Prior Year Audit

None noted.