

# City of Chipley

## FINANCIAL STATEMENTS

For the Year Ended September 30, 2019



**CRI** CARR  
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CPAs and Advisors

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**City of Chipley**  
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**September 30, 2019**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Management's Responsibility for the Financial Statements**

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

### **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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Community Redevelopment Agency for the year then ended in conformity 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 through 11, schedule of changes in OPEB liability, related ratios, and notes to schedule, Florida Retirement System Pension Plan schedule of employer's proportionate share of net pension liability and schedule of employer contributions, the Health Insurance Subsidy Program schedule of employer's proportionate share of net pension liability and schedule of employer contributions, and notes to required supplementary information on pages 57 through 62 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 ("GASB"), 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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 June 20, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Chipley, Florida's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 20, 2020

## City of Chipley Management's Discussion and Analysis

The City of Chipley's management's discussion and analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify fund issues or concerns.

Since the Management Discussion and Analysis is designed to present an overview of the City's current year's activities, resulting changes and currently known facts as well as the financial activities for the two fiscal years ended September 30, 2018 and September 30, 2019, please read in conjunction with the City's financial statements (beginning on page 12).

### City Highlights

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$39,444,194 (net position). Of this amount, \$(1,493,540) is a deficit in unrestricted net position for governmental activities and \$(621,640) is a deficit in unrestricted net position for business-type activities, while \$277,004 is restricted net position for business-type activities and \$1,084,048 is restricted net position for governmental activities.
- Total net position decreased by \$348,275. Of this amount, a decrease of \$234,247 is attributable to governmental activities, and a decrease of \$114,028 is attributable to business-type activities.
- As of September 30, 2019, the general fund's unassigned fund balance was \$738,998.
- Governmental activities' total revenues increased by \$1,097,424 or 39%, while governmental activities' total expenses increased \$594,267 or 17%. Business-type activities' total revenues increased by \$57,459 or 1%, while business-type activities' total expenses increased \$341,163 or 8%.

### Overview of the Financial Statements

This annual report consists of the MD&A, basic financial statements, notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

1. Government-Wide Financial Statements (Reporting the City as a whole)
2. Fund Financial Statements (Reporting the City's major and non-major funds)

The government-wide and the fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works and general administrative services are classified as governmental activities. The City's water, sewer, natural gas and sanitation services are classified as business-type activities.

## **City of Chipley Management's Discussion and Analysis**

### **Government-Wide Financial Statements**

The government-wide financial statements focus on both long-term and short-term information about the City's overall financial status in a manner similar to those of a private-sector business. The statements include a Statement of Net Position and a Statement of Activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and deferred outflows of resources as well as long-term obligations and deferred inflows of resources. Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating. The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants.

### **Fund Financial Statements**

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

### **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 the City's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, readers may better understand the long-term impact of the City's near-term financing decisions.

The City maintains two major governmental funds and information on these two funds is presented in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget and are presented as part of the fund financial statements on pages 18 and 19. The governmental fund financial statements can be found on pages 14 – 19 of this report.



## **City of Chipley Management's Discussion and Analysis**

### **Proprietary Funds**

The City maintains four major enterprise funds which are proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, sewer, sanitation, and natural gas. The proprietary fund statement provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 20 – 23 of this report.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found beginning on page 24.

### **Government-Wide Financial Analysis**

This section is used to present condensed financial information from the government-wide statements that compares the current year to the prior year.

### **Statement of Net Position**

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the City for the fiscal years ended September 30, 2019 and 2018. At the end of the fiscal year 2019, the City is able to report positive balances in two categories of net position for its governmental activities and its business-type activities. However, the City has a deficit balance in the unrestricted net position of governmental activities, business-type activities, and for the government as a whole at the end of fiscal years 2019 and 2018.

**City of Chipley**  
**Management's Discussion and Analysis**

The following schedule reflects the condensed Statement of Net Position as of September 30, 2019 and 2018:

	<b>Governmental Activities</b>		
	<b>2019</b>	2018	Change
<b>Assets</b>			
Current and other assets	\$ 2,578,534	\$ 2,313,798	\$ 264,736
Capital assets, net	5,452,771	5,216,568	236,203
<b>Total assets</b>	<b>8,031,305</b>	7,530,366	500,939
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to OPEB	61,287	63,966	(2,679)
Deferred outflows related to pensions	800,159	825,832	(25,673)
<b>Total deferred outflows of resources</b>	<b>861,446</b>	889,798	(28,352)
<b>Liabilities</b>			
Current liabilities	376,978	234,625	142,353
Noncurrent liabilities	3,657,115	3,392,687	264,428
<b>Total liabilities</b>	<b>4,034,093</b>	3,627,312	406,781
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - occupational licenses	44,161	37,578	6,583
Unearned revenue - intergovernmental	271,396	-	271,396
Deferred inflows related to OPEB	73,650	6,554	67,096
Deferred inflows related to pensions	194,971	239,993	(45,022)
<b>Total deferred inflows of resources</b>	<b>584,178</b>	284,125	300,053
<b>Net Position</b>			
Net investment in capital assets	4,683,972	4,417,214	266,758
Restricted	1,084,048	1,180,851	(96,803)
Unrestricted (deficit)	(1,493,540)	(1,089,338)	(404,202)
<b>Total net position</b>	<b>\$ 4,274,480</b>	\$ 4,508,727	\$ (234,247)

**City of Chipley**  
**Management's Discussion and Analysis**

	<b>Business-type Activities</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>
<b>Assets</b>			
Current and other assets	\$ 1,510,107	\$ 1,378,164	\$ 131,943
Capital assets, net	38,981,539	37,836,903	1,144,636
<b>Total assets</b>	<b>40,491,646</b>	<b>39,215,067</b>	<b>1,276,579</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to OPEB	37,776	39,328	(1,552)
Deferred outflows related to pensions	384,211	396,021	(11,810)
<b>Total deferred outflows of resources</b>	<b>421,987</b>	<b>435,349</b>	<b>(13,362)</b>
<b>Liabilities</b>			
Current liabilities	870,054	532,245	337,809
Noncurrent liabilities	4,727,591	3,706,289	1,021,302
<b>Total liabilities</b>	<b>5,597,645</b>	<b>4,238,534</b>	<b>1,359,111</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to OPEB	42,874	4,030	38,844
Deferred inflows related to pensions	103,400	124,110	(20,710)
<b>Total deferred inflows of resources</b>	<b>146,274</b>	<b>128,140</b>	<b>18,134</b>
<b>Net Position</b>			
Net investment in capital assets	35,514,350	35,261,100	253,250
Restricted	277,004	254,837	22,167
Unrestricted (deficit)	(621,640)	(232,195)	(389,445)
<b>Total net position</b>	<b>\$ 35,169,714</b>	<b>\$ 35,283,742</b>	<b>\$ (114,028)</b>

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$4.3 million for governmental activities and \$35.2 million for business-type activities.

The largest component \$40.2 million of the City's net position as of September 30, 2019, reflects its investment in capital assets (i.e. land, infrastructure, buildings, equipment and others), less any related debt outstanding to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and businesses in the City. Restricted net position is the next largest component, totaling \$1.4 million as of September 30, 2019. Restricted net position represent resources that are subject to external restrictions. The remaining balance of net position is a deficit in unrestricted net position totaling (\$2.1) million.

**City of Chipley**  
**Management's Discussion and Analysis**

**Statement of Activities**

The following schedule summarizes revenues and expenses comparing the current year to the prior year, as derived from the government-wide Statement of Activities. Increases and decreases in net position measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities decreased \$234 thousand, or greater than 5 percent, and the net position of the business-type activities decreased \$114 thousand, or greater than 0.3 percent.

For the years ended September 30,	<b>Governmental Activities</b>		
	<b>2019</b>	2018	Change
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 125,658	\$ 124,578	\$ 1,080
Operating grants and contributions	1,244,043	878,901	365,142
Capital grants and contributions	584,933	163,170	421,763
General revenues			
Taxes	1,813,917	1,768,374	45,543
Investment earnings	24,845	18,132	6,713
Other	153,581	(103,602)	257,183
<b>Total revenues</b>	<b>3,946,977</b>	2,849,553	1,097,424
<b>Expenses</b>			
Governmental activities			
General government	1,502,475	1,167,659	334,816
Public safety	1,473,957	1,285,162	188,795
Public works	672,172	634,805	37,367
Cemetery and grounds	232,115	234,053	(1,938)
Culture and recreation	264,102	227,251	36,851
Interest	36,403	38,027	(1,624)
<b>Total expenses</b>	<b>4,181,224</b>	3,586,957	594,267
Excess revenues over (under) expenses	(234,247)	(737,404)	503,157
<b>Net Position - beginning</b>	<b>4,508,727</b>	5,246,131	(737,404)
<b>Net Position - ending</b>	<b>\$ 4,274,480</b>	\$ 4,508,727	\$ (234,247)

**City of Chipley**  
**Management's Discussion and Analysis**

For the years ended September 30,	<b>Business-type Activities</b>		
	<b>2019</b>	2018	Change
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 3,070,172	\$ 2,945,249	\$ 124,923
Capital grants and contributions	1,341,445	1,391,531	(50,086)
General revenues			
Investment earnings	12,258	8,618	3,640
Other	95,230	116,248	(21,018)
Total revenues	<b>4,519,105</b>	4,461,646	57,459
<b>Expenses</b>			
Business-type activities			
Water	1,007,445	825,917	181,528
Sewer	2,299,546	2,185,255	114,291
Sanitation	779,495	730,939	48,556
Natural gas	546,647	549,859	(3,212)
Total expenses	<b>4,633,133</b>	4,291,970	341,163
Excess revenues over (under) expenses	<b>(114,028)</b>	169,676	(283,704)
<b>Net Position - beginning</b>	<b>35,283,742</b>	35,114,066	169,676
<b>Net Position - ending</b>	<b>\$ 35,169,714</b>	\$ 35,283,742	\$ (114,028)

**Individual Fund Analysis**

This section provides analysis of the balances and transactions of individual funds. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general fund is reported as a major governmental fund. The general fund is the general operating fund of the City. All general tax revenue 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. As of the end of the fiscal year 2019, the City's general fund reported a fund balance of \$1,483,066. The restricted portion of this fund balance is \$664,124, the committed portion is \$60,521, the assigned portion is \$19,423 and the unassigned portion is \$738,998.

The Community Redevelopment Agency fund is reported as a major governmental fund and is a separate legal entity, but is required to be included in the City's reporting because of the significance of the financial relationships with the City. As of the end of the fiscal year 2019, the Community Redevelopment Agency fund reported a restricted fund balance of \$360,710.

## **City of Chipley Management's Discussion and Analysis**

As of the end of the fiscal year 2019, the City's other governmental funds (non-major funds) reported a restricted fund balance of \$59,214 and a committed fund balance of \$13,505.

### **General Fund Budgetary Variances**

Over the course of the year, the City Council revised the City budget. These budget amendments represent increases in appropriations to prevent budget overruns. The reasons for significant changes to the budget are for projects, which are funded with grant proceeds or in some cases, with loan proceeds.

### **Capital Asset and Long-Term Debt**

During fiscal year 2019, the City invested \$3.0 million in capital assets and increased total debt by \$889 thousand. Approximately \$1.9 million of these capital expenditures were funded with federal and state government grants.

Additional information about the City's capital assets and long-term debt can be obtained in Note 6 and 7 of the City's notes to the financial statements.

### **Next Year's Budgets and Rates**

The City's general fund is expected to continue as it has, with no additional revenues sources expected at this time.

The City's business-type activities are expected to continue as they have with only an annual Consumer Price Index (CPI) increase in rates.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Chipley, Post Office Box 1007, Chipley, Florida 32428.

**City of Chipley**  
**Statement of Net Position**  
**For the Year Ended September 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 249,084	\$ 172,860	\$ 421,944
Investments	616,808	440,561	1,057,369
Receivables, net	281,338	365,095	646,433
Due from other governments	350,133	400,479	750,612
Internal balances	514,250	(514,250)	-
Restricted cash	299,624	543,993	843,617
Restricted investments	263,476	101,369	364,845
Land held for resale	3,821	-	3,821
Capital assets, not being depreciated	1,122,749	3,341,702	4,464,451
Capital assets being depreciated, net	4,330,022	35,639,837	39,969,859
<b>Total assets</b>	<b>8,031,305</b>	<b>40,491,646</b>	<b>48,522,951</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to OPEB	61,287	37,776	99,063
Deferred outflows related to pension liability	800,159	384,211	1,184,370
<b>Total deferred outflows of resources</b>	<b>861,446</b>	<b>421,987</b>	<b>1,283,433</b>
<b>Liabilities</b>			
Accounts payable	185,240	368,815	554,055
Accrued payroll liabilities	53,290	33,549	86,839
Other liabilities	-	1,636	1,636
Payable from restricted assets			
Accrued interest	2,968	7,848	10,816
Customer deposits	-	242,022	242,022
Long-term liabilities			
Net pension liability	2,435,896	1,146,251	3,582,147
Net OPEB liability	39,840	26,985	66,825
Portion due or payable within one year			
Compensated absences	104,131	57,636	161,767
Notes payable	11,646	41,448	53,094
Bonds payable	19,703	117,100	136,803
Portion due or payable after one year			
Compensated absences	443,929	245,714	689,643
Notes payable	36,660	1,593,741	1,630,401
Bonds payable	700,790	1,714,900	2,415,690
<b>Total liabilities</b>	<b>4,034,093</b>	<b>5,597,645</b>	<b>9,631,738</b>
<b>Deferred Inflows of Resources</b>			
Unearned revenue - occupational licenses	44,161	-	44,161
Unearned revenue - intergovernmental	271,396	-	271,396
Deferred inflows related to OPEB	73,650	42,874	116,524
Deferred inflows related to pensions	194,971	103,400	298,371
<b>Total deferred inflows of resources</b>	<b>584,178</b>	<b>146,274</b>	<b>730,452</b>
<b>Net Position</b>			
Net investment in capital assets	4,683,972	35,514,350	40,198,322
Restricted	1,084,048	277,004	1,361,052
Unrestricted (deficit)	(1,493,540)	(621,640)	(2,115,180)
<b>Total net position</b>	<b>\$ 4,274,480</b>	<b>\$ 35,169,714</b>	<b>\$ 39,444,194</b>

*The accompanying notes are an integral part of these financial statements.*

**City of Chipley**  
**Statement of Activities**  
**For the Year Ended September 30, 2019**

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General government	\$ 1,502,475	\$ 49,477	\$ 636,903
Public safety	1,473,957	30,083	457,004
Public works	672,172	-	146,644
Cemetery and grounds	232,115	13,600	-
Culture and recreation	264,102	32,498	3,492
Interest	36,403	-	-
Total governmental activities	4,181,224	125,658	1,244,043
<b>Business-type Activities:</b>			
Water	1,007,445	691,335	-
Sewer	2,299,546	1,241,511	-
Sanitation	779,495	779,780	-
Natural gas	546,647	357,546	-
Total business-type activities	4,633,133	3,070,172	-
Total primary government	\$ 8,814,357	\$ 3,195,830	\$ 1,244,043

**General Revenues**

Taxes:

Ad valorem tax

Sales taxes

Utility taxes

Other taxes

Interest income

Miscellaneous

Rental income

Gain on disposal of capital assets

Total general revenues

Change in net position

Net Position - beginning

Net Position - ending

*The accompanying notes are an integral part of these financial statements.*



Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 90,434	\$ (725,661)	\$ -	\$ (725,661)
-	(986,870)	-	(986,870)
494,499	(31,029)	-	(31,029)
-	(218,515)	-	(218,515)
-	(228,112)	-	(228,112)
-	(36,403)	-	(36,403)
584,933	(2,226,590)	-	(2,226,590)
105,489	-	(210,621)	(210,621)
1,194,309	-	136,274	136,274
-	-	285	285
41,647	-	(147,454)	(147,454)
1,341,445	-	(221,516)	(221,516)
<u>\$ 1,926,378</u>	<u>(2,226,590)</u>	<u>(221,516)</u>	<u>(2,448,106)</u>
	960,325	-	960,325
	160,781	-	160,781
	623,160	-	623,160
	69,651	-	69,651
	24,845	12,258	37,103
	54,158	95,230	149,388
	99,200	-	99,200
	223	-	223
	1,992,343	107,488	2,099,831
	(234,247)	(114,028)	(348,275)
	4,508,727	35,283,742	39,792,469
<u>\$ 4,274,480</u>	<u>\$ 35,169,714</u>	<u>\$ 39,444,194</u>	

**City of Chipley**  
**Balance Sheet – Governmental Funds**  
**September 30, 2019**

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 235,460	\$ -
Investments	616,808	-
Receivables, net	186,891	94,447
Due from other governments	350,133	-
Interfund receivables	514,250	-
Restricted cash	225,529	14,881
Restricted investments	-	263,476
<b>Total assets</b>	<b>\$ 2,129,071</b>	<b>\$ 372,804</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
Liabilities		
Accounts payable	\$ 173,027	\$ 12,094
Salaries and benefits payable	157,421	-
<b>Total liabilities</b>	<b>330,448</b>	<b>12,094</b>
Deferred inflows of resources		
Unearned revenue - intergovernmental	271,396	-
Unearned revenue - occupational license	44,161	-
<b>Total deferred inflows of resources</b>	<b>315,557</b>	<b>-</b>
Fund balances		
Restricted	664,124	360,710
Committed	60,521	-
Assigned	19,423	-
Unassigned	738,998	-
<b>Total fund balances</b>	<b>1,483,066</b>	<b>360,710</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,129,071</b>	<b>\$ 372,804</b>

*The accompanying notes are an integral part of these financial statements.*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 13,624	\$ 249,084
-	616,808
-	281,338
-	350,133
-	514,250
59,214	299,624
-	263,476
<hr/>	
\$ 72,838	\$ 2,574,713
<hr/>	
\$ 119	\$ 185,240
-	157,421
<hr/>	
119	342,661
<hr/>	
-	271,396
-	44,161
<hr/>	
-	315,557
<hr/>	
59,214	1,084,048
13,505	74,026
-	19,423
-	738,998
<hr/>	
72,719	1,916,495
<hr/>	
\$ 72,838	\$ 2,574,713
<hr/>	

**City of Chipley**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position**  
**September 30, 2019**

Differences in amounts reported for governmental activities in the Statement of Net Position:

Total fund balance - governmental funds	\$ 1,916,495
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	5,452,771
Certain assets held for resale are not current financial resources and therefore are not reported in the governmental funds.	3,821
<p>Net pension liabilities and other post-employment benefits ("OPEB") obligations and deferred inflows and outflows related to pension and OPEB represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.</p>	
Deferred outflows related to OPEB	61,287
Deferred inflows related to OPEB	(73,650)
Deferred outflows related to pension	800,159
Deferred inflows related to pension	(194,971)
Net pension liability	(2,435,896)
Net OPEB liability	(39,840)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(443,929)
<p>Long-term liabilities, including bonds, notes and leases payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds but is recognized when the expenditure is due. These balances consist of:</p>	
Accrued interest on debt	(2,968)
Bonds, notes and leases payable	(768,799)
Net position of governmental activities in the Statement of Net Position	\$ 4,274,480

*The accompanying notes are an integral part of these financial statements.*

**City of Chipley**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>
<b>Revenues</b>		
Taxes	\$ 2,273,353	\$ -
Licenses and permits	46,090	-
Fines, forfeitures and penalties	9,246	-
Intergovernmental	1,026,565	160,085
Charges for services	32,498	-
Interest	13,866	10,991
Rental income	99,200	-
Miscellaneous	208,803	-
<b>Total revenues</b>	<b>3,709,621</b>	<b>171,076</b>
<b>Expenditures</b>		
General government	985,898	312,634
Public safety	1,202,591	-
Public works	1,014,155	-
Cemetery and grounds	215,094	-
Culture and recreation	239,329	-
Debt service, principal	-	-
Debt service, interest	-	-
<b>Total expenditures</b>	<b>3,657,067</b>	<b>312,634</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>52,554</b>	<b>(141,558)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	-	-
Transfers out	(97,002)	-
Debt proceeds	30,049	-
Proceeds from sale of capital assets	223	-
<b>Total other financing sources (uses)</b>	<b>(66,730)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(14,176)</b>	<b>(141,558)</b>
<b>Fund Balances - beginning</b>	<b>1,497,242</b>	<b>502,268</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,483,066</b>	<b>\$ 360,710</b>

*The accompanying notes are an integral part of these financial statements.*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 2,273,353
-	46,090
-	9,246
-	1,186,650
-	32,498
-	24,857
-	99,200
<u>21,061</u>	<u>229,864</u>
<u>21,061</u>	<u>3,901,758</u>
-	1,298,532
20,104	1,222,695
-	1,014,155
-	215,094
-	239,329
60,604	60,604
<u>36,408</u>	<u>36,408</u>
<u>117,116</u>	<u>4,086,817</u>
<u>(96,055)</u>	<u>(185,059)</u>
97,002	97,002
-	(97,002)
-	30,049
-	223
<u>97,002</u>	<u>30,272</u>
947	(154,787)
<u>71,772</u>	<u>2,071,282</u>
<u>\$ 72,719</u>	<u>\$ 1,916,495</u>

**City of Chipley**

**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, 2019**

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds: \$ (154,787)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. Also, gains and losses from disposals of capital assets are not presented in the fund financial statements. 552,543

Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position. (316,340)

Changes in deferred outflows and inflows related to pension and OPEB liabilities and net pension and OPEB liabilities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (336,652)

Long-term compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (9,566)

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.

Debt proceeds	(30,049)
Repayment of debt	60,604

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Change in net position of governmental activities \$ (234,247)

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*The accompanying notes are an integral part of these financial statements.*

**City of Chipley**

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – General Fund**  
**For the Year Ended September 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,242,718	\$ 2,350,518	\$ 2,273,353	\$ (77,165)
Licenses and permits	51,000	51,000	46,090	(4,910)
Fines, forfeitures and penalties	22,757	44,392	9,246	(35,146)
Intergovernmental	915,446	1,992,659	1,026,565	(966,094)
Charges for services	44,500	44,500	32,498	(12,002)
Interest	10,000	10,000	13,866	3,866
Rental income	99,201	99,201	99,200	(1)
Miscellaneous	599,079	695,219	208,803	(486,416)
<b>Total revenues</b>	<b>3,984,701</b>	<b>5,287,489</b>	<b>3,709,621</b>	<b>(1,577,868)</b>
<b>Expenditures</b>				
General government	678,311	1,289,351	985,898	303,453
Public safety	1,161,975	1,239,396	1,202,591	36,805
Public works	1,190,870	1,816,124	1,014,155	801,969
Cemetery and grounds	221,770	226,770	215,094	11,676
Culture and recreation	238,700	252,822	239,329	13,493
<b>Total expenditures</b>	<b>3,491,626</b>	<b>4,824,463</b>	<b>3,657,067</b>	<b>1,167,396</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	493,075	463,026	52,554	(410,472)
<b>Other Financing Sources (Uses)</b>				
Transfers in	9,250	9,250	-	(9,250)
Transfers out	(77,128)	(77,128)	(97,002)	(19,874)
Debt proceeds	-	30,049	30,049	-
Sale of capital assets	1,000	1,000	223	(777)
<b>Total other financing sources (uses)</b>	<b>(66,878)</b>	<b>(36,829)</b>	<b>(66,730)</b>	<b>(29,901)</b>
<b>Net change in fund balances</b>	<b>426,197</b>	<b>426,197</b>	<b>(14,176)</b>	<b>(440,373)</b>
<b>Fund Balances - beginning</b>	<b>1,497,242</b>	<b>1,497,242</b>	<b>1,497,242</b>	<b>-</b>
<b>Fund Balances - ending</b>	<b>\$ 1,923,439</b>	<b>\$ 1,923,439</b>	<b>\$ 1,483,066</b>	<b>\$ (440,373)</b>

*The accompanying notes are an integral part of these financial statements.*



**City of Chipley**

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Community Redevelopment Agency**  
**For the Year Ended September 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 160,086	\$ 160,086	\$ 160,085	\$ (1)
Interest	7,500	11,100	10,991	(109)
<hr/>				
Total revenues	167,586	171,186	171,076	(110)
<b>Expenditures</b>				
General government	563,783	567,383	312,634	254,749
<hr/>				
<b>Excess of Revenues Over (Under)</b>				
Expenditures	(396,197)	(396,197)	(141,558)	254,639
<hr/>				
<b>Fund Balances - beginning</b>	502,268	502,268	502,268	-
<hr/>				
<b>Fund Balances - ending</b>	\$ 106,071	\$ 106,071	\$ 360,710	\$ 254,639

*The accompanying notes are an integral part of these financial statements.*

**City of Chipley**  
**Statement of Net Position – Proprietary Funds**  
**September 30, 2019**

	<b>Business-Type</b>	
	<b>Water</b>	<b>Sewer</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 67,305	\$ 959
Investments	358	535
Accounts receivable, net	95,670	150,381
Due from other governments	15,167	385,312
Restricted assets:		
Cash and cash equivalents	157,415	320,539
Investments	-	101,369
<b>Total current assets</b>	<b>335,915</b>	<b>959,095</b>
Non-current assets		
Land and construction in progress	112,750	3,214,102
Capital assets, net of depreciation	5,244,717	30,151,590
<b>Total non-current assets</b>	<b>5,357,467</b>	<b>33,365,692</b>
<b>Total assets</b>	<b>5,693,382</b>	<b>34,324,787</b>
Deferred outflows related to OPEB	15,369	16,520
Deferred outflows related to pensions	124,379	184,220
<b>Total deferred outflows of resources</b>	<b>139,748</b>	<b>200,740</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	23,668	339,864
Accrued payroll liabilities	12,234	13,237
Other accrued liabilities	-	10
Compensated absences	21,568	19,535
Interfund payables	-	266,950
<b>Total current liabilities</b>	<b>57,470</b>	<b>639,596</b>
Current liabilities payable from restricted assets		
Accrued interest	571	6,808
Notes payable, current portion	7,096	27,729
Bonds payable, current portion	2,300	114,800
<b>Total current liabilities payable from restricted assets</b>	<b>9,967</b>	<b>149,337</b>
Noncurrent liabilities		
Compensated absences	91,948	83,283
Customer deposits	77,035	99,126
Net pension liability	395,896	516,138
Notes payable	7,313	1,572,413
Net OPEB liability	12,602	11,153
Bonds payable	103,400	1,611,500
<b>Total noncurrent liabilities</b>	<b>688,194</b>	<b>3,893,613</b>
<b>Total liabilities</b>	<b>755,631</b>	<b>4,682,546</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to OPEB	15,758	19,422
Deferred inflows related to pensions	33,646	49,436
<b>Total deferred inflows of resources</b>	<b>49,404</b>	<b>68,858</b>
<b>Net Position</b>		
Net investment in capital assets	5,237,358	30,039,250
Restricted	77,436	199,568
Unrestricted (deficit)	(286,699)	(464,695)
<b>Total net position (deficit)</b>	<b>\$ 5,028,095</b>	<b>\$ 29,774,123</b>

*The accompanying notes are an integral part of these financial statements.*

**Activities - Enterprise Funds**

	<b>Sanitation</b>	<b>Natural Gas</b>	<b>Total</b>
\$	103,930	\$ 666	\$ 172,860
	439,144	524	440,561
	88,663	30,381	365,095
	-	-	400,479
	40,033	26,006	543,993
	-	-	101,369
	<u>671,770</u>	<u>57,577</u>	<u>2,024,357</u>
	10,350	4,500	3,341,702
	46,601	196,929	35,639,837
	56,951	201,429	38,981,539
	<u>728,721</u>	<u>259,006</u>	<u>41,005,896</u>
	3,266	2,621	37,776
	30,796	44,816	384,211
	<u>34,062</u>	<u>47,437</u>	<u>421,987</u>
	473	4,810	368,815
	3,048	5,030	33,549
	-	1,626	1,636
	4,222	12,311	57,636
	-	247,300	514,250
	<u>7,743</u>	<u>271,077</u>	<u>975,886</u>
	-	469	7,848
	-	6,623	41,448
	-	-	117,100
	-	7,092	166,396
	17,998	52,485	245,714
	39,937	25,924	242,022
	92,619	141,598	1,146,251
	-	14,015	1,593,741
	2,165	1,065	26,985
	-	-	1,714,900
	<u>152,719</u>	<u>235,087</u>	<u>4,969,613</u>
	<u>160,462</u>	<u>513,256</u>	<u>6,111,895</u>
	3,880	3,814	42,874
	8,344	11,974	103,400
	<u>12,224</u>	<u>15,788</u>	<u>146,274</u>
	56,951	180,791	35,514,350
	-	-	277,004
	533,146	(403,392)	(621,640)
\$	<u>590,097</u>	<u>\$ (222,601)</u>	<u>\$ 35,169,714</u>

**City of Chipley**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<b>Business-Type</b>	
	<b>Water</b>	<b>Sewer</b>
<b>Operating Revenues</b>		
Charges for services	\$ 691,335	\$ 1,241,511
Miscellaneous revenue	56,713	35,025
<b>Total operating revenues</b>	<b>748,048</b>	<b>1,276,536</b>
<b>Operating Expenses</b>		
Salaries and benefits	488,539	524,693
Services and supplies	216,058	542,554
Depreciation	187,595	1,100,298
Other expenses	4,664	14,837
<b>Total operating expenses</b>	<b>896,856</b>	<b>2,182,382</b>
<b>Operating Income (Loss)</b>	<b>(148,808)</b>	<b>(905,846)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Grant expenses	(105,489)	(18,778)
Grant revenue	105,489	1,194,309
Interest income	10	1,377
Interest expense	(5,100)	(98,386)
<b>Total non-operating revenues (expenses)</b>	<b>(5,090)</b>	<b>1,078,522</b>
Change in net position	(153,898)	172,676
<b>Total Net Position (Deficit) - beginning</b>	<b>5,181,993</b>	<b>29,601,447</b>
<b>Total Net Position (Deficit) - ending</b>	<b>\$ 5,028,095</b>	<b>\$ 29,774,123</b>

*The accompanying notes are an integral part of these financial statements.*

**Activities - Enterprise Funds**

Sanitation		Natural Gas		Total	
\$	779,780	\$	357,546	\$	3,070,172
	-		3,492		95,230
	779,780		361,038		3,165,402
	112,000		200,511		1,325,743
	650,044		272,101		1,680,757
	16,325		28,230		1,332,448
	1,126		3,568		24,195
	779,495		504,410		4,363,143
	285		(143,372)		(1,197,741)
	-		(41,647)		(165,914)
	-		41,647		1,341,445
	10,858		13		12,258
	-		(590)		(104,076)
	10,858		(577)		1,083,713
	11,143		(143,949)		(114,028)
	578,954		(78,652)		35,283,742
\$	590,097	\$	(222,601)	\$	35,169,714

**City of Chipley**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<b>Business-Type</b>	
	<b>Water</b>	<b>Sewer</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers, users and others	\$ 732,420	\$ 1,261,994
Payments to suppliers	(145,380)	(209,388)
Payments to employees	(478,206)	(514,290)
Net cash provided by (used in) operating activities	108,834	538,316
<b>Cash Flows From Non-Capital Financing Activities</b>		
Advances from other funds	(457,000)	209,950
<b>Cash Flows From Capital and Related Financing Activities</b>		
Grant revenue	462,119	915,819
Purchases and construction of capital assets	(7,699)	(1,367,198)
Principal paid on capital debt	(18,984)	(185,214)
Interest paid on capital debt	(6,564)	(99,223)
Net cash provided by (used in) capital and related financing activities	428,872	(735,816)
<b>Cash Flows From Investing Activities</b>		
Interest and dividends	9	1,377
Purchase of investments	(9)	(1,272)
Net cash provided by (used in) investing activities	-	105
Net increase (decrease) in cash and cash equivalents	80,706	12,555
<b>Cash and Cash Equivalents - beginning</b>	144,014	308,943
<b>Cash and Cash Equivalents - ending</b>	\$ 224,720	\$ 321,498

*The accompanying notes are an integral part of these financial statements.*

**Activities - Enterprise Funds**

Sanitation		Natural Gas		Total	
\$	777,934	\$	361,168	\$	3,133,516
	(639,321)		(249,296)		(1,243,385)
	(111,154)		(192,388)		(1,296,038)
	27,459		(80,516)		594,093
	-		87,300		(159,750)
	-		-		1,377,938
	-		-		(1,374,897)
	-		(6,608)		(210,806)
	-		(639)		(106,426)
	-		(7,247)		(314,191)
	10,858		13		12,257
	(16,963)		(8)		(18,252)
	(6,105)		5		(5,995)
	21,354		(458)		114,157
	122,609		27,130		602,696
\$	143,963	\$	26,672	\$	716,853

-Continued-

**City of Chipley**  
**Statement of Cash Flows – Proprietary Funds (Continued)**  
**For the Year Ended September 30, 2019**

	<b>Business-Type</b>	
	<b>Water</b>	<b>Sewer</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash</b>		
<b>Provided by (Used In) Operating Activities</b>		
Operating income (loss)	\$ (148,808)	\$ (905,846)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	187,595	1,100,298
Changes in operating assets and liabilities:		
Accounts receivable	(17,921)	(18,425)
Deferred outflows related to pension	4,432	4,752
Deferred outflows related to OPEB	565	705
Accounts payable	17,215	285,798
Accrued payroll liabilities	2,323	2,915
Other accrued liabilities	-	(142)
Compensated absences	8,010	7,488
Pension liability	61,386	65,829
Net OPEB liability	(14,610)	(18,262)
Deferred inflows related to pension	(7,771)	(8,334)
Deferred inflows related to OPEB	14,125	17,657
Customer deposits	2,293	3,883
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 108,834</b>	<b>\$ 538,316</b>
<b>Non-cash Financing Activities:</b>		
Equipment acquired through issuance of long-term debt	\$ 21,960	\$ 71,755

*The accompanying notes are an integral part of these financial statements.*



**Activities - Enterprise Funds**

<b>Sanitation</b>	<b>Natural Gas</b>	<b>Total</b>
\$ 285	\$ (143,372)	\$ (1,197,741)
16,325	28,230	1,332,448
(4,206)	(87)	(40,639)
948	1,678	11,810
141	141	1,552
(587)	4,384	306,810
662	966	6,866
-	(16)	(158)
184	7,157	22,839
13,130	23,250	163,595
(3,652)	(3,652)	(40,176)
(1,662)	(2,943)	(20,710)
3,531	3,531	38,844
2,360	217	8,753
<u>\$ 27,459</u>	<u>\$ (80,516)</u>	<u>\$ 594,093</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 93,715</u>

**City of Chipley**  
**Notes to Financial Statements**

**Note**

1. Summary of Significant Accounting Policies
2. Stewardship, Compliance, and Accountability
3. Cash, Cash Equivalents, and Investments
4. Receivables
5. Interfund Balances
6. Capital Assets
7. Long-Term Debt
8. Employee Retirement Plan
9. Post-Employment Benefits Other Than Pension Benefits (OPEB)
10. Net Position and Fund Balance
11. Supplemental Cash Flow Information
12. Major Supplier
13. Commitments and Contingencies
14. Risk Management
15. Subsequent Events

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Chipley, Florida (the “City”), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in accordance with the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the City’s basic financial statements.

***Reporting Entity***

The City, located in Washington County, was incorporated in 1901 pursuant to 5077-1901 Laws of Florida. The City is a political subdivision of the State of Florida and operates under an elected City Council. The City provides police and fire protection, general government, recreation, and public works services to its residents. In addition, the City provides water, sewer, natural gas and sanitation services. The financial statements of the City include the funds required to account for those financial activities, which are related to the City and are controlled by or dependent upon the City’s legislative body. The definition of the reporting entity, pursuant to Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600, is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. The City is also financially accountable for a legally separate agency if the City’s officials appoint a voting majority of that agency’s governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered financially accountable. Component units are reported as either blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. The City has two blended component units described below. Each blended component unit has a year-end of September 30. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. The City has no discretely presented component units.

***Related Organization***

**Chipley Housing Authority (the “Authority”)** – This Authority was created by the City pursuant to Florida Statutes with commissioners of the Authority being appointed by the City Council. 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 and the City does not exercise budgetary control. Based on these factors, the Authority is not included in the City’s financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Blended Component Units***

**Community Redevelopment Agency (the “Agency”)** – This Agency was created by the City pursuant to State Statutes with commissioners of the Agency being the City Council Members. During 1997, the City passed an ordinance establishing a separate board for the Agency. Operations are administered by the Council appointed board and are financed with City and county funds. The City includes the operations of the Agency in its annual budget for the General Fund. The Agency is reported as a governmental fund type.

**Chipley Volunteer Fire Department (the “Department”)** – This is a nonprofit organization which is funded primarily by City funds and some public donations. Operations are administered by the Department. The City includes the operations of the Department in its annual budget for the General Fund. The Department is reported as a governmental fund type.

***Government-wide and Fund Financial Statements***

The basic financial statements consist of the government-wide financial statements and fund financial statements. Government-wide financial statements are comprised of the statement of net position and the statement of changes in net position which reports information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Fiduciary funds of the government are eliminated from this presentation since these resources are not available for general government funding purposes. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 contribute to the change in the net position for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 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 or within sixty days after year-end. 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

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 Water, Sewer, Sanitation and Natural Gas Departments are charges to customers for sales and services. Operating expenses for the 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 non-operating revenues and expenses.

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

**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** – This is a blended component unit of the City. It is a separate legal entity required to be included in the City’s reporting entity because of the significance of their operating or financial relationships with the City.

In addition to the major funds noted above, the City has two non-major governmental funds, the Debt Service Fund and Volunteer Fire Department Fund. These funds are reported in aggregate as other governmental funds.

The City reports the following major proprietary funds:

**Water Fund** – This fund accounts for all activity related to providing water services to its citizens.

**Sewer Fund** – This fund accounts for all activity related to providing sewer services to its citizens.

**Sanitation Fund** – This fund accounts for all activity related to providing sanitation services to its citizens.

**Natural Gas Fund** – This fund accounts for all activity related to providing natural gas services to its citizens.

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity***

***Cash and Cash Equivalents***

Cash and cash equivalents represent cash on hand, demand deposits and short-term investments with an original maturity date within three months of the date acquired by the government.

***Investments***

The City’s investment policies are designed with the intent of ensuring the City’s funds are invested in a manner that complies with Florida Statutes. Pursuant to Florida Statute 218.415 and the City’s investment policy, the City may invest surplus funds in:

- The Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)***

- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Savings accounts in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Certificates of deposit in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Direct obligations of the U.S. Treasury.
- Federal agencies and instrumentalities.

*Local Government Surplus Trust Fund - Florida PRIME* - The City invests throughout the year in the Florida PRIME account, an investment pool administered by the Florida State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Florida PRIME participants invest in a pool of investments whereby participants own a share of the respective pool, not the underlying securities.

***Accounts Receivable***

*Governmental Funds* - The City considered all governmental fund receivables collectible and as such, no allowance for uncollectibles is reported.

*Proprietary Fund* - The City grants credit to its proprietary fund customers who use its various services, substantially all of whom are local residents or businesses. Provisions for uncollectible utilities charges are charged to revenues in amounts sufficient to maintain the allowance at a level considered adequate to cover current losses.

***Interfund Receivables and Payables***

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

***Restricted Assets***

Certain assets of the general fund, debt service fund, community redevelopment agency, and enterprise funds are required by resolution to be set aside and used for specific purposes; thus, they are not available for general operating purposes. It is the City’s policy to use restricted assets before unrestricted assets when both are available to fund specific expenditures.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets***

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost with the exception of buildings, sidewalks, lighting, and infrastructure. Buildings with an original cost of \$50,000 or more, sidewalks and lighting with an original cost of \$25,000 or more, and infrastructure with an original cost of \$500,000 or more, are reported at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value as of the date of donation. The City has not reported infrastructure acquired prior to October 1, 2003. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are expensed as incurred. Interest incurred during the construction phase on loans obtained for long-term construction projects are capitalized into the cost of the asset.

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

Buildings	20 – 50 years
Water and sewer system	15 – 50 years
Improvements	10 – 20 years
Machinery and equipment	5 – 10 years
Other infrastructure	10 – 50 years

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The City has two (2) items that qualify for reporting as deferred outflows of resources, deferred outflows related to pensions and OPEB, both reported in the government-wide and proprietary funds statements of net position. The deferred outflows related to pensions and OPEB are an aggregate of items related to pensions and OPEB as calculated in accordance with GASB 68 and 75. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. The deferred outflows related to OPEB will be recognized as either OPEB expense or a reduction in the net OPEB liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two (2) items that qualify for reporting as deferred inflows of resources. The deferred inflows related to pensions and



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

OPEB are an aggregate of items related to pensions and OPEB as calculated in accordance with GASBs 68 and 75. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. The deferred inflows related to OPEB will be recognized as either OPEB expense or a reduction in the net OPEB liability in future reporting years.

***Compensated Absences***

Vacation pay policies allow an employee to accumulate up to a maximum of 240 hours of unused vacation time, which will be paid to the employee in the event of termination of employment. Sick pay policies allow an employee to accumulate up to a maximum of 800 hours of unused sick leave which will be paid, at 5% per year of service, to the employee in the event of termination of employment.

All leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts in the government-wide statements consists of unpaid, accumulated annual leave balances. The estimated current portion of the liability for vested vacation and sick leave benefits attributable to the City's governmental fund is recorded as an expenditure and liability in the General Fund. The non-current portion for governmental funds is maintained separately and represents a reconciling item between the fund and governmental-wide presentations. The amount attributable to the enterprise funds are charged to expense and a corresponding liability in the applicable fund.

***Pension Plans***

*Florida Retirement System* - Substantially all full-time City employees are participants in the Florida Retirement System (the "System"), a defined benefit, cost sharing, multiple employer public retirement system, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement.

*Health Insurance Subsidy Program* - Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy Program ("HIS"), a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Contributions to the HIS plan are included in contributions to the Pension Plan noted above.

***Other Post-Employment Benefits***

The City participates in a single employer, experience rate insurance plan that provides medical benefits to eligible retirees and their dependents. The City does not have a trust for the plan, and there is no actuarial determined contribution. The OPEB liability is determined in accordance with GASBC Section P52: *Postemployment Benefits Other Than Pensions - Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria*.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Long-Term Obligations***

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Net Position and Fund Equity***

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net position categories:

*Net Investment in Capital Assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Any significant unspent proceeds at year-end related to capital assets are reported as restricted funds.

*Restricted* – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

*Unrestricted* – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the City Council.

Fund balances are reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Spendable fund balances are reported based on a hierarchy of spending constraints noted below:

*Restricted* – Fund balances that are constrained by external parties, constitutional provisions or enabling legislation. The City's restricted fund balance primarily includes federal, state, and local grant funds that are for a stated purpose per the grant agreements, taxes for road and bridge maintenance and repairs, and cash and investments set aside for debt service.

*Committed* – Fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. The City's committed fund balances consist of funds for the operation of the cemetery and volunteer fire department.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assigned* – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The City’s assigned fund balances are for the operations of the recreation department.

*Unassigned* – Fund balances of the general fund that are not constrained for any particular purpose.

When both restricted and unrestricted net position are available, it is the City’s policy to use restricted resources first, then unrestricted as needed. The authority to establish, modify, or rescind a commitment or assigned fund balance rests with the City Council. The City’s policy is to first apply expenditures toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

***Tax Revenue***

The City’s ad valorem taxes are assessed by the Washington County Property Appraiser and collected by the Washington County Tax Collector in accordance with Florida Statutes. The City retains the right and duty to set millage rates. Property taxes are not recorded as receivables at September 30 because, though legally assessed as of January 1, they are not due and payable until after the close of the fiscal year ended the following September 30.

The current property tax calendar is as follows:

Lien date:	January 1, 2018
Levy date:	November 1, 2018
Due date:	March 31, 2019
Delinquent date:	April 1, 2019

Discounts of 1% for each month taxes are paid prior to March are granted.

Revenue recognition criteria for property taxes recognizes and accrues property taxes expected to be collected within 60 days of the current period. There were no outstanding property taxes accrued and recognized as revenue at year-end.

***Management Estimates and Assumptions***

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 period. Actual results could vary from estimates used.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 20, 2020. See Note 15 for relevant disclosure(s). No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

***Impact of Recently Issued Accounting Pronouncements***

In fiscal year 2019, the City adopted two new statements of financial accounting standards issued by the GASB:

- Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83)
- Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings And Direct Placements* (GASB 88)

GASB 83 establishes standards of accounting and financial reporting requirements for legally enforceable liabilities associated with the retirement of certain tangible capital assets. State and local governments that have legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the regulation of GASB 83. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. GASB 83 had no impact on the City's financial statements.

GASB 88 defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. GASB 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant subjective acceleration clauses. GASB 88 also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of GASB 88 are effective for reporting periods beginning after June 15, 2018. See Note 7 for additional disclosures related to GASB 88.

***Pronouncements 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.

**City of Chipley**  
**Notes to Financial Statements**

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61</i>	2020
91	<i>Conduit Debt Obligations</i>	2022

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgetary Information***

Each year formal budgets are legally adopted and amended as required by the City Council for all governmental funds. Management can approve transfers within government function categories only. Transfers of appropriations or revisions between government function categories require the approval of the council. The level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the government function category level. The budget for each fund is adopted on the modified accrual basis of accounting consistent with GAAP.

Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid on goods on order or unperformed contracts in process at year-end. Because appropriations lapse at year-end, it is the City's policy to close encumbrances at year-end and to re-encumber those amounts, as needed, at the beginning of the next budget cycle.

During fiscal year 2019, there were general fund supplemental budget appropriations of \$1,332,837 or 38.17% of the original budget. The Community Redevelopment Agency had no significant budget amendments during fiscal year 2019. The following items represent the major additional appropriations:

**General Fund**

Capital outlays	\$ 617,213
Various personnel services and operating costs	715,624
<hr/>	
Total general fund	\$ 1,332,837

**Note 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and cash equivalents represent cash on hand as well as demand deposits, and certificates of deposit with original maturities of three months or less. Investments are comprised of certificates of deposit with original maturities greater than three months and shares in Florida PRIME investment pool account.

**City of Chipley**  
**Notes to Financial Statements**

**Note 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Investments**

Investments are comprised of the following, at amortized cost.

Investment Type	Fair Value	Purchase Date to Maturity			
		0 – 1 Year	1 – 2 Years	2 – 3 Years	3 – 5 Years
Florida PRIME	\$ 1,320,845	\$ 1,320,845	\$ -	\$ -	\$ -
Certificates of Deposit	101,369	101,369	-	-	-
	<u>\$ 1,422,214</u>	<u>\$ 1,422,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The City maintains its deposits with “Qualified Public Depositories” as defined in chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

The City also invested funds in the Florida State Board of Administration Local Government Surplus Funds Trust Fund (Florida PRIME). The Local Government Surplus Funds Trust Fund is a "2a-7 like" pool and, therefore, the City's pool account balance (amortized cost) is used as the fair value for financial reporting. At September 30, 2019, the fair value and the carrying value of these funds was \$1,320,845. The funds are reported as investments in the amount of \$1,057,369, and as restricted investments of \$263,476.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City’s current investments are limited to certificates of deposit and deposits in the Florida PRIME account.

Florida PRIME is rated by Standard and Poor’s as AAAM and its share value is measured at amortized cost. At September 30, 2019, Florida PRIME’s investments dollar weighted average days to maturity (WAM) was 37 days. Next interest rate reset dates for floating rate securities are used in the calculation of WAM and weighted average life (WAL) is 85 days. Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2018 through September 30, 2019. As of September 30, 2019, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City’s daily access to 100 percent of their account value.

Florida PRIME is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund.

**City of Chipley**  
**Notes to Financial Statements**

**Note 3: CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. 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](http://www.sbafla.com/prime). The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the State has adopted operating procedures consistent with the requirements for a “2a-7 like” pool.

Demand and time deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributable to the quantity of the government's investment in a single issuer. Investments in single issuers that equal or exceed 5% have reportable credit risk. The certificates of deposit are with one financial institution. All certificate of deposit balances in excess of FDIC coverage, when applicable, are covered by the multiple financial institutions' collateral pool in accordance with Florida Statutes Chapter 280.

***Investment Rate Risk***

Investment rate risk is the risk that changes in the interest rate will adversely affect the fair value of an investment. The City recognizes that the longer a maturity of an investment, the greater its price volatility. The City has limited its risk by requiring all investments to have a maturity of two years or less from the date of purchase.

**Note 4: RECEIVABLES**

Receivables as of year-end in the aggregate including the applicable allowances for uncollectible accounts are as follows:

***Governmental Funds***

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>
Taxes	\$ 93,661	\$ -
Franchise fees	28,099	-
Revolving loan receivable	-	94,447
Other	65,131	-
	\$ 186,891	\$ 94,447

**City of Chipley**  
**Notes to Financial Statements**

**Note 4: RECEIVABLES (Continued)**

***Proprietary Funds***

	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Natural Gas</b>
Accounts – utility billings (1)	\$ 96,365	\$ 151,924	\$ 91,523	\$ 31,376
Allowance for uncollectibles	(3,209)	(5,133)	(3,095)	(995)
Other	2,514	3,590	235	-
	<u>\$ 95,670</u>	<u>\$ 150,381</u>	<u>\$ 88,663</u>	<u>\$ 30,381</u>

(1) Includes unbilled revenue for September usage billed in October.

***Due From Other Governments***

The \$350,133 reported in governmental activities and \$400,479 reported in business-type activities are due from the State of Florida. The amounts due are deemed collectible.

**Note 5: INTERFUND BALANCES**

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. These amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2019 is shown below:

***Interfund Receivables and Payables***

	<b>Payable Fund</b>		
	<b>Sewer</b>	<b>Gas</b>	<b>Total</b>
<b>Receivable Fund</b>			
General	\$ 266,950	\$ 247,300	\$ 514,250

***Interfund Transfers***

The General Fund transferred \$97,002 to the Debt Service Fund during the year ended September 30, 2019 in order to meet debt service requirements.



**City of Chipley**  
**Notes to Financial Statements**

**Note 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 957,092	\$ -	\$ -	\$ -	\$ 957,092
Construction in progress	70,713	477,975	-	(383,031)	165,657
<b>Total capital assets not being depreciated</b>	<b>\$ 1,027,805</b>	<b>\$ 477,975</b>	<b>\$ -</b>	<b>\$ (383,031)</b>	<b>\$ 1,122,749</b>
Capital assets being depreciated:					
Furniture and equipment	\$ 2,424,881	\$ 54,558	\$ 48,318	\$ (15,997)	\$ 2,415,124
Improvements other than buildings	2,684,071	-	-	383,031	3,067,102
Buildings	4,607,549	20,010	-	-	4,627,559
<b>Total capital assets being depreciated</b>	<b>9,716,501</b>	<b>74,568</b>	<b>48,318</b>	<b>367,034</b>	<b>10,109,785</b>
Less accumulated depreciation for:					
Furniture and equipment	2,270,458	125,237	-	-	2,395,695
Improvements other than buildings	1,016,203	115,282	-	-	1,131,485
Buildings	2,241,077	75,821	48,318	(15,997)	2,252,583
<b>Total accumulated depreciation</b>	<b>5,527,738</b>	<b>316,340</b>	<b>48,318</b>	<b>(15,997)</b>	<b>5,779,763</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 4,188,763</b>	<b>\$ (241,772)</b>	<b>\$ -</b>	<b>\$ 383,031</b>	<b>\$ 4,330,022</b>
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 702,898	\$ 1,000	\$ -	\$ 1,652,661	\$ 2,356,559
Construction in progress	294,415	2,343,389	-	(1,652,661)	985,143
<b>Total capital assets not being depreciated</b>	<b>\$ 997,313</b>	<b>\$ 2,344,389</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,341,702</b>

-Continued-

**City of Chipley**  
**Notes to Financial Statements**

**Note 6: CAPITAL ASSETS (Continued)**

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Building and plant	\$ 50,246,651	\$ 23,373	\$ 3	\$ -	\$ 50,270,021
Equipment and vehicles	2,468,811	109,322	47,062	-	2,531,071
<b>Total capital assets being depreciated</b>	<b>52,715,462</b>	<b>132,695</b>	<b>47,065</b>	<b>-</b>	<b>52,801,092</b>
Less accumulated depreciation for:					
Building and plant	13,905,644	1,245,891	3	-	15,151,532
Equipment and vehicles	1,970,228	86,557	47,062	-	2,009,723
<b>Total accumulated depreciation</b>	<b>15,875,872</b>	<b>1,332,448</b>	<b>47,065</b>	<b>-</b>	<b>17,161,255</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 36,839,590</b>	<b>\$ (1,199,753)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 35,639,837</b>

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

**Governmental Activities:**

General government	\$ 105,503
Public safety	73,147
Public works	120,569
Culture and recreation	17,121
<b>Total</b>	<b>\$ 316,340</b>

**Business-Type Activities:**

Water	\$ 187,595
Sewer	1,100,298
Sanitation	16,325
Natural Gas	28,230
<b>Total</b>	<b>\$ 1,332,448</b>

**City of Chipley**  
**Notes to Financial Statements**

**Note 7: LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Revenue bonds	\$ 739,665	\$ -	\$ 19,172	\$ 720,493	\$ 19,703
Notes	59,689	30,049	41,432	48,306	11,646
Compensated absences	542,954	119,302	114,196	548,060	104,131
<b>Total</b>	<b>\$ 1,342,308</b>	<b>\$ 149,351</b>	<b>\$ 174,800</b>	<b>\$ 1,316,859</b>	<b>\$ 135,480</b>
<b>Business-Type Activities:</b>					
Revenue bonds	\$ 1,944,600	\$ -	\$ 112,600	\$ 1,832,000	\$ 117,100
Notes	631,203	1,102,098	98,112	1,635,189	41,448
Compensated absences	280,511	93,709	70,870	303,350	57,636
<b>Total</b>	<b>\$ 2,856,314</b>	<b>\$ 1,195,807</b>	<b>\$ 281,582</b>	<b>\$ 3,770,539</b>	<b>\$ 216,184</b>

Debt service requirements on long-term debt at September 30, 2019 are as follows:

**Governmental Activities**

Fiscal Year Ending September 30,	Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest
2020	\$ 19,703	\$ 34,212	\$ 11,646	\$ 1,182
2021	21,258	33,237	11,931	897
2022	21,841	32,228	12,223	605
2023	23,451	31,192	12,506	306
2024	24,090	30,117	-	-
2025-2029	140,146	132,019	-	-
2030-2034	172,336	95,769	-	-
2035-2039	211,063	51,474	-	-
2040-2043	86,605	6,904	-	-
<b>Total</b>	<b>\$ 720,493</b>	<b>\$ 447,152</b>	<b>\$ 48,306</b>	<b>\$ 2,990</b>

**City of Chipley**  
**Notes to Financial Statements**

**Note 7: LONG-TERM DEBT (Continued)**

***Business-Type Activities***

Fiscal Year Ending September 30,	Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest
2020	\$ 117,100	\$ 87,377	\$ 41,448	\$ 6,782
2021	123,600	81,646	75,685	7,080
2022	129,300	75,614	71,242	10,404
2023	136,100	69,302	64,867	6,746
2024	141,900	69,302	65,709	6,081
2025-2029	474,400	252,878	292,614	22,649
2030-2034	443,900	141,926	292,894	15,703
2035-2039	230,100	47,088	305,306	8,723
2040-2044	29,000	6,720	202,161	2,948
2045-2049	6,600	872	186,245	1,190
2050	-	-	37,018	48
<b>Total</b>	<b>\$ 1,832,000</b>	<b>\$ 832,725</b>	<b>\$ 1,635,189</b>	<b>\$ 88,354</b>

***Notes Payable***

Notes payable at September 30, 2019 are comprised of the following:

	Governmental Activities
<b>Regions Bank</b> - A note payable in annual installments of \$12,828 including interest at 2.411%. The note matures on December 20, 2022 and is secured by a vehicle.	\$ 48,306

**City of Chipley**  
**Notes to Financial Statements**

**Note 7: LONG-TERM DEBT (Continued)**

	<b>Business-Type Activities</b>
<b>Capital City Bank</b> – A note payable in annual installments of \$7,248 including interest at 3.03%. The note matures on January 4, 2022 and is secured by a vehicle.	\$ 20,677
<b>Capital City Bank</b> – A note payable in annual installments of \$12,100.83 including interest at 4.15%. The note matures on June 1, 2026 and is secured by a vehicle.	61,241
<b>Capital City Bank</b> – A note payable in annual installments of \$7,606.60 including interest at 3.55%. The note matures on May 1, 2021 and is secured by a vehicle.	14,409
 <b>Florida Department of Environmental Protection</b> – A Clean Water State Revolving Fund Loan issued April 5, 2016 to finance the cost of acquisition and construction of certain capital improvement in connection with the water and sewer utility systems. The loan is secured by a pledge of gross revenues derived yearly from the operation of the water and sewer systems after payment of the operation and maintenance expense and the satisfactory of all yearly payment obligations of the senior revenue obligations and any senior revenue obligations issued pursuant to Section 7.02 of this loan agreement. The loan is payable in semi-annual principal and interest installments of \$18,744 beginning March 2021 with a stated interest rate of .17%. The remaining principal and interest payments on this debt as of September 30, 2019 totaled \$85,955. Principal and interest paid for the year ended September 30, 2019 and total pledged revenues were \$0 and \$234,621, respectively.	 1,094,129
<b>Florida Department of Environmental Protection</b> – A Clean Water State Revolving Fund Loan issued January 12, 2006 to finance the cost of acquisition and construction of certain capital improvement in connection with the sewer utility system. The loan is secured by a pledge of revenues as security for the repayment of the debt and shall be the funds, including investment income, on deposit in the debt service accounts. The remaining principal and interest payments on this debt as of September 30, 2019 totaled \$493,356. Principal and interest paid for the year ended September 30, 2019 and total pledged revenues were \$21,837 and \$59,214, respectively. Principal and interest payments were 44.23% of the pledged revenue for the year ended September 30, 2019.	444,733
	<b>\$ 1,635,189</b>

**City of Chipley**  
**Notes to Financial Statements**

**Note 7: LONG-TERM DEBT (Continued)**

***Bonds Payable***

Bonds payable at September 30, 2019 are comprised of the following:

	<b>Governmental Activities</b>
<b>City of Chipley Public Improvement Revenue Bonds – 2002A Series</b> , authorized and issued \$546,000, interest at 4.75%, principal and interest payable annually on September 1, collateralized by pledge of solid waste disposal system revenues. Bonds are held by the U.S. Department of Agriculture, Rural Development.	\$ 406,493
<b>City of Chipley Public Improvement Revenue Bonds – 2003 Series</b> , authorized and issued \$400,000, interest at 4.675%, principal and interest payable annually on September 1, collateralized by pledge of solid waste disposal system net revenues and revenues from an interlocal agreement with Washington County, Florida. The interlocal agreement specifies that Washington County will share equally with the City the full repayment of the bonds and will pay to the City, in equal installments, a sum equal to one-half of the annual bond payment. Bonds are held by the U.S. Department of Agriculture, Rural Development.	314,000
<b>Total</b>	\$ 720,493

	<b>Business-Type Activities</b>
<b>Water and Sewer Revenue Bonds – 1986 Series</b> , authorized and issued \$1,379,200, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	\$ 407,200
<b>Water and Sewer Revenue Bonds – 1994 Series A</b> , authorized and issued \$851,000, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	499,400
<b>Water and Sewer Revenue Bonds – 1994 Series B</b> , authorized and issued \$143,400, interest at 5.00%, principal and interest payable annually on September 1, with principal payments beginning in 1996, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	84,100

**City of Chipley**  
**Notes to Financial Statements**

**Note 7: LONG-TERM DEBT (Continued)**

	<b>Business-Type Activities</b>
<b>Water and Sewer Revenue Bonds – 1999 Series</b> , authorized and issued \$1,068,600, interest at 4.50%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	735,600
<b>Water and Sewer Revenue Bonds – 2006 Series</b> , authorized and issued \$128,900, interest at 4.375%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	105,700
<b>Total</b>	\$ 1,832,000

The City has pledged future water and sewer system net revenues to repay \$2,552,493 in revenue bonds issued in 1986, 1994, 1999, 2002, 2003, and 2006. Proceeds from the bonds were used for capital improvements and rehabilitation or expansion of the City’s water and sewer systems. Principal and interest on the bonds are payable through 2045, solely from the water and sewer system net revenues and an interlocal agreement with Washington County in which the City agreed to pay half of the debt service related to the portion of the debt which financed the construction of a library. Annual principal and interest on the bonds are expected to require approximately 71 percent of such net revenues. Principal and interest paid for the current year and total customer net revenues were \$259,689 and \$244,680, respectively.

**Note 8: EMPLOYEE RETIREMENT PLAN**

***Florida Retirement System Pension Plan***

Substantially all full-time City employees are participants in the System, a defined benefit, cost sharing, multiple employer public retirement system, which is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement. The plan covers full time employees of various governmental units within the State of Florida.

The System's funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due (see rates below). Level percentages of payroll employer contribution rates established by state law are determined using the entry-age actuarial funding method.

**Note 8: EMPLOYEE RETIREMENT PLAN (Continued)**

The System provides for those employees hired prior to July 1, 2012 for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. For those employees hired on or after July 1, 2012, the System provides for vesting of benefits after eight years of creditable service. Normal retirement benefits are available to employees who retire at or after age 65 with eight or more years of service. Early retirement is available after eight years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

Participating employer contributions are based upon state-wide rates established by the State of Florida. These rates are applied to employee salaries as follows: regular employees-8.26% DROP Program-14.60%, special risk employees-25.48%, senior management-25.41% and elected officials-48.82%. The rate applied to employee salaries for employee contributions was 3.00% for all classifications with the exception of DROP program participants who do not make contributions.

The City's contributions to the plan for the year ended September 30, 2019, was \$261,467, and equal to the actuarially determined contributions for the year. These contributions were paid by their due date. Total payroll for the City employees covered by the System was \$1,985,261 for the year ended September 30, 2019. The City's total payroll was \$2,091,478 for the same period.

The City has no responsibility to the System other than to make the periodic payments required by State Statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing Florida Division of Retirement, P O Box 9000, Tallahassee, FL 32315-9000.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At September 30, 2019, the City reported a liability of \$2,929,453 for its proportionate share of the collective net pension liability for the Florida Retirement System Pension Plan ("Pension Plan"). The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The City's proportion of the collective net pension liability was based on the employers' shares of contributions to the Pension Plan relative to the total employer contributions of all participating employers. At June 30, 2019, the City's proportion of the Pension Plan was 0.008506%, which was an increase of 0.000285% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$472,004 for the Pension Plan. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:



**City of Chipley**  
**Notes to Financial Statements**

**Note 8: EMPLOYEE RETIREMENT PLAN (Continued)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 173,754	\$ (1,818)
Changes of assumptions	752,409	-
Net difference between projected and actual earnings on pension plan investments	-	(162,073)
Changes in proportion and differences between employer contributions and proportionate share of contributions	67,765	(58,903)
Employer contributions subsequent to the measurement date	67,500	-
<b>Total</b>	<b>\$ 1,061,428</b>	<b>\$ (222,794)</b>

\$67,500 reported as deferred outflows of resources related to the Pension Plan resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

**Year Ended  
September 30,**

2020	\$ 132,298
2021	132,298
2022	132,298
2023	132,298
2024	172,816
Thereafter	69,126

*Actuarial assumptions.* The total pension liability for the Pension Plan was determined by an actuarial valuation as of June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Investment rate of return*	6.90%
Projected salary increases	3.25%

\* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of July 1, 2019 for the Pension Plan were based on the results of an investigation of the economic and demographic experience for the System based upon participant data for the period July 1, 2013 through June 30, 2018.

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

**Note 8: EMPLOYEE RETIREMENT PLAN (Continued)**

The long-term expected rate of return for the Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

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

(1) As outlined in the Pension Plan's investment policy.

\* Includes assumed rate of inflation of 2.60%

*Discount rate.* The discount rate used to measure the total pension liability for the Pension Plan was 6.90%. The Plan's fiduciary net position was projected to be available to make all 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.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.90% for the Pension Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.90%) or 1-percentage point higher (7.90%) than the current rate:

	1% Decrease (5.90%)	Current Discount Rate (6.90%)	1% Increase (7.90%)
City's proportionate share of collective net pension liability	\$ 5,064,049	\$ 2,929,453	\$ 1,146,704

**Note 8: EMPLOYEE RETIREMENT PLAN (Continued)**

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued FRS CAFR for the fiscal year ended June 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the FRS prepared as of June 30, 2019. The auditor’s report dated January 3, 2020 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of June 30, 2019 along with supporting schedules is also available. The additional financial and actuarial information is available from [http://www.dms.myflorida.com/workforce\\_operations/retirement/](http://www.dms.myflorida.com/workforce_operations/retirement/) publications.

**Health Insurance Subsidy Program**

Chapter 112, Florida Statutes, established the HIS, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Contributions to the HIS plan are included in contributions to the Pension Plan noted above. The Pension Plan contributes 1.66% of each covered employee’s salary to the HIS Plan. The remainder is contributed to the Pension Plan, with the exception for 0.06% that is contributed to administrative expenses.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At September 30, 2019, the City reported a liability of \$652,694 for its proportionate share of the collective net pension liability. For the Health Insurance Subsidy program (“HIS Plan”), the net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The City’s proportion of the collective net pension liability was based on the employers’ shares of contributions to the HIS Plan relative to the total employer contributions of all participating employers. At June 30, 2019, the City’s proportion of the HIS Plan was 0.005833%, which was an increase of 0.000289% from its proportion measured as of June 30, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$18,963 for the HIS Plan. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7,928	\$ (799)
Changes of assumptions	75,576	(53,346)
Net difference between projected and actual earnings on pension plan investments	421	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,779	(21,432)
Employer contributions subsequent to the measurement date	8,238	-
<b>Total</b>	<b>\$ 122,942</b>	<b>\$ (75,577)</b>

**Note 8: EMPLOYEE RETIREMENT PLAN (Continued)**

\$8,238 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in the pension's expense as follows:

**Year Ended**  
**September 30,**

	\$	
2020		6,348
2021		6,348
2022		6,348
2023		6,243
2024		6,243
Thereafter		7,597

The total pension liability for the HIS Plan was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Investment rate of return*	3.50%
Projected salary increases	3.25%

\* Net of pension plan investment expense

Mortality rates were based on the Generational RP-2000 Mortality Table with Projected Scale BB.

The long-term expected rate of return for the HIS Plan investments was based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

*Discount rate.* The discount rate used to measure the total pension liability for the HIS Plan was 3.50%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion rate is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.50% for the HIS Plan as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.50%) or 1-percentage point higher (4.50%) than the current rate:

**City of Chipley**  
**Notes to Financial Statements**

**Note 8: EMPLOYEE RETIREMENT PLAN (Continued)**

	1% Decrease (2.50%)	Current Discount Rate (3.50%)	1% Increase (4.50%)
City's proportionate share of collective net pension liability	\$ 745,084	\$ 652,694	\$ 575,744

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS CAFR for the fiscal year ended June 30, 2019. The supporting actuarial information is included in the GASB Statement No. 68 Report for the FRS prepared as of June 30, 2018. The auditor's report dated January 3, 2020 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of June 30, 2019 along with supporting schedules is also available. The additional financial and actuarial information is available from [http://www.dms.myflorida.com/workforce\\_operations/retirement/](http://www.dms.myflorida.com/workforce_operations/retirement/) publications.

**Note 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

**Plan Description** - The City has previously established and maintains an employee group medical insurance plan that it makes available to eligible retirees in accordance with Section 112.081 of the Florida Statutes and City ordinance. The medical plan is a single-employer, experience rate insurance plan that provides medical benefits to eligible retirees and their eligible dependents. The post-retirement benefit portion of this benefit plan refers to the medical benefits applicable to current and future retirees and their eligible dependents used for the purpose of this valuation. The retirees pay the full group premium amount for health insurance with no explicit subsidy from the City.

**Funding Policy** - Contribution rates for the insurance are established on an annual basis. The retired employees reimburse the City for the actual premium cost, including the portion that previously would have been paid by the City during employment. Expenses for postretirement health care benefits are recognized as paid and there is no advance funding on the part of the City. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute toward the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an OPEB obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. OPEB liabilities are liquidated by the respective funds that are obligated for the related costs. For governmental activities, OPEB liabilities are generally liquidated by the general fund. For the year ended September 30, 2019, the City estimated it subsidized \$20,271 of medical costs for its retirees and their covered dependents.

**Note 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

As of September 30, 2019, no trust has been established and no assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4.

**Plan Membership** - The City currently determines the eligibility, benefit provisions and changes to those provisions applicable to retirees in accordance with applicable City ordinances, federal and state laws. At October 1, 2019, OPEB membership consisted of the following:

**Summary of Employer Census Data**

Number of active members	29
Number of retired and disabled members	1
Number of spouses receiving benefits	-

**Actuarial Assumptions and Other Inputs** - The total OPEB liability in the September 30, 2019 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Discount rate investment rate of return - 3.75%
- Health care cost trend rate - 5.00%
- Mortality rates - SOA RP-2014 Total Dataset Mortality Table

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and Plan members to that point.

In the October 1, 2018 actuarial valuation, the Individual Entry Age, Level Dollar Closed cost method was used. The actuarial assumptions included a healthcare cost trend level 5.00% for medical. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

At September 30, 2019, the City reported a total OPEB liability of \$66,825. The GASB 75 information has been provided as of the September 30, 2019 measurement date.

The discount rate used for this purpose was 3.75% and was based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**City of Chipley**  
**Notes to Financial Statements**

**Note 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

<i>September 30,</i>	<b>2019</b>
<b>Total OPEB liability - beginning</b>	\$ 176,397
Changes due to:	
Service costs	5,318
Interest	16,796
Differences between expected and actual experience	(112,265)
Changes in assumptions and methods	1,300
Benefit payments	(20,721)
Net changes in total OPEB liability	(109,572)
<b>Total OPEB liability - ending</b>	\$ 66,825

The City reported changes in assumptions since the prior measurement date. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2018. These calculations are based in the Individual Entry Age, Level Dollar Closed cost method required by GASBC P52.

**Sensitivity of the Net OPEB Liability** - The following presents the City's OPEB liability as if it were calculated using a discount rate that is one percentage point lower or higher than the current discount rate:

	<b>1% Decrease (2.75%)</b>	<b>Current Discount Rate (3.75%)</b>	<b>1% Increase (4.75%)</b>
Total OPEB Liability	\$ 58,760	\$ 66,825	\$ 76,429
	<b>1% Decrease (4.00%)</b>	<b>Healthcare Cost Trend Rate (5.00%)</b>	<b>1% Increase (6.00%)</b>
Total OPEB Liability	\$ 57,658	\$ 66,825	\$ 77,996

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 91,817	\$ (101,039)
Changes of assumptions	7,246	(15,485)
	\$ 99,063	\$ (116,524)

**City of Chipley**  
**Notes to Financial Statements**

**Note 9: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Plan will be recognized in the pension's expense as follows:

<b>Year Ended September 30,</b>	<b>Deferred Outflows of Resources</b>
2020	\$ (795)
2021	(795)
2022	(795)
2023	(795)
2024	(795)
Thereafter	(13,486)
<b>Total</b>	<b>\$ (17,461)</b>

**Note 10: NET POSITION AND FUND BALANCE**

Restricted net position is comprised of the following at September 30, 2019:

	<b>Governmental</b>	<b>Business-Type</b>
Restricted to capital improvements	\$ 664,124	\$ 175,375
Restricted to debt service	59,214	101,629
Restricted to economic development	360,710	-
	<b>\$ 1,084,048</b>	<b>\$ 277,004</b>

Governmental fund balance at September 30, 2019 is comprised of the following:

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>	<b>Other Government Funds</b>	<b>Total Governmental Funds</b>
Restricted				
Capital Improvements	\$ 664,124	\$ -	\$ -	\$ 664,124
Debt Service	-	-	59,214	59,214
Economic development	-	360,710	-	360,710
Committed:				
Cemetery	60,521	-	-	60,521
Volunteer Fire Department	-	-	13,505	13,505
Assigned:				
Recreation	19,423	-	-	19,423
Unassigned	738,998	-	-	738,998
	<b>\$ 1,483,066</b>	<b>\$ 360,710</b>	<b>\$ 72,719</b>	<b>\$ 1,916,495</b>



**Note 11: SUPPLEMENTAL CASH FLOW INFORMATION**

Interest expense incurred for business-type activities for the year ended September 30, 2019 was \$104,076, all of which was charged to non-operating expenses. Cash paid for interest was \$101,912 and there was \$1,267 of interest capitalized for the year ended September 30, 2019.

**Note 12: MAJOR SUPPLIER**

All natural gas sold by the natural gas fund is purchased from a single supplier, Florida Gas Utility. Purchases totaled \$180,607. Florida Gas Utility is currently the City's sole supplier of natural gas.

**Note 13: COMMITMENTS AND CONTINGENCIES**

**Litigation** - The City is involved in several litigations and claims arising in the ordinary course of operations. In the opinion of management, the range of potential recoveries or liabilities would not materially affect the financial position of the City at September 30, 2019. Accordingly, no accruals for loss contingency have been made in the accompanying financial statements.

**Grants** - Grant funds received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such reviews may result in requests for reimbursements due to disallowed expenditures. Based upon experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2019, there were no questioned or disallowed costs as a result of reviews by grantor agencies in process or completed.

**Construction Commitments** - The City had open contract commitments for improvements as of September 30, 2019 as follows:

Contract amounts	\$	4,232,855
Amount expended through September 30, 2019		2,480,610
<hr/>		
Remaining commitment on contract	\$	1,752,245
<hr/>		

**Note 14: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, worker's compensation claims, errors and omissions, and natural disasters for which the City carries commercial insurance. The City purchases commercial insurance for the risks of losses to which it is exposed. Policy limits and deductibles are reviewed annually by management and established at amounts to provide reasonable protection from significant financial loss. Settlements have not exceeded insurance coverage for any of the prior three fiscal years.

**Note 15: SUBSEQUENT EVENTS**

In March 2020, the World Health Organization made the assessment that the outbreak of a 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 operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration 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.

**City of Chipley**  
**Required Supplementary Information**  
**Schedule of Changes in OPEB Liability, Related Ratios, and Notes to Schedule**  
**September 30, 2019**

<i>September 30,</i>	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability - beginning</b>	\$ 176,397	\$ 170,973
Changes due to:		
Service costs	5,318	2,749
Interest	16,796	6,736
Differences between expected and actual experience	(112,265)	-
Changes in assumptions and methods	1,300	7,598
Benefit payments	(20,721)	(11,659)
<b>Net changes in total OPEB liability</b>	<b>(109,572)</b>	<b>5,424</b>
<b>Total OPEB liability - ending</b>	<b>\$ 66,825</b>	<b>\$ 176,397</b>
Covered-employee payroll for the measurement period	\$ 1,242,008	\$ 1,335,483
OPEB liability as a percentage of covered-employee payroll	5.38%	13.21%
Plan net fiduciary position as a percentage of total OPEB liability	0.00%	0.00%

(1) The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits other than Pensions*, in 2018. Information is not available for years prior to 2018. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

(2) The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

**Notes to OPEB Required Supplementary Information**

Actuarial cost method	Individual entry age
Amortization period	Level dollar, closed
Remaining amortization period	9 years
Asset valuation method	N/A
Medical inflation	5.00%
Investment return	3.75%
Retirement age	100% at normal retirement eligibility date
Mortality	SOA RP-2014 total dataset mortality table

**City of Chipley**  
**Required Supplementary Information**  
**Schedule of the Employer's Proportionate Share of the Net Pension Liability**  
**Florida Retirement System Pension Plan**  
**September 30, 2019**

<i>As of June 30,</i>	<b>2019(1)</b>	<b>2018(1)</b>	<b>2017(1)</b>	<b>2016(1)</b>	<b>2015(1)</b>
Employer's proportion of the net pension liability	0.008506%	0.008221%	0.008400%	0.008848%	0.008602%
Employer's proportionate share of the net pension liability	\$ 2,929,453	\$ 2,476,158	\$ 2,485,639	\$ 2,234,242	\$ 1,111,018
Covered payroll*	\$ 1,991,905	\$ 1,804,772	\$ 1,770,759	\$ 1,783,369	\$ 1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	147.07%	137.20%	140.37%	125.28%	62.37%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

\*Covered payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2019, the measurement period is the twelve month period beginning July 1, 2018.

**City of Chipley**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**  
**Florida Retirement System Pension Plan**  
**September 30, 2019**

<i>For the year ended September 30,</i>	<b>2019(1)</b>	<b>2018(1)</b>	<b>2017(1)</b>	<b>2016(1)</b>	<b>2015(1)</b>
Contractually required contribution**	\$ 261,467	\$ 242,646	\$ 261,073	\$ 220,909	\$ 205,049
Contributions in relation to the actuarially determined contribution	261,467	242,646	261,073	220,909	205,049
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll*	\$ 1,985,261	\$ 1,841,915	\$ 1,819,586	\$ 1,798,143	\$ 1,885,154
Contributions as a percentage of covered	13.17%	13.17%	14.35%	12.29%	10.88%

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

\*Employer's covered payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll). For fiscal year 2019, the period is October 1, 2018 through September 30, 2019.

\*\*The amount of contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year.

**Required Supplementary Information**  
**Schedule of the Employer's Proportionate Share of the Net Pension Liability**  
**Health Insurance Subsidy Program**  
**September 30, 2019**

<i>As of June 30,</i>	<b>2019 (1)</b>	<b>2018 (1)</b>	<b>2017(1)</b>	<b>2016(1)</b>	<b>2015(1)</b>
Employer's proportion of the net pension liability	0.005833%	0.005544%	0.005521%	0.005790%	0.005865%
Employer's proportionate share of the net pension liability	\$ 652,694	\$ 586,772	\$ 590,320	\$ 674,775	\$ 598,119
Covered payroll*	\$ 1,991,905	\$ 1,804,772	\$ 1,770,759	\$ 1,783,369	\$ 1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	32.77%	32.51%	33.34%	37.84%	33.58%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

\*Covered payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2019, the measurement period is the twelve month period beginning July 1, 2018.

**Required Supplementary Information  
Schedule of Employer Contributions  
Health Insurance Subsidy Program  
September 30, 2019**

<i>For the year ended September 30,</i>	<b>2019(1)</b>	<b>2018(1)</b>	<b>2017(1)</b>	<b>2016(1)</b>	<b>2015(1)</b>
Contractually required contribution**	\$ 32,331	\$ 30,519	\$ 30,205	\$ 29,849	\$ 31,294
Contributions in relation to the actuarially determined contribution	32,331	30,519	30,205	29,849	31,294
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll*	\$ 1,985,261	\$ 1,841,915	\$ 1,819,586	\$ 1,798,143	\$ 1,885,154
Contributions as a percentage of covered payroll	1.63%	1.66%	1.66%	1.66%	1.66%

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

\*Covered payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll). For fiscal year 2019, the period is October 1, 2018 through September 30, 2019.

\*\*The amount contractually required contributions is equal to the amount that would be recognized as additions from the employer's contributions in the pension plan's schedule of changes in fiduciary net position during the period that coincides with the employer's fiscal year.

**City of Chipley**  
**Notes to Required Supplementary Information**  
**September 30, 2019**

**Note 1: FLORIDA RETIREMENT SYSTEMS (FRS)**

The following actuarial assumptions changed in 2019:

- The long-term expected rate of return was decreased from 7.00% to 6.90%, and the active member mortality assumption was updated.
- The economic and demographic experience study as of June 30, 2013 was updated as of June 30, 2018.

**Note 2: HEALTH INSURANCE SUBSIDY PROGRAM (HIS)**

The following actuarial assumptions changed in 2019:

The municipal rate used to determine total pension liability was decreased from 3.87% to 3.50%

**Note 3: OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB)**

The following actuarial assumptions changed in 2019:

The municipal rate used to determine total pension liability was decreased from 3.90% to 3.75%





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

Honorable Mayor and Members of  
the City Council  
City of Chipley, 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 City of Chipley, Florida (the "City"), which comprise the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2020.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant* 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 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 consider 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's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## 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.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 20, 2020



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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT  
INVESTMENT POLICIES**

Honorable Mayor and Members of  
the City Council  
City of Chipley, Florida

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

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

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019.

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 20, 2020



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

Honorable Mayor and Members  
of the City Council  
City of Chipley, Florida

***Report on Compliance for Each Major Federal Program***

We have audited the City of Chipley, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs 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 statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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; 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). Those standards and the Uniform Guidance 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 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. However, our audit does not provide a legal determination of the City's compliance.

### ***Opinion on Each Major Federal Program***

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 for the year ended September 30, 2019.

### ***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 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 to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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 on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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. Accordingly, this report is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 20, 2020

**City of Chipley**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2019**

Federal Agency Pass-Through Entity Federal Program	CFDA	Grant I.D. Number	Passed Through to Subrecipients	Expenditures
<b>U.S. Department of Transportation</b>				
Pass-through Florida Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	436993-1-58-01	\$ -	\$ 111,626
<b>Environmental Protection Agency</b>				
Pass-through Florida Department of Environmental Protection				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW670110	-	2,342,122
<b>U.S. Department of Homeland Security</b>				
Pass-through Florida Department of Emergency Management				
Disaster Grants - Public Assistance	97.036	Z0890	-	473,845
<b>U.S. Department of Agriculture</b>				
Pass-through Florida Department of Agriculture and Consumer Services				
Cooperative Forestry Assistance	10.664		-	2,235
<b>U.S. Department of Housing and Urban Development</b>				
Pass-through Florida Department of Economic Opportunity				
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii				
	14.228	19DB-ON-02-77-02-N12	-	8,064
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607	N/A	-	497
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2019-JAGD-WASH-1-N3-007	-	1,240
Equitable Sharing Program	16.922	N/A	-	4,200
Department total			-	5,937
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 2,943,829

See independent auditors' report and accompanying notes to the Schedule of Expenditures of Federal Awards

**City of Chipley**  
**Notes to Schedule of Expenditures of**  
**Federal Awards**  
**For the Year Ended September 30, 2019**

**Note 1: BASIS OF ACCOUNTING**

This Schedule of Expenditures of Federal Awards (the Schedule) was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the City's grants.

**Note 2: INDIRECT COST**

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

**Note 3: BASIS OF PRESENTATION**

The accompanying Schedule summarizes the federal expenditures of the City under programs of the federal government for the year ended September 30, 2019. The amounts reported as federal expenditures were obtained from the City's general ledger. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets and cash flows of the City.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass through entities. Payment received for goods or services provided as a vendor do not constitute federal awards for purposes of the Schedule. The City has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the Schedule. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Two clusters were identified in the Schedule and are the following:

**Clean Water State Revolving Fund** - The cluster includes loans and other types of financial assistance to qualified cities for clean water projects.

**Highway Planning and Construction Cluster** - The cluster includes awards that assist states with planning, constructing, and preserving the highway system.

**City of Chipley**  
**Notes to Schedule of Expenditures of**  
**Federal Awards**  
**For the Year Ended September 30, 2019**

**Note 4: FEDERAL PASS-THROUGH FUNDS**

The City is also a sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as “pass-through” are considered direct.

**Note 5: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agencies and the Schedule may differ. Some of the factors that may account for any difference include the following:

- The City’s fiscal year end may differ from the program’s year end.
- Accruals recognized in the Schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the City’s financial statements and as expenditures in the program financial reports and the Schedule.

**Note 6: 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 disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2019, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**Note 7: SUBRECIPIENTS**

The City did not provide federal funds to subrecipients for the fiscal year ended September 30, 2019.

**Note 8: NONCASH ASSISTANCE**

The City did not receive any federal noncash assistance for the fiscal year ended September 30, 2019.

**Note 9: LOANS AND LOAN GUARANTEES**

The City did not have any loans or loan guarantee programs required to be reported on the Schedule for the fiscal year ended September 30, 2019.



**City of Chipley**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2019**

**Section I: Summary of Auditors' Results**

***Financial Statements***

1. Type of auditors' 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 auditors' 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**

66.458	Clean Water State Revolving Fund Cluster Capitalization Grants for Clean Water State Revolving Funds
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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	No

**Section II: Financial Statements Findings**

No such findings noted.

**Section III: Federal Award Findings and Questioned Costs**

No such findings noted.



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## **MANAGEMENT LETTER**

Honorable Mayor and  
Members of the City Council  
City of Chipley, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the City of Chipley, Florida (the "City") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated June 20, 2020.

### **Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 20, 2020, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.554(1)(i)1, Rules of the Auditor General, requires that we determine whether or not 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 financial audit report.

## **Financial Condition**

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. 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 address in the management letter 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 that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

## **Purpose of this Letter**

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

June 20, 2020