

CITY OF ST. MARKS, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**CITY OF ST. MARKS, FLORIDA
TABLE OF CONTENTS
SEPTEMBER 30, 2020**

	<u>Page(s)</u>
Independent Auditors’ Report	1 – 2
Management’s Discussion and Analysis	3 – 8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	14
Statement of Net Position – Proprietary Fund	15
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	16
Statement of Cash Flows – Proprietary Fund	17
Notes to Financial Statements	18 – 29
Required Supplementary Information	30
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	31
Note to Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	32
Additional Information	33
Officials	34
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 <i>Government Auditing Standards</i>	35 – 36
Independent Auditors’ Management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General	37 – 39
Independent Accountants’ Examination Report	40
Corrective Action Plan	41

INDEPENDENT AUDITORS' REPORT

To the Honorable City Commission,
City of St. Marks, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of City of St. Marks, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of St. Marks, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

City of St. Marks, Florida's 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.

Auditors' Responsibility

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

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

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

- 1 -

121 Executive Circle
Daytona Beach, FL 32114-1180
Telephone: 386-257-4100

133 East Indiana Avenue
DeLand, FL 32724-4329
Telephone: 386-738-3300

5931 NW 1st Place
Gainesville, FL 32607-2063
Telephone: 352-378-1331

2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308-4386
Telephone: 850-386-6184

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of City of St. Marks, Florida, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

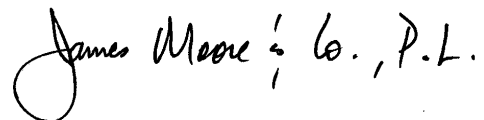
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information on pages 3–8 and 30–32 respectively, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2021 on our consideration of City of St. Marks, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of St. Marks, Florida's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
March 10, 2021

**CITY OF ST. MARKS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

As management of the City of St. Marks, Florida, we offer readers of the City of St. Marks, Florida's financial statements this narrative overview and analysis of the financial activities of the City of St. Marks, Florida for the fiscal year ended September 30, 2020.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of St. Marks, Florida 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 of St. Marks, Florida include general government and culture and recreation. The business-type activities of the City of St. Marks, Florida include water, sewer, and garbage operations.

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

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

CITY OF ST. MARKS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

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

The City of St. Marks, Florida maintains one governmental fund, which is the general fund. The general fund is considered to be a major fund.

The City of St. Marks, Florida adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The City of St. Marks, Florida maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of St. Marks, Florida uses an enterprise fund to account for its water, sewer and garbage operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the water, sewer and garbage operations, which is considered to be a major fund of the City of St. Marks, Florida.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of St. Marks, Florida's budgetary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of St. Marks, Florida, assets exceeded liabilities by \$5,403,063 at the close of the most recent fiscal year.

By far the largest portion of the City of St. Marks, Florida's net position (84 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of St. Marks, Florida uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of St. Marks, Florida's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF ST. MARKS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

City of St. Marks, Florida's Net Position

	2019		
	Governmental activities	Business-type activities	Total
Current and other assets	\$ 536,382	\$ 675,601	\$ 1,211,983
Capital assets	2,255,247	2,524,688	4,779,935
Total assets	<u>2,791,629</u>	<u>3,200,289</u>	<u>5,991,918</u>
Long-term liabilities outstanding	-	68,948	68,948
Other liabilities	176,564	77,566	254,130
Total liabilities	<u>176,564</u>	<u>146,514</u>	<u>323,078</u>
Net position:			
Net investment in capital assets	2,235,644	2,420,973	4,656,617
Unrestricted	379,421	632,802	1,012,223
Total net position	<u>\$ 2,615,065</u>	<u>\$ 3,053,775</u>	<u>\$ 5,668,840</u>
	2020		
	Governmental activities	Business-type activities	Total
Current and other assets	\$ 285,680	\$ 642,539	\$ 928,219
Capital assets	2,190,193	2,424,395	4,614,588
Total assets	<u>2,475,873</u>	<u>3,066,934</u>	<u>5,542,807</u>
Long-term liabilities outstanding	12,501	71,940	81,441
Other liabilities	13,722	41,581	55,303
Total liabilities	<u>26,223</u>	<u>113,521</u>	<u>139,744</u>
Net position:			
Net investment in capital assets	2,177,692	2,355,419	4,533,111
Unrestricted	271,958	597,994	869,952
Total net position	<u>\$ 2,449,650</u>	<u>\$ 2,953,413</u>	<u>\$ 5,403,063</u>

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

**CITY OF ST. MARKS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

City of St. Marks, Florida's Changes in Net Position

	2019		
	Governmental activities	Business- type activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 20,312	\$ 316,346	\$ 336,658
Operating and Capital grants	204,611	-	204,611
General revenues:			
Property taxes	138,862	-	138,862
Other taxes, licenses, and permits	91,210	-	91,210
Intergovernmental and other	193,399	11,698	96,873
Total revenues	<u>648,394</u>	<u>328,044</u>	<u>976,438</u>
Expenses:			
General government	451,497	-	451,497
Culture and recreation	115,642	-	115,642
Transportation	154,611	-	154,611
Water, sewer and garbage	-	453,501	453,501
Total expenses	<u>721,750</u>	<u>453,501</u>	<u>1,175,251</u>
Decrease in net position	(73,356)	(125,457)	(198,813)
Net position, beginning of year	<u>2,688,421</u>	<u>3,179,232</u>	<u>5,867,653</u>
Net position, end of year	<u>\$ 2,615,065</u>	<u>\$ 3,053,775</u>	<u>\$ 5,668,840</u>
	2020		
	Governmental activities	Business- type activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 23,508	\$ 318,309	\$ 341,817
Operating and Capital grants	18,975	-	18,975
General revenues:			
Property taxes	137,733	-	137,733
Other taxes, licenses, and permits	95,566	-	95,566
Intergovernmental and other	54,246	5,574	59,820
Total revenues	<u>330,028</u>	<u>323,883</u>	<u>653,911</u>
Expenses:			
General government	409,626	-	409,626
Culture and recreation	52,642	-	52,642
Transportation	33,175	-	33,175
Water, sewer and garbage	-	434,389	434,389
Total expenses	<u>495,443</u>	<u>434,389</u>	<u>929,832</u>
Decrease in net position	(165,415)	(110,506)	(275,921)
Net position, beginning of year	<u>2,615,065</u>	<u>3,053,775</u>	<u>5,668,840</u>
Net position, end of year	<u>\$ 2,449,650</u>	<u>\$ 2,943,269</u>	<u>\$ 5,392,919</u>

**CITY OF ST. MARKS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Governmental activities. Governmental activities decreased the City of St. Marks, Florida's net position by \$165,415.

Key element of this decrease is as follows:

- Less overall state revenue due to the pandemic and increased costs in legal and insurance fees.

Business-type activities. Business-type activities decreased the City of St. Marks, Florida's net position by \$100,362.

Key element of this decrease is as follows:

- The business-type activities normally experience a \$50,000-\$60,000 net loss, which includes about \$100,000 in depreciation expense annually. Therefore, the main driver of this decrease in the business-type activities was from depreciation expense. In addition, the City also experienced revenue loss due to the pandemic while maintaining a similar level of expenditures to prior years.

Financial Analysis of the Government's Funds

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

Governmental fund. The focus of the City of St. Marks, Florida's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of St. Marks, Florida'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 of St. Marks, Florida's governmental fund reported an ending fund balance of \$276,270 a decrease of \$108,585 in comparison with the prior year. 92% of this total ending fund balance, \$254,553 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance, \$21,717 is *nonspendable* to indicate it is not in spendable form.

The general fund is the chief operating fund of the City of St. Marks, Florida. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$254,553 and \$276,270, respectively. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Ending fund balance represents 63% percent of total general fund expenditures.

Proprietary fund. The City of St. Marks, Florida's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water, Sewer and Garbage fund at the end of the year amounted to \$597,994. The total decline in net position for the funds was \$100,362.

Other factors concerning the finances of the proprietary fund have already been addressed in the discussion of the City of St. Marks, Florida's business-type activities.

**CITY OF ST. MARKS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

General Fund Budgetary Highlights

Actual revenue and expenses were not consistent with budgeted revenues and expenses for the current fiscal year. The full amount of the grant award is budgeted in the year awarded. This accounts for the majority of the variance in the general fund budget to actual schedule.

Capital assets. The City of St. Marks, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2020, amounts to \$4,614,588 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, park facilities and roads.

Long-term debt. At the end of the current fiscal year, City of St. Marks, Florida had debt outstanding of \$81,477.

City of St. Marks, Florida's Outstanding Debt

Notes Payable	\$ <u>81,477</u>
---------------	------------------

Economic Factors and Next Year's Budgets and Rates

- Changes in state budgets and legislation may make financial forecasting difficult; however, past performance, expected growth or slowdowns, and expected tax decreases are all factors considered in preparing the City of St. Marks, Florida budget for the 2020-2021 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City of St. Marks, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Manager, Post Office Box 296, St. Marks, Florida 32355.

**CITY OF ST. MARKS, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 199,547	\$ 123,162	\$ 322,709
Certificate of deposit	22,123	-	22,123
Investments	24,039	475,559	499,598
Receivables, net	15,030	28,118	43,148
Internal balances	3,224	(3,224)	-
Prepaid items	21,717	-	21,717
Restricted assets:			
Cash and cash equivalents	-	18,924	18,924
Capital assets, not being depreciated:			
Land	629,723	1,001	630,724
Capital assets, net of accumulated depreciation	1,560,470	2,423,394	3,983,864
Total assets	<u>\$ 2,475,873</u>	<u>\$ 3,066,934</u>	<u>\$ 5,542,807</u>
LIABILITIES			
Accounts payable, deferred revenue and accrued expenses	\$ 9,410	\$ 41,581	\$ 50,991
Noncurrent liabilities:			
Due within one year	11,745	38,748	50,493
Due in more than one year	5,068	33,192	38,260
Total liabilities	<u>\$ 26,223</u>	<u>\$ 113,521</u>	<u>\$ 139,744</u>
NET POSITION			
Net investment in capital assets	\$ 2,177,692	\$ 2,355,419	\$ 4,533,111
Restricted for:			
Unrestricted	271,958	597,994	869,952
Total net position	<u>\$ 2,449,650</u>	<u>\$ 2,953,413</u>	<u>\$ 5,403,063</u>

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

**CITY OF ST. MARKS, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
Functions/Programs							
Governmental activities:							
General government	\$ 409,626	\$ 3,916	\$ -	\$ -	\$ (405,710)	\$ -	\$ (405,710)
Culture and recreation	52,642	19,592	-	-	(33,050)	-	(33,050)
Transportation	33,175	-	18,975	-	(14,200)	-	(14,200)
Total governmental activities	<u>495,443</u>	<u>23,508</u>	<u>18,975</u>	<u>-</u>	<u>(452,960)</u>	<u>-</u>	<u>(452,960)</u>
Business-type activities:							
Water, sewer and garbage	424,245	318,309	-	-	-	(105,936)	(105,936)
Total Government	<u>\$ 919,688</u>	<u>\$ 341,817</u>	<u>\$ 18,975</u>	<u>\$ -</u>	<u>(452,960)</u>	<u>(105,936)</u>	<u>(558,896)</u>
			General revenues:				
			Property taxes	137,733	-	-	137,733
			Other taxes, licenses, and permits	95,566	-	-	95,566
			Intergovernmental revenue	44,010	-	-	44,010
			Unrestricted investment gain	545	5,574	-	6,119
			Other	9,691	-	-	9,691
			Total general revenues	<u>287,545</u>	<u>5,574</u>	<u>-</u>	<u>293,119</u>
			Change in net position	(165,415)	(100,362)	-	(265,777)
			Net position, beginning of year	<u>2,615,065</u>	<u>3,053,775</u>	<u>-</u>	<u>5,668,840</u>
			Net position, end of year	<u>\$ 2,449,650</u>	<u>\$ 2,953,413</u>	<u>\$ -</u>	<u>\$ 5,403,063</u>

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

**CITY OF ST. MARKS, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2020**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 199,547
Certificate of deposit	22,123
Investments	24,039
Receivables, net	15,030
Due from other fund	3,224
Prepaid items	21,717
Total assets	\$ 285,680
LIABILITIES	
Accounts payable and accrued expenses	\$ 9,410
Total liabilities	9,410
FUND BALANCE	
Nonspendable:	
Prepaid items	21,717
Unassigned	254,553
Total fund balance	276,270
Total liabilities and fund balances	\$ 285,680

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

**CITY OF ST. MARKS, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

Fund balances - total governmental funds		\$ 276,270
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	2,710,946	
Less: accumulated depreciation	<u>(520,753)</u>	2,190,193
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:		
Note payable	(12,501)	
Compensated absences	<u>(4,312)</u>	(16,813)
Net position of governmental activities		<u><u>\$ 2,449,650</u></u>

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

CITY OF ST. MARKS, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund
Revenues	
Taxes, licenses and permits	\$ 237,215
Intergovernmental	62,985
Other	23,257
Total revenues	323,457
Expenditures	
General government	345,647
Culture and recreation	52,642
Transportation	33,175
Debt service:	
Principal	7,102
Interest	47
Total expenditures	438,613
Deficiency of revenues over expenditures	(115,156)
Other financing sources	
Insurance proceeds	6,571
Net change in fund balance	(108,585)
Fund balance, beginning of year	384,855
Fund balance, end of year	\$ 276,270

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

CITY OF ST. MARKS, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL
FUND 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	\$ (108,585)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Depreciation expense	(65,054)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
	8,224
Change in net position of governmental activities	\$ (165,415)

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

**CITY OF ST. MARKS, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020**

**Water, Sewer and
Garbage Fund**

ASSETS

Current assets:	
Cash and cash equivalents	\$ 123,162
Investments	475,559
Receivables, net of allowance for uncollectible accounts	28,118
Total current assets	<u>626,839</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	18,924
Capital assets, net of accumulated depreciation	2,424,395
Total noncurrent assets	<u>2,443,319</u>
Total assets	<u><u>\$ 3,070,158</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 19,484
Compensated Absences	2,964
Deferred revenue	2,212
Due to other fund	3,224
Current portion of note payable	35,784
Accrued expenses	961
Payable from restricted assets:	
Customer deposits	18,924
Total current liabilities	<u>83,553</u>
Noncurrent liabilities:	
Note payable	33,192
Total liabilities	<u><u>\$ 116,745</u></u>

NET POSITION

Net investment in capital assets	2,355,419
Unrestricted	597,994
Total net position	<u><u>\$ 2,953,413</u></u>

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

CITY OF ST. MARKS, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Water, Sewer and Garbage Fund
Operating revenues:	
Charges for services	\$ 318,309
Operating expenses:	
Salaries	39,319
Insurance	25,000
Depreciation	104,078
Miscellaneous	2,219
Professional fees	122,800
Repairs and maintenance	51,913
Utilities	72,262
Supplies	4,194
Total operating expenses	421,785
Operating loss	(103,476)
Nonoperating revenues (expenses):	
Interest income	5,574
Interest expense	(2,460)
Total nonoperating revenues (expenses)	3,114
Change in net position	(100,362)
Net position, beginning of year	3,053,775
Net position, end of year	\$ 2,953,413

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

**CITY OF ST. MARKS, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>Water, Sewer and Garbage Fund</u>
Cash flows from operating activities	
Cash received from customers and others	\$ 317,580
Cash paid to employees	(39,319)
Cash paid to suppliers	(278,038)
Net cash provided by operating activities	<u>223</u>
Cash flows from capital and related financing activities	
Principal payments on long-term debt	(34,739)
Acquisition of capital assets	(3,785)
Interest payments on long-term debt	(2,460)
Net cash used in financing activities	<u>(40,984)</u>
Net decrease in cash and cash equivalents	<u>(40,761)</u>
Cash and cash equivalents , beginning of year (including \$18,320 reported in restricted cash and cash equivalents)	182,792
Cash and cash equivalents , end of year (including \$18,924 reported in restricted cash and cash equivalents)	<u><u>\$ 142,031</u></u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	<u>\$ (103,476)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	104,078
Changes in assets and liabilities:	
Increase in accounts receivable	(1,333)
Decrease in due to other funds	(736)
Increase in accounts payable	1,086
Increase in customer deposits	604
Total adjustments	<u>103,699</u>
Net cash provided by operating activities	<u><u>\$ 223</u></u>

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

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies:

A. Reporting entity

The City of St. Marks, Florida (the “City”) is a municipal corporation governed by an elected mayor and four-member commission. The City of St. Marks, Florida, was originally incorporated under Chapter 63-1872 Laws of Florida, Acts of 1963, as amended by Chapter 65-2197, Laws of Florida, Acts of 1965. As required by accounting principles generally accepted in the United States of America, these financial statements include the City’s Community Redevelopment Agency.

The City’s Community Redevelopment Agency (“Agency”) serves all the citizens of the City and is governed by the same Board. The Agency was established to prevent the development or spread of slums and blight, reduce and prevent crime, and for the provision of affordable housing. The Agency is reported as a special revenue fund. There was no activity in the special revenue fund for the year ended September 30, 2020.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water, sewer, and garbage functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category- governmental and proprietary, are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government.

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. **Summary of Significant Accounting Policies:** (Continued)

D. **Basis of presentation – fund financial statements** (Continued)

The government reports the following major enterprise fund:

The *water, sewer and garbage fund* accounts for the activities of the City's water distribution, wastewater and garbage operations.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. **Measurement focus and basis of accounting**

The 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 or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies: (Continued)

F. Budgetary information

1. *Budgetary basis of accounting*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. The appropriated budget is prepared by fund, function, and department. The City's management may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

G. Assets, liabilities, and net position/fund balance

1. *Deposits and investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, SEC registered money market funds with the highest credit quality rating and savings and CD accounts in state-certified public depositories.

Investments for the City are reported at fair value. The Local Government Surplus Fund Investment Pool ("Florida Prime") operates in accordance with appropriate state laws and regulations. As a Florida Prime participant, the City invests in pools of investments whereby, the City owns a share of the respective pool, not the underlying securities.

2. *Prepaid items*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. **Summary of Significant Accounting Policies:** (Continued)

G. **Assets, liabilities, and net position/fund balance** (Continued)

3. ***Net position flow assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

4. ***Fund balance flow assumptions***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance and then unassigned fund balance.

5. ***Fund balance policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council (the "Council") has by resolution authorized the City Manager to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies: (Continued)

G. Assets, liabilities, and net position/fund balance (Continued)

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

7. 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. For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 (amount not rounded) and an estimated useful life in excess of two years. For financial reporting purposes, infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$15,000 (amount not rounded) acquired after September 30, 2003, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, plus any ancillary charges (freight and transportation charges, site preparation costs, installation costs, and professional fees) necessary to place the asset into its intended location and condition for use. Donated capital assets are recorded at estimated fair market value at the date of donation.

Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Buildings	39
Public domain infrastructure	10
System infrastructure	7 - 50
Vehicles	5
Office equipment	5
Computer equipment	5

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies (Continued)

G. Assets, liabilities, and net position/fund balance (Continued)

8. *Compensated absences*

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

9. *Use of 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 expenditures during the reporting period. Actual results could differ from those estimates.

H. Revenues and Expenditures/Expenses

1. *Property taxes*

Property taxes are billed and collected for the City by the County Tax Collector according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1, of the following year

2. *Program revenues*

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

3. *Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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 nonoperating revenues and expenses.

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

II. Detailed Notes on All Funds:

A. Deposits and investments

Deposits. At year end, the carrying amount of the City's deposits was \$363,756 and the bank balance was \$386,954. The entire bank balance was covered by Federal depository insurance or by collateral held by the City's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Public Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

Investments. Investments Florida PRIME are held with the Florida State Board of Administration. This fund is structured as a "2a-7 like" fund, which is carried at amortized cost. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for amortization of discount or premium over the period from purchase to maturity. Thus, the balance in the fund is its fair value. A "2a-7 like" fund is not registered with the SEC as an investment company, but never the less has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds.

The foremost objective of the City's investment policy is the safety of capital and liquidity of funds. Achieving an optimal rate of return is of secondary importance as compared to the safety and liquidity of funds. The City's investment policy limits investments to those relatively low risk securities authorized in anticipation of earning a fair return relative to the risk being assumed. How the City manages credit risk, interest rate risk, and custodial credit risk is as follows:

Credit Risk: The City minimizes credit risk, the risk of loss due to failure of the security, by limiting investments to authorized investments. Florida PRIME is rated by Standards and Poor's. The current rating is AAAM.

Interest Rate Risk: The City manages its exposure to declines in fair values of investments by investing operating funds primarily in shorter-term securities, Florida State Board of Administration Florida PRIME. Florida PRIME invests exclusively in short-term, high-quality fixed income securities rated in the highest short-term rating category and sets to maintain a weighted average maturity of 60 days or less, reducing risk of changes in interest rates.

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

II. Detailed Notes on All Funds: (Continued)

A. Deposits and Investments (Continued)

Custodial credit risk: Investments are subject to custodial credit risk if the securities are uninsured, not registered in the City's name, and are held by the party that either sells to or buys for the City. No investments held at year end were subject to custodial credit risk. All U.S. Government & Agency Bonds were held in the City's name; therefore, these investments were not subject to custodial credit risk. Florida PRIME does not participate in securities lending, but the City owns shares of the Florida PRIME and not the underlying investments.

As of September 30, 2020, the City had the following investment reported at market value:

	Fair Value
Florida PRIME	\$ 499,598

B. Receivables

Receivables as of September 30, 2020, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water, Sewer and Garbage	Total
Accounts receivable	\$ 3,374	\$ 38,739	\$ 42,113
Intergovernmental	11,656	-	11,656
Gross receivables	15,030	38,739	53,769
Less: allowance for uncollectibles	-	10,621	10,621
Net total receivables	\$ 15,030	\$ 28,118	\$ 43,148

C. Interfund receivables, payables and transfers

The composition of interfund balances as of September 30, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water, Sewer and Garbage	\$ 3,224

The interfund amounts consists of items paid by the General Fund for the Water, Sewer and Garbage Fund.

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

II. **Detailed Notes on All Funds:** (Continued)

D. 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	\$ 629,723	\$ -	\$ -	\$ 629,723
Total capital assets, not being depreciated	<u>629,723</u>	<u>-</u>	<u>-</u>	<u>629,723</u>
Capital assets, being depreciated:				
Buildings and improvements	2,001,219	-	-	2,001,219
Equipment, furniture, fixtures and vehicles	132,421	-	(52,417)	80,004
Total capital assets, being depreciated	<u>2,133,640</u>	<u>-</u>	<u>(52,417)</u>	<u>2,081,223</u>
Less accumulated depreciation for:				
Buildings, improvements, equipment, furniture, fixtures	(508,116)	(65,054)	52,417	(520,753)
Total capital assets being depreciated, net	<u>1,625,524</u>	<u>(65,054)</u>	<u>-</u>	<u>1,560,470</u>
Governmental activities capital assets, net	<u>\$ 2,255,247</u>	<u>\$ (65,054)</u>	<u>\$ -</u>	<u>\$ 2,190,193</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,001	\$ -	\$ -	\$ 1,001
Total capital assets, not being depreciated	<u>1,001</u>	<u>-</u>	<u>-</u>	<u>1,001</u>
Capital assets, being depreciated:				
Equipment, buildings, utility systems and improvements	4,516,743	3,785	-	4,520,528
Less accumulated depreciation	(1,993,056)	(104,078)	-	(2,097,134)
Total capital assets, being depreciated	<u>2,523,687</u>	<u>(100,293)</u>	<u>-</u>	<u>2,423,394</u>
Business-type activities capital assets, net	<u>\$ 2,524,688</u>	<u>\$ (100,293)</u>	<u>\$ -</u>	<u>\$ 2,424,395</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	<u>\$ 65,054</u>
Business-type activities:	
Water	\$ 68,916
Sewer	35,162
Total	<u>\$ 104,078</u>

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

II. **Detailed Notes on All Funds:** (Continued)

E. **Long-term debt**

Notes payable

Notes payable at September 30, 2020 comprised of the following:

2.46% note payable to State of Florida, payable in semi-annual installments of \$2,040, including interest, through April 2027, collateralized by revenues	\$ 26,085
4.00% note payable to bank, payable in monthly installments of \$650, including interest, through May 2022, collateralized by a certificate of deposit	12,501
2.93% note payable to bank, payable in monthly installments of \$2,760, including interest, through January 2022, collateralized by revenues	<u>42,891</u>
Total long-term debt	81,477
Less: current portion	<u>43,217</u>
Total long-term debt, less current portion	<u><u>\$ 38,260</u></u>

Note payable debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2021	\$ 43,217	\$ 1,781
2022	19,164	669
2023	3,625	455
2024	3,715	365
2025	3,807	273
2026-2027	7,949	206
Total	<u>\$ 81,477</u>	<u>\$ 3,749</u>

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

II. **Detailed Notes on All Funds:** (Continued)

E. **Long-term debt** (Continued)

Changes in long-term liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Note payable	\$ 19,603	\$ –	\$ (7,102)	\$ 12,501	\$ 7,433
Compensated absences	5,434	4,312	(5,434)	4,312	4,312
Governmental activity long-term liabilities	<u>\$ 25,037</u>	<u>\$ 4,312</u>	<u>\$ (12,536)</u>	<u>\$ 16,813</u>	<u>\$ 11,745</u>
Business-type activities:					
Notes payable	\$ 103,715	\$ –	\$ (34,739)	\$ 68,976	\$ 35,784
Compensated absences	2,909	2,964	(2,909)	2,964	2,964
Business-type activity long-term liabilities	<u>\$ 106,624</u>	<u>\$ 55</u>	<u>\$ (34,739)</u>	<u>\$ 71,940</u>	<u>\$ 38,748</u>

For governmental and business-type activities, compensated absences are generally liquidated within one year.

III. **Other Information:**

A. **Contingent liabilities**

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

B. **Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

C. **Defined contribution plan**

The City provides retirement benefits through a defined contribution plan for all full-time employees. This plan is administered by the Florida Municipal Pension Trust Fund. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees with three months of service are eligible to participate in the plan. The resolution adopting the plan requires that the City contribute an amount equal to five percent of the employee's salary each quarter.

CITY OF ST. MARKS, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

III. **Other Information:** (Continued)

C. **Defined Contribution Plan** (Continued)

The City's contribution for each employee (and interest allocated to the employee's account) is fully vested after three years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before three years of service are used to reduce the City's current period contribution requirement. For the years ending September 30, 2020, 2019 and 2018 the City's contributions to the plan were \$6,934, \$6,824 and \$5,189, respectively.

D. **Risks and Uncertainties**

Local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries, including governments, are experiencing disruption to operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any federal or state government actions to mitigate them. Accordingly, while city management cannot quantify the financial and other impact to the City as of March 10, 2021, City management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

E. **Future Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*, which aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The provisions in GASB Statement No. 87 are effective for periods beginning after June 15, 2021. The City is currently evaluating the effect that Statement No. 87 will have on its financial statements.

CITY OF ST. MARKS, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020

CITY OF ST. MARKS, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Taxes, licenses and permits	\$ 234,900	\$ 234,900	\$ 237,215	\$ 2,315
Intergovernmental	313,500	313,500	62,985	(250,515)
Other	101,100	101,100	23,257	(77,843)
Total revenues	<u>649,500</u>	<u>649,500</u>	<u>323,457</u>	<u>(326,043)</u>
Expenditures				
General government	363,000	363,000	345,647	17,353
Culture and recreation	98,500	98,500	52,642	45,858
Transportation	180,000	180,000	33,175	146,825
Debt service	8,000	8,000	7,149	851
Total expenditures	<u>649,500</u>	<u>649,500</u>	<u>438,613</u>	<u>210,887</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(115,156)</u>	<u>(115,156)</u>
Other financing sources				
Insurance proceeds	-	-	6,571	6,571
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(108,585)</u>	<u>(108,585)</u>
Fund balance, beginning of year	384,855	384,855	384,855	-
Fund balance, end of year	<u>\$ 384,855</u>	<u>\$ 384,855</u>	<u>\$ 276,270</u>	<u>\$ (108,585)</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budget and actual - general fund are an integral part of this schedule.

CITY OF ST. MARKS, FLORIDA
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. **Budgetary information:**

1. An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year end.

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

- a) Prior to October 1, the City Commission prepares 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.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- d) Revisions that alter the total expenditures of any fund must be approved by the City Commission.
- e) Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
- f) The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

CITY OF ST. MARKS, FLORIDA

ADDITIONAL INFORMATION

SEPTEMBER 30, 2020

**CITY OF ST. MARKS, FLORIDA
OFFICIALS
SEPTEMBER 30, 2020**

CITY COMMISSION

Don Grimes, Mayor
Richard Chichetti
Paul Sheddan
Ray Stokes
Gail Gilman

CITY MANAGER

Zoe Mansfield

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

To the Honorable City Commission,
City of St. Marks, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of City of St. Marks, Florida as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of St. Marks, Florida's basic financial statements, and have issued our report thereon dated March 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of St. Marks, Florida'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 City of St. Marks, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of City of St. Marks, Florida's internal control.

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

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. We consider the deficiency described below to be a material weakness:

Finding 2020-001: Segregation of Duties

Condition and Criteria: Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Cause: For the year ended September 30, 2020, we noted that the same person within the accounting department handles cash and checks and posts receipts and disbursements to the utility ledger.

Effect: Assets could potentially be misappropriated.

Recommendation: We recommend that the City have another designated person receive all cash and checks, make all required deposits and return a summary of receipts along with a validated deposit slip before turning them over to the accounting department.

Compliance and Other Matters

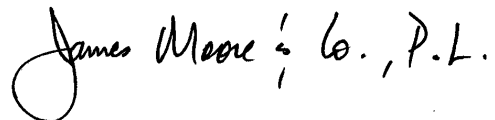
As part of obtaining reasonable assurance about whether City of St. Marks, Florida’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct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

City of St. Marks, Florida’s Response to the Finding

City of St. Marks, Florida’s response to the finding identified in our audit is described in the accompanying Corrective Action Plan. City of St. Marks, Florida’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Tallahassee, Florida
March 10, 2021

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER
10.550, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL**

To the Honorable City Commission,
 City of St. Marks, Florida:

Report on the Financial Statements

We have audited the financial statements of the City of St. Marks, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated March 10, 2021 **March 10, 2021**.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated March 10, 2021 **March 10, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Uncorrected Audit Findings.

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2018-2019 FY Finding #	2017-2018 FY Finding #
2020-001	2019-001	2018-001

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed as required by accounting principles generally accepted in the United States of America in Note I.A. to the financial statements.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of St. Marks. It is management's responsibility to monitor the City of St. Marks, Florida'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.

Annual Financial Report

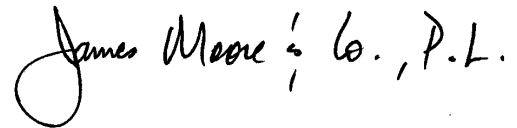
Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, requires require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City of St. Marks, Florida for the fiscal year ended September 30, 2020, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2020. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

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

Purpose of this Letter

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

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large, looped initial "J".

Tallahassee, Florida
March 10, 2021

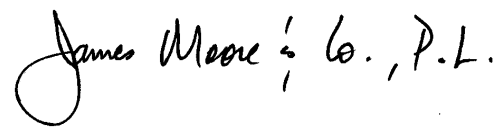
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable City Commission,
City of St. Marks, Florida:

We have examined City of St. Marks, Florida's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020. Management is responsible for City of St. Marks, Florida's compliance with those requirements. Our responsibility is to express an opinion on City of St. Marks, 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 the examination to obtain reasonable assurance about whether the City of St. Marks, Florida complied with Section 218.415, *Florida Statutes, Local Government Investment Policies*, for the year ended September 30, 2020, in all material respects. An examination involves performing procedures to obtain evidence about the Authority's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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



Tallahassee, Florida
March 10, 2021

City of St. Marks

P.O. Box 296 · 788 Port Leon Drive · St. Marks, FL 32355-0296
Phone: (850) 925-6224 · Fax: (850) 925-5657

MANAGEMENT'S RESPONSE TO FINDING 2020-001: SEGREGATION OF DUTIES

In response to the Independent Auditor's Report on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards, we submit the following with respect to Segregation of Duties:

While it has been the City's practice to have a proper segregation of duties, the financial resources of the City of St. Marks are limited. We employ two employees who must perform all accounting duties. The City will try to segregate duties of handling cash, checks, posting receipts, and disbursements where possible. The City has also engaged another outside CPA firm to assist in bank reconciliations and budget versus actual comparisons to present for the city council on a monthly basis.

Joel Mansfield
March 10, 2021