

CITY OF CHATTAHOOCHEE, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**CITY OF CHATTAHOOCHEE, FLORIDA
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council,
City of Chattahoochee, Florida:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on the General Fund; and (2) qualified audit opinion on the governmental activities, business-type activities, and Utility Fund.

Basis for Qualified Opinion on the Governmental Activities, Business-type Activities, and Utility Fund

As discussed in Note III. C. to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities, business-type activities, and the Utility Fund.

In addition, as discussed in Note III. D. to the financial statements, the City has not implemented the provisions of Statement No. 67 *Financial Reporting for Pension Plans* and Statement No. 68 *Accounting and Financial Reporting for Pensions*, for its Municipal Firefighters' Pension Trust Fund. Accounting principles generally accepted in the United States of America require recording of an obligation for the net pension liability, and any associated deferred inflow and outflow related to the pension fund. This would increase liabilities, increase deferred inflows and outflows, decrease net position, and change the expenses in the governmental activities.

The amounts by which these departures would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses of the governmental activities, business-type activities, and Utility Fund has not been determined.

Qualified Opinion on the Governmental Activities, Business-type Activities, and Utility Fund

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities, and Utility Fund, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, and Utility Fund of the City as of September 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund for the City, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Management has omitted the Firefighters' Pension and other postemployment benefit information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

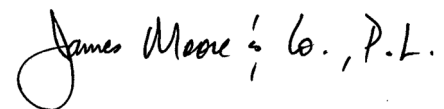
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Chattahoochee, Florida's basic financial statements. The accompanying supplementary information and the Schedule of Expenditures of Federal Awards and State Projects, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550 Rules of the Auditor General, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and State Projects 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 accompanying supplementary information and the Schedule of Expenditures of Federal Awards and State Projects are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2021, on our consideration of City of Chattahoochee, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Chattahoochee, Florida's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
June 22, 2021

**CITY OF CHATTAHOOCHEE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Chattahoochee, Florida that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Chattahoochee, Florida include general government, public safety, transportation, physical environment, intergovernmental services, and culture and recreation. The business-type activities of the City of Chattahoochee, Florida include a water, sewer, electric, and gas operation.

The government-wide financial statements can be found on pages 11 – 12 of this report.

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

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

**CITY OF CHATTAHOOCHEE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

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

The City of Chattahoochee, Florida maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be a major fund.

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

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 17 – 19 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Chattahoochee, Florida's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20 – 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22– 43 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Chattahoochee, Florida's budgetary and pension information. Required supplementary information can be found on pages 45 – 48 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Chattahoochee, Florida, assets and deferred outflows exceeded liabilities and deferred inflows by \$8,758,100 at the close of the most recent fiscal year.

**CITY OF CHATTAHOOCHEE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Government-wide Financial Analysis (Continued)

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

City of Chattahoochee, Florida's Net Position

	2020		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 623,729	\$ 5,164,718	\$ 5,788,447
Capital assets	3,920,689	6,910,017	10,830,706
Total assets	<u>4,544,418</u>	<u>12,074,735</u>	<u>16,619,153</u>
Deferred outflows	<u>771,431</u>	<u>229,344</u>	<u>1,000,775</u>
Long-term liabilities outstanding	564,538	3,987,649	4,552,187
Net pension liability	2,298,918	683,462	2,982,380
Other liabilities	447,155	721,952	1,169,107
Total liabilities	<u>3,310,611</u>	<u>5,393,063</u>	<u>8,703,674</u>
Deferred inflows	<u>121,910</u>	<u>36,244</u>	<u>158,154</u>
Net position:			
Net investment in capital assets	3,419,103	5,968,630	9,387,733
Restricted	14,536	-	14,536
Unrestricted	<u>(1,550,311)</u>	<u>906,142</u>	<u>(644,169)</u>
Total net position	<u>\$ 1,883,328</u>	<u>\$ 6,874,772</u>	<u>\$ 8,758,100</u>
	2019		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 780,227	\$ 9,596,895	\$ 10,377,122
Capital assets	3,380,409	7,128,145	10,508,554
Total assets	<u>4,160,636</u>	<u>16,725,040</u>	<u>20,885,676</u>
Deferred outflows	<u>756,171</u>	<u>224,808</u>	<u>980,979</u>
Long-term liabilities outstanding	617,862	7,966,634	8,584,496
Net pension liability	1,959,640	582,596	2,542,236
Other liabilities	284,458	727,205	1,011,663
Total liabilities	<u>2,861,960</u>	<u>9,276,435</u>	<u>12,138,395</u>
Deferred inflows	<u>186,194</u>	<u>55,355</u>	<u>241,549</u>
Net position:			
Net investment in capital assets	2,817,657	6,205,955	9,023,612
Restricted	13,454	-	13,454
Unrestricted	<u>(962,458)</u>	<u>1,412,103</u>	<u>449,645</u>
Total net position	<u>\$ 1,868,653</u>	<u>\$ 7,618,058</u>	<u>\$ 9,486,711</u>

**CITY OF CHATTAHOOCHEE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

An additional portion of the City of Chattahoochee, Florida's net position (1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net deficit*, \$(644,169), may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Chattahoochee, Florida is able to report a positive balance in net position for its business-type activities.

Governmental activities Governmental activities increased the City of Chattahoochee, Florida's net position by \$14,675.

Key element of this increase are as follows:

- The City received miscellaneous unanticipated income of \$24,565, approximately \$14,675 of which was unspent at year end.

City of Chattahoochee, Florida's Changes in Net Position

	2020		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 591,411	\$ 4,506,908	\$ 5,098,319
Operating grants and contributions	2,937	-	2,937
Capital grants and contributions	926,781	341,550	1,268,331
General revenues:			
Property taxes	28,500	-	28,500
Sales and use taxes	241,036	-	241,036
Intergovernmental and other	299,251	168,689	467,940
Transfers	1,716,101	(1,716,101)	-
Total revenues	<u>3,806,017</u>	<u>3,301,046</u>	<u>7,107,063</u>
Expenses:			
General government	737,586	-	737,586
Public Safety	1,094,453	-	1,094,453
Physical environment	59,310	-	59,310
Transportation	1,599,762	-	1,599,762
Culture and recreation	300,231	-	300,231
Electric, gas, water & sewer	-	4,044,332	4,044,332
Total expenses	<u>3,791,342</u>	<u>4,044,332</u>	<u>7,835,674</u>
Change in net position	14,675	(743,286)	(728,611)
Net position , beginning of year	<u>1,868,653</u>	<u>7,618,058</u>	<u>9,486,711</u>
Net position , end of year	<u>\$ 1,883,328</u>	<u>\$ 6,874,772</u>	<u>\$ 8,758,100</u>

**CITY OF CHATTAHOOCHEE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

City of Chattahoochee, Florida's Changes in Net Position (Continued)

	2019		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 599,247	\$ 4,688,177	\$ 5,287,424
Operating grants and contributions	239,181	2,482,140	2,721,321
Capital grants and contributions	28,247	713,692	741,939
General revenues:			
Property taxes	28,439	-	28,439
Sales and use taxes	257,196	-	257,196
Intergovernmental and other	327,841	775,119	1,102,960
Transfers	1,854,594	(1,854,594)	-
Total revenues	<u>3,334,745</u>	<u>6,804,534</u>	<u>10,139,279</u>
Expenses:			
General government	747,865	-	747,865
Public safety	926,446	-	926,446
Physical environment	72,061	-	72,061
Transportation	1,147,556	-	1,147,556
Culture and recreation	286,938	-	286,938
Electric, gas, water & sewer	-	4,958,874	4,958,874
Total expenses	<u>3,180,866</u>	<u>4,958,874</u>	<u>8,139,740</u>
Change in net position	153,879	1,845,660	1,999,539
Net position, beginning of year	1,714,774	5,772,398	7,487,172
Net position, end of year	<u>\$ 1,868,653</u>	<u>\$ 7,618,058</u>	<u>\$ 9,486,711</u>

Business-type activities Business-type activities decreased the City of Chattahoochee, Florida's net position by \$743,286.

Key element of this decrease are as follows:

- The City transfers funds to the General Fund to support the general government of the City which resulted in business-type activities by \$743,286.

**CITY OF CHATTAHOOCHEE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Chattahoochee, Florida's governmental fund reported ending fund balance of \$176,574, an decrease of \$319,195 in comparison with the prior year. Of this total amount, \$147,599 constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Chattahoochee, Florida. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$147,599 and \$176,574, respectively. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 4 percent of total general fund expenditures.

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

Unrestricted net position of the Utility fund at the end of the year amounted to \$906,142. The total decrease in net position for the fund was \$743,286. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Chattahoochee, Florida's business-type activities.

General Fund Budgetary Highlights

The City had no amendments to the budget during the 2020 fiscal year. Variances in the budget and actual resulted mainly from not budgeting for potential grant expenses and revenues.

Capital Asset and Debt Administration

Capital assets The City of Chattahoochee, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2020, amounts to \$10,830,706 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads.

Additional information on the City of Chattahoochee, Florida's capital assets can be found in Note II. C. on pages 30-31 of this report.

Long-term debt - At the end of the current fiscal year, the City of Chattahoochee, Florida had debt outstanding of \$4,442,973.

**CITY OF CHATTAHOOCHEE, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020**

City of Chattahoochee, Florida's Long-term Outstanding Debt

	2020		
	Governmental activities	Business-type activities	Total
Revenue bond	\$ -	\$ 856,000	\$ 856,000
State revolving fund loan	-	85,387	85,387
Note payable	501,586	3,000,000	3,501,586
Total	\$ 501,586	\$ 3,941,387	\$ 4,442,973
	2019		
	Governmental activities	Business-type activities	Total
Revenue bond	\$ -	\$ 876,000	\$ 876,000
State revolving fund loan	-	46,190	46,190
Note payable	562,752	7,000,000	7,562,752
Total	\$ 562,752	\$ 7,922,190	\$ 8,484,942

Additional information on the City of Chattahoochee, Florida's long-term debt can be found in note II.E on pages 32 - 35 of this report.

Economic Factors and Next Year's Budgets and Rates

In fiscal year 2019-2020, the World experienced the COVID-19 Pandemic and resulted in a world-wide quarantine, a "shelter in place" policy. As a result, the world's economy was severely affected and according to one economist "the economic shock is three times worse than the 2008 financial crisis". This economic crisis has been like no other in modern history. Economists are hopeful that the worst has already happened and the economy will continue to improve. State and Federal agencies are continuing to support state and local governments in response to the reduction in revenues as a result of the COVID-19 pandemic. In preparation for next year's budget, management has taken a conservative status quo approach and maintained spending at fiscal year 2019-2020 levels and seek alternative sources of cheaper power supply.

Requests for Information

This financial report is designed to provide a general overview of the City of Chattahoochee, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rhonda Woodward, City Clerk, P.O. Box 188, Chattahoochee, Florida 32324.

CITY OF CHATTAHOOCHEE, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 124,167	\$ 1,683,476	\$ 1,807,643
Certificates of deposit	258,898	123,263	382,161
Receivables, net	20,018	693,744	713,762
Investments	-	1,973,557	1,973,557
Due from other governments	132,626	237,219	369,845
Interfund balances	59,045	(59,045)	-
Inventory	-	44,174	44,174
Prepaid items	14,439	7,211	21,650
Restricted assets:			
Cash and cash equivalents	14,536	461,119	475,655
Capital assets, not being depreciated	1,056,075	47,377	1,103,452
Capital assets, being depreciated, net	2,864,614	6,862,640	9,727,254
Total assets	<u>\$ 4,544,418</u>	<u>\$ 12,074,735</u>	<u>\$ 16,619,153</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 771,431</u>	<u>\$ 229,344</u>	<u>\$ 1,000,775</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 215,630	\$ 400,453	\$ 616,083
Customer deposits	-	321,499	321,499
Deferred revenue	231,525	-	231,525
Noncurrent liabilities			
Due within one year	82,394	115,639	198,033
Due in more than one year	482,144	3,872,010	4,354,154
Net pension liability	2,298,918	683,462	2,982,380
Total liabilities	<u>\$ 3,310,611</u>	<u>\$ 5,393,063</u>	<u>\$ 8,703,674</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 121,910</u>	<u>\$ 36,244</u>	<u>\$ 158,154</u>
NET POSITION			
Net investment in capital assets	\$ 3,419,103	5,968,630	\$ 9,387,733
Restricted			
Gadsden County Senior Citizens Council	14,536	-	14,536
Unrestricted	(1,550,311)	906,142	(644,169)
Total net position	<u>\$ 1,883,328</u>	<u>\$ 6,874,772</u>	<u>\$ 8,758,100</u>

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

**CITY OF CHATTAHOOCHEE, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities:							
General government	\$ 737,586	\$ 339,344	\$ -	\$ -	\$ (398,242)	\$ -	\$ (398,242)
Public safety	1,094,453	70,439	-	468,055	(555,959)	-	(555,959)
Physical environment	59,310	5,962	-	-	(53,348)	-	(53,348)
Transportation	1,599,762	175,666	-	-	(1,424,096)	-	(1,424,096)
Culture and recreation	300,231	-	2,937	458,726	161,432	-	161,432
Total governmental activities	<u>3,791,342</u>	<u>591,411</u>	<u>2,937</u>	<u>926,781</u>	<u>(2,270,213)</u>	<u>-</u>	<u>(2,270,213)</u>
Business-type activities:							
Electric	3,212,556	3,719,486	-	-	-	506,930	506,930
Gas	234,103	173,935	-	-	-	(60,168)	(60,168)
Water	205,188	219,359	-	341,550	-	355,721	355,721
Sewer	392,485	394,128	-	-	-	1,643	1,643
Total business-type activities	<u>4,044,332</u>	<u>4,506,908</u>	<u>-</u>	<u>341,550</u>	<u>-</u>	<u>804,126</u>	<u>804,126</u>
Total government	<u>\$ 7,835,674</u>	<u>\$ 5,098,319</u>	<u>\$ 2,937</u>	<u>\$ 1,268,331</u>	<u>(2,270,213)</u>	<u>804,126</u>	<u>(1,466,087)</u>
			General revenues:				
			Property taxes		28,500	-	28,500
			Sales and use taxes		241,036	-	241,036
			Communications service tax		59,450	-	59,450
			Intergovernmental revenue		167,754	-	167,754
			Miscellaneous		67,650	106,446	174,096
			Unrestricted investment earnings		4,397	62,243	66,640
			Total general revenues		<u>568,787</u>	<u>168,689</u>	<u>737,476</u>
			Transfers		1,716,101	(1,716,101)	-
			Total general revenues and transfers		<u>2,284,888</u>	<u>(1,547,412)</u>	<u>737,476</u>
			Change in net position		<u>14,675</u>	<u>(743,286)</u>	<u>(728,611)</u>
			Net position, beginning of year		1,868,653	7,618,058	9,486,711
			Net position, end of year		<u>\$ 1,883,328</u>	<u>\$ 6,874,772</u>	<u>\$ 8,758,100</u>

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

**CITY OF CHATTAHOOCHEE, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2020**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 124,167
Certificates of deposit	258,898
Receivables, net	20,018
Due from other governments	132,626
Due from other funds	59,045
Prepaid items	14,439
Restricted assets:	
Cash and cash equivalents	14,536
Total Assets	<u><u>\$ 623,729</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 215,630
Deferred revenue	231,525
Total liabilities	<u>447,155</u>
FUND BALANCE	
Nonspendable	
Prepaid items	14,439
Restricted	
Gadsden County Senior Citizens Council	14,536
Unassigned	147,599
Total fund balance	<u>176,574</u>
Total Liabilities and Fund Balance	<u><u>\$ 623,729</u></u>

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

CITY OF CHATTAHOOCHEE, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Fund balances - total governmental funds \$ 176,574

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets not being depreciated	1,056,075	
Capital assets being depreciated	5,341,815	
Accumulated depreciation	<u>(2,477,201)</u>	3,920,689

Net pension liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds:

Deferred outflows	771,431	
Net pension liability	(2,298,918)	
Deferred inflows	<u>(121,910)</u>	(1,649,397)

Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds:

Note payable	(501,586)	
Compensated absences	<u>(62,952)</u>	(564,538)

Net position of governmental activities \$ 1,883,328

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

CITY OF CHATTAHOOCHEE, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund
Revenues	
Taxes, licenses and permits	\$ 424,696
Intergovernmental	219,879
Charges for services	416,935
Grants	926,781
Miscellaneous	101,625
Total revenues	2,089,916
Expenditures	
Current:	
General government	469,230
Public safety	1,320,424
Physical environment	136,273
Transportation	1,472,599
Culture and recreation	633,231
Debt service:	
Principal	61,166
Interest	32,289
Total expenditures	4,125,212
Deficiency of revenues under expenditures	(2,035,296)
Other Financing Sources	
Transfer in	1,716,101
Change in fund balance	(319,195)
Fund balance, beginning of year	495,769
Fund balance, end of year	\$ 176,574

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

**CITY OF CHATTAHOOCHEE, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net change in fund balance - governmental fund \$ (319,195)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Loss on disposal of assets	(2,588)	
Depreciation expense	(271,472)	
Capital outlay	814,340	540,280

Net pension liability expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in:

Net pension liability	(339,278)	
Deferred outflows related to pensions	15,260	
Deferred inflows related to pensions	64,284	(259,734)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

61,166

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences and other		(7,842)
--------------------------------	--	---------

Change in net position of governmental activities \$ 14,675

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

**CITY OF CHATTAHOOCHEE, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2020**

	<u>Enterprise - Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,683,476
Certificate of deposit	123,263
Investments	1,973,557
Receivables, net of allowance for uncollectible accounts	693,744
Due from other governments	237,219
Prepaid items	7,211
Inventory	44,174
Restricted assets:	
Cash and cash equivalents	461,119
Total current assets	<u>5,223,763</u>
Noncurrent assets:	
Capital assets, not being depreciated	47,377
Capital assets, net of accumulated depreciation	6,862,640
Total noncurrent assets	<u>6,910,017</u>
Total assets	<u><u>\$ 12,133,780</u></u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u><u>\$ 229,344</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 400,174
Current portion of revenue bonds and notes payable	106,666
Compensated absences, current portion	9,252
Due to other funds	59,045
Payable from restricted assets:	
Customer deposits	321,499
Total current liabilities	<u>896,636</u>
Noncurrent liabilities:	
Net pension liability	683,462
Revenue bonds and notes payable, long-term portion	3,835,000
Compensated absences, long term	37,010
Total noncurrent liabilities	<u>4,555,472</u>
Total liabilities	<u><u>\$ 5,452,108</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u><u>\$ 36,244</u></u>
NET POSITION	
Net investment in capital assets	\$ 5,968,630
Unrestricted	906,142
Total net position	<u><u>\$ 6,874,772</u></u>

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

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

	Enterprise - Utility Fund
Operating revenues	
Charges for services	\$ 4,506,908
Penalties	62,108
Miscellaneous	44,338
Total operating revenues	4,613,354
Operating expenses	
Personnel services	817,688
Materials, supplies and other	2,625,625
Depreciation	312,153
Total operating expenses	3,755,466
Operating income	857,888
Nonoperating revenues (expenses)	
Interest income	62,243
Capital grant	341,550
Interest expense	(288,866)
Total nonoperating revenues (expenses)	114,927
Income before transfers	972,815
Transfers out	(1,716,101)
Change in net position	(743,286)
Total net position, beginning of year	7,618,058
Total net position, end of year	\$ 6,874,772

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

CITY OF CHATTAHOOCHEE, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Enterprise Utility Fund</u>
Cash flows from operating activities	
Cash received from customers and others	\$ 7,335,705
Cash paid to suppliers	(2,590,111)
Cash paid to employees	(738,651)
Net cash provided by operating activities	<u>4,006,943</u>
Cash flows from noncapital financing activities	
Transfer to other funds	(1,716,101)
Interfund loans	29,991
Net cash used in noncapital financing activities	<u>(1,686,110)</u>
Cash flows from investing activities	
Changes in certificate of deposits, net	868,829
Sales of investments	2,096,126
Interest revenues	62,243
Net cash provided by investing activities	<u>3,027,198</u>
Cash flows from capital and related financing activities	
Acquisitions and construction of capital assets	(94,025)
Capital contributions from grant	341,550
Proceeds from debt	85,387
Principal payments on long-term debts	(4,066,190)
Interest paid	(288,866)
Net cash used in capital and related financing activities	<u>(4,022,144)</u>
Net change in cash and cash equivalents	<u>1,325,887</u>
Cash and cash equivalents, beginning of year	818,708
Cash and cash equivalents, end of year	<u><u>\$ 2,144,595</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 857,888
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	312,153
Changes in asset and liabilities:	
Accounts receivable	343,429
Due from other government	2,378,922
Inventory	41,333
Prepays	(566)
Accounts payable and accrued expenses	(12,934)
Customer deposits	7,681
Compensated absences	1,818
Net pension liability	100,866
Deferred outflows	(4,536)
Deferred inflows	(19,111)
Total adjustments	<u>3,149,055</u>
Net cash provided by operating activities	<u><u>\$ 4,006,943</u></u>
Cash and cash equivalents classified as:	
Unrestricted	\$ 1,683,476
Restricted	461,119
	<u><u>\$ 2,144,595</u></u>

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

**CITY OF CHATTAHOOCHEE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2020**

	Firefighters' Pension Plan Trust Fund	Rosedale Agency Fund
Assets		
Cash and cash equivalents	\$ 141,748	\$ -
Certificates of deposit	350,351	-
Accounts receivable	-	6,371
Total assets	492,099	6,371
Liabilities		
Accounts payable and accrued expenses	-	6,371
Total liabilities	-	6,371
Net Position		
Restricted for pensions	\$ 492,099	\$ -

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

CITY OF CHATTAHOOCHEE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Firefighters' Pension Plan Trust Fund</u>
Additions	
Contributions	
State of Florida and City	\$ 58,141
Plan members	3,248
Total contributions	<u>61,389</u>
Investment earnings	
Interest	5,081
Total additions	<u>66,470</u>
Deductions	
Benefit payments	20,874
Change in net position	<u>45,596</u>
Net position restricted for pensions, beginning of year	446,503
Net position restricted for pensions, end of year	<u><u>\$ 492,099</u></u>

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

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies:

A. Reporting entity

City of Chattahoochee, Florida (the “City”) is a municipal corporation operating under the council-manager form of government and provides the following services: public safety, transportation, sanitation, culture and recreation, and general administration services. Other public utility services include electric, gas, water, and sewer.

Chattahoochee Main Street, Inc. (Organization) is operated by a separate nonprofit corporation. The Organization was approved in 2014 as a participant in the Florida Main Street Program. No City officials serve on the board and the organization is not fiscally dependent on the City. Furthermore, while the Organization is a tax-exempt organization and the economic resources are almost entirely for the benefit of the City constituents, the City does not have the ability to otherwise access or control the resources received by the Organization. As such, the Organization is not considered a component unit of the City.

B. Description of government wide financial statements

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

C. Basis of presentation - government-wide financial statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of presentation – fund financial statements

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

The City reports the following major governmental fund:

The *general fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

The City reports the following major proprietary fund:

The *enterprise – utility fund* accounts for the activities of the government’s electric distribution operations, gas distribution operations, water collection operations, and sanitation operations.

Additionally, the City reports the following fiduciary funds:

The *Firefighters’ Pension Plan Trust Fund* accounts for the assets, contributions, and benefit payments to plan members.

The *Rosedale Agency Fund* accounts for the collection of water utility charges for service and the remittance of these funds collected for the Rosedale Water Association, Inc., a Florida not-for-profit corporation, that owns and operates a water distribution system within the unincorporated area of Gadsden County, Florida, contiguous with the City.

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

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

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

E. **Measurement focus and basis of accounting** (Continued)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due.

General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. **Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies: (Continued)

G. Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance

1. *Deposits*

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

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

2. *Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Buildings	39
Public domain infrastructure	30 – 50
System infrastructure	7 – 50
Vehicles and other equipment	3 – 10
Office equipment	5
Computer equipment	5

3. *Use of Estimates*

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

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies: (Continued)

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

4. *Long-term Obligations*

In the government-wide financial statements, and for 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.

5. *Net position flow assumption*

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

6. *Fund balance flow assumptions*

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

7. *Fund balance policies*

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

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

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies: (Continued)

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

7. *Fund balance policies* (Continued)

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

8. *Deferred outflows/inflows of resources*

In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (III b).

9. *Pensions*

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

10. *Certificates of deposit*

Certificates of deposit are held locally in commercial banks with maturity dates greater than three months of date acquired by the City.

H. Revenues and expenditures/expenses

1. *Program revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

H. **Revenues and expenditures/expenses** (Continued)

2. ***Property taxes***

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

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

3. ***Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and partial sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the electric, gas, water, and sewer fund are charges to customers for sales and services. The water fund, sewer fund and sanitation fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses.

5. ***Deferred FEMA expenditures***

The City incurred substantial costs related to Hurricane Michael during the year ended September 30, 2019. Per the OMB Compliance Supplement, any reimbursements from the Federal Emergency Management Agency (FEMA) under CFDA 97.036 are not to be recognized as expenditures for purposes of the Schedule of Expenditures of Federal Awards until the respective Project Worksheets (PW) have been approved. At September 30, 2020, majority of the City's PWs from these storms had been approved by FEMA. As a result, there are \$2,422,763 of expenditures and the related revenues which have been recorded for financial statement purposes during the prior year and recognized on the Schedule of Expenditures of Federal Awards in the current year.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

II. Detailed Notes on All Funds:

A. Deposits and Investments

Custodial credit risk—deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned. The bank balances are covered by Federal depository insurance or by collateral held by the City’s custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

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

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

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

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

Interest Rate Risk: The City manages its exposure to declines in fair values of investments by investing operating funds primarily in shorter-term securities, Florida State Board of Administration Florida PRIME. Florida PRIME invests exclusively in short-term, high-quality fixed income securities rated in the highest short-term rating category and sets to maintain a weighted average maturity of 48 days or less, reducing risk of changes in interest rates.

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

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

II. Detailed Notes on All Funds: (Continued)

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

	Fair Value
Florida PRIME	\$ 1,973,557

B. Receivables

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

	General	Utility	Total
Accounts receivable	\$ 20,018	\$ 693,744	\$ 713,762
Due from other government	132,626	237,219	369,845
Gross receivables	152,644	930,963	1,083,607
Less: Allowance for uncollectible	-	-	-
Net total receivables	\$ 152,644	\$ 930,963	\$ 1,083,607

C. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 632,537	\$ -	\$ -	\$ 632,537
Construction in progress	220,009	426,126	(222,597)	423,538
Total capital assets, not being depreciated	852,546	426,126	(222,597)	1,056,075
Capital assets, being depreciated:				
Buildings and improvements	1,896,865	-	-	1,896,865
Infrastructure	1,807,563	222,597	-	2,030,160
Equipment, furniture, fixtures and vehicles	1,072,512	388,214	(45,936)	1,414,790
Total capital assets, being depreciated	4,776,940	610,811	(45,936)	5,341,815
Less accumulated depreciation for:				
Building and improvements, equipment, furniture, fixtures, vehicles and infrastructure	(2,249,077)	(271,472)	43,348	(2,477,201)
Total accumulated depreciation	(2,249,077)	(271,472)	43,348	(2,477,201)
Total capital assets, being depreciated, net	2,527,863	339,339	(2,588)	2,864,614
Capital assets, net	\$ 3,380,409	\$ 765,465	\$ (225,185)	\$ 3,920,689

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

C. **Capital assets** (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 47,377	\$ -	\$ -	\$ 47,377
Total capital assets, not being depreciated	<u>47,377</u>	<u>-</u>	<u>-</u>	<u>47,377</u>
Capital assets, being depreciated:				
Buildings, utility systems, and improvements	12,072,664	-	-	12,072,664
Machinery and equipment	865,487	94,025	-	959,512
Total capital assets, being depreciated	<u>12,938,151</u>	<u>94,025</u>	<u>-</u>	<u>13,032,176</u>
Less accumulated depreciation for:				
Buildings, utility systems, and improvements				
machinery and equipment	<u>(5,857,383)</u>	<u>(312,153)</u>	<u>-</u>	<u>(6,169,536)</u>
Total accumulated depreciation	<u>(5,857,383)</u>	<u>(312,153)</u>	<u>-</u>	<u>(6,169,536)</u>
Total capital assets, being depreciated, net	<u>7,080,768</u>	<u>(218,128)</u>	<u>-</u>	<u>6,862,640</u>
Capital assets, net	<u>\$ 7,128,145</u>	<u>\$ (218,128)</u>	<u>\$ -</u>	<u>\$ 6,910,017</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 4,720
Public safety	79,204
Transportation	94,874
Culture and recreation	92,674
Total	<u>\$ 271,472</u>
Business-type activities:	
Electric	\$ 126,840
Gas	14,855
Sewer	134,657
Water	35,801
Total	<u>\$ 312,153</u>

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

D. **Transfers to/from other Funds**

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

Transfers are used to move revenues between funds to reflect operating activities of the fund with the primary government:

	Transfers In	Transfers out
General Fund	\$ 1,716,101	\$ -
Utility Fund	-	1,716,101
Total	\$ 1,716,101	\$ 1,716,101

The interfund amounts were used to cover deficits in cash balances due to timing of cash collection.

As of September 30, 2020, Interfund balances consisted of:

	Due From Other Funds	Due To Other Funds
Governmental funds		
General fund	\$ -	\$ (59,045)
Proprietary funds		
Utility Fund	(59,045)	-
Total	\$ (59,045)	\$ (59,045)

E. **Long-term debt**

Governmental-type activities:

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

Note payable

\$1,200,000 note, payable in annual installments of \$93,455, through September 1, 2026, plus interest at 4.65%, collateralized by net revenues.	\$ 501,586
Less current amount	69,803
Note payable, less current portion	\$ 431,783

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

Debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2021	\$ 69,803	\$ 23,652
2022	73,119	20,336
2023	76,592	16,862
2024	80,230	13,224
2025	84,042	9,413
2026	117,800	5,420
	\$ 501,586	\$ 88,907

Business-type activities:

Revenue bonds:

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Amounts outstanding at the end of the current fiscal year related to these issues in prior years totaled \$856,000. For the year ended September 30, 2020, the City maintained a sinking fund as required by the bond covenants.

Water and sewer revenue bonds outstanding at September 30, 2020 are comprised of the following:

\$1,077,000 2005 Revenue Bond, payable in annual installments through September 1, 2044, plus interest at 4.25%, collateralized by net revenues of the sewer system.	\$ 856,000
Less current amount	21,000
Revenue bonds, less current portion	\$ 835,000

Debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2021	\$ 21,000	\$ 36,380
2022	22,000	35,488
2023	23,000	34,553
2024	24,000	33,575
2025	25,000	32,555
2026 – 2030	142,000	145,946
2031 – 2035	175,000	113,009
2036 – 2040	216,000	72,506
2041 – 2044	208,000	22,526
	\$ 856,000	\$ 526,538

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

Business-type activities: (Continued)

Notes payable:

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

State Revolving Loan, payable in lump installment on January 15, 2021, plus interest at .005%, collateralized by net revenues of the sewer system.	\$ 85,387
Taxable Revenue Note, Series 2018, payable in annual installments through December 1, 2022, plus interest at 4.16%, collateralized by net revenues of the sewer system.	3,000,000
Total notes payable	3,085,387
Less current amount	85,387
Notes payable, less current portion	\$ 3,000,000

Debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2021	\$ 85,387	\$ 125,223
2022	-	125,223
2023	3,000,000	31,308
	\$ 3,085,387	\$ 281,754

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

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

Changes in long-term liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Long-term note payable	\$ 562,752	\$ -	\$ 61,166	\$ 501,586	\$ 69,803
Compensated absences	55,110	62,085	54,243	62,952	12,591
Governmental activity long-term liabilities	<u>\$ 617,862</u>	<u>\$ 62,085</u>	<u>\$ 115,409</u>	<u>\$ 564,538</u>	<u>\$ 82,394</u>
Business-type activities:					
Revenue bonds	\$ 876,000	\$ -	\$ 20,000	\$ 856,000	\$ 21,000
Revenue notes	7,000,000	-	4,000,000	3,000,000	-
Long-term note payable	46,190	85,387	46,190	85,387	85,387
Compensated absences	44,444	38,889	37,071	46,262	9,252
Business-type activity long- term liabilities	<u>\$ 7,966,634</u>	<u>\$ 124,276</u>	<u>\$ 4,103,261</u>	<u>\$ 3,987,649</u>	<u>\$ 115,639</u>

III. **Other Information:**

A. **Contingent Liabilities**

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

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

B. FRS Pension Plan

Plan Description and Administration

The City participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes.

Benefits Provided and Employees Covered

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

B. **FRS Pension Plan** (Continued)

Benefits Provided and Employees Covered (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

Financial Statements

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site (www.myfloridacfo.com). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services
Division of Retirement, Research and Education Services
P.O. Box 9000
Tallahassee, FL 32315-9000
850-488-5706 or toll free at 877-377-1737

Contributions

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2020, as follows (contribution rates are in agreement with the actuarially determined rates):

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

B. **FRS Pension Plan** (Continued)

Contributions (Continued)

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2020</u>	<u>After June 30, 2020</u>
Regular Class	8.47%	10.00%
Senior Management	25.41%	27.29%
Special Risk	25.48%	24.45%
DROP – Applicable to members above	14.60%	14.60%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for City employees participating in FRS and HIS for the year ended September 30, 2020 were as follows:

	<u>2020</u>
Contributions – FRS	\$ 185,374
Contributions – HIS	26,630
Employee Contributions – FRS	48,126

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 2,418,138
HIS	564,242
Total	<u>\$ 2,982,380</u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization’s long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At September 30, 2020 and September 30, 2019, the City’s proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2020</u>	<u>2019</u>
FRS	0.005579271%	0.005749879%
HIS	0.004621207%	0.005023316%

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

B. **FRS Pension Plan** (Continued)

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

For the plan year ended September 30, 2020, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 513,437
HIS	40,231
Total	<u>\$ 553,668</u>

Deferred outflows/inflows related to pensions:

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

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 92,547	\$ -	\$ 23,081	\$ (435)
Changes of assumptions	437,760	-	60,672	(32,808)
Net different between projected and actual investment earnings	143,978	-	450	-
Change in proportionate share	144,482	(71,387)	44,094	(53,524)
Contributions subsequent to measurement date	47,389	-	6,322	-
	<u>\$ 866,156</u>	<u>\$ (71,387)</u>	<u>\$ 134,619</u>	<u>\$ (86,767)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2021	\$ 162,513
2022	238,235
2023	204,869
2024	140,695
2025	40,409
Thereafter	2,189
Total	<u>\$ 788,910</u>

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

B. **FRS Pension Plan** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.80%. This rate decreased from the prior year rate, which was 6.90%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.5% was used to determine was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.50%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2020, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

B. **FRS Pension Plan** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.2%
Fixed income	19.0%	3.0%
Global equities	54.2%	8.0%
Real estate	10.3%	6.4%
Private equity	11.1%	10.8%
Strategic investments	4.4%	5.5%
Total	<u>100.0%</u>	

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the proportionate shares of the FRS and HIS net pension liability of the City calculated using the current discount rates, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.80%	\$ 3,861,361	\$ 2,418,138	\$ 1,212,753
HIS	2.21%	652,238	564,242	492,217

C. **Other Postemployment Benefits**

The City provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits. The City contributes, along with its employees and retirees, to the Capital Health Plan (Plan) to provide certain healthcare benefits to active and retired employees and their dependents. The Plan is a single-employer plan administered by Capital Health Plan, Inc. and the City. The benefits, benefit levels, employee contributions and employer contributions are governed by the Plan.

Post-employment health care benefits are offered to retired employees and their dependents. All employees are eligible to receive benefits upon their retirement. All health care benefits are provided through the City's Capital Health Plan employee health care plan. The benefit levels are the same as those afforded to active employees. Benefits include general inpatient and outpatient medical services; mental and substance abuse care; dental care; and prescriptions. Upon retirees reaching 65 years of age, Medicare becomes the primary insurer and the City's plan will not pay benefits already paid by Medicare.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

C. **Other Postemployment Benefits** (Continued)

The City does not contribute any portion of the premiums for current retired employees. All premiums are paid entirely by the plan participant. The use of age-adjusted premiums results in an implicit rate subsidy funded by the City since the healthcare premiums for retirees and active employees are identical.

The state of Florida's Division of Retirement contributes each month \$5 for each year of service, up to \$150 per month. The City's Capital Health Plan contract establishes the individual premium to be paid by the retired employees. The state of Florida prohibits the City from separately rating retired employees and active employees. As a result, the City's premium charges to retired employees can be no more than the premium cost applicable to active employees.

The City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Statement No. 75 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

D. **Municipal Firefighter's Pension Trust Fund (MFPTF)**

The Municipal Firefighters' Retirement Trust Fund is a single-employer defined benefit pension plan that provides pensions for qualified firefighters pursuant to Florida Statute, Chapter 175. The City adopted a "chapter plan" that provides benefits based on years of service. The benefits are provided through a State contribution from collections of a Fire Insurance Premium Tax. The City is required to participate only when the State contributions are insufficient to fund the plan.

The City has not implemented the provisions of GASB Statement No. 67 *Financial Reporting for Pension Plans* and Statement No. 68 *Accounting and Financial Reporting for Pensions*. Statements No. 67 and 68 establishes standards for the measurement, recognition, and display of pension expense/expenditures and related liabilities, note disclosures, and required supplementary information.

E. **Risk Management**

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

F. **Uncertainties**

During the year ended September 30, 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of June 22, 2021, management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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

G. Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2020, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

(a) GASB issued Statement No. 84, Fiduciary Activities, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2019. The City is currently evaluating the effect that Statement No. 84 will have on its financial statements.

(b) GASB issued Statement No. 87, Leases, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021. The City is currently evaluating the effect that Statement No. 87 will have on its financial statements.

(c) GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements, in May 2020. provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

H. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the funds listed below. These over expenditures were funded by available fund balances.

General fund	<u>\$ 981,965</u>
--------------	-------------------

I. Subsequent Events

The City has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 22, 2021, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

CITY OF CHATTAHOOCHEE, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020

CITY OF CHATTAHOOCHEE, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes, licenses and permits	\$ 434,104	\$ 434,104	\$ 424,696	\$ (9,408)
Intergovernmental	566,646	566,646	219,879	(346,767)
Charges for service	378,000	378,000	416,935	38,935
Grants	-	-	926,781	926,781
Miscellaneous	145,100	145,100	101,625	(43,475)
Total revenues	<u>1,523,850</u>	<u>1,523,850</u>	<u>2,089,916</u>	<u>566,066</u>
Expenditures				
Current:				
General government	475,436	475,436	469,230	6,206
Public safety	976,894	976,894	1,320,424	(343,530)
Physical environment	148,051	148,051	136,273	11,778
Transportation	1,254,610	1,254,610	1,472,599	(217,989)
Culture and recreation	194,801	194,801	633,231	(438,430)
Debt Service:				
Principal	46,542	46,542	61,166	(14,624)
Interest	46,913	46,913	32,289	14,624
Total expenditures	<u>3,143,247</u>	<u>3,143,247</u>	<u>4,125,212</u>	<u>(981,965)</u>
Deficiency of revenues under expenditures	<u>(1,619,397)</u>	<u>(1,619,397)</u>	<u>(2,035,296)</u>	<u>(415,899)</u>
Other financing sources				
Transfers in	1,619,397	1,619,397	1,716,101	96,704
Total other financing sources	<u>1,619,397</u>	<u>1,619,397</u>	<u>1,716,101</u>	<u>96,704</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(319,195)</u>	<u>(319,195)</u>
Fund balance, beginning of year	495,769	495,769	495,769	-
Fund balance, end of year	<u>\$ 495,769</u>	<u>\$ 495,769</u>	<u>\$ 176,574</u>	<u>\$ (319,195)</u>

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

**CITY OF CHATTAHOOCHEE, FLORIDA
 NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

A. Budgetary Information:

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

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

1. Prior to October 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
6. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Actual expenditures exceeded the budget for General fund. Applicable grants were not included in the final approved budget for the current fiscal year.
8. Expenditures exceeded appropriations in the funds listed below. These over expenditures were funded by available fund balances.

Fund	Over Expenditure
General fund	\$ 981,965

CITY OF CHATTAHOOCHEE, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Florida Retirement System (FRS)							
Proportion of the net pension liability (asset)	0.005579271%	0.005749879%	0.004841453%	0.004680612%	0.005270693%	0.005159671%	0.005293762%
Proportionate share of the net pension liability (asset)	\$ 2,418,138	\$ 1,980,178	\$ 1,458,271	\$ 1,384,494	\$ 1,330,854	\$ 666,441	\$ 322,997
Covered payroll	1,604,208	1,680,361	1,472,484	1,504,951	1,556,193	1,484,731	1,505,514
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	150.74%	117.84%	99.03%	92.00%	85.52%	44.89%	21.45%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)							
Proportion of the net pension liability (asset)	0.004621207%	0.005023316%	0.004507308%	0.004476736%	0.004781422%	0.004655236%	0.004822834%
Proportionate share of the net pension liability (asset)	\$ 564,242	\$ 562,059	\$ 477,059	\$ 478,673	\$ 557,255	\$ 474,761	\$ 450,947
Covered payroll	1,604,208	1,680,361	1,472,484	1,504,951	1,556,193	1,484,731	1,505,514
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	35.17%	33.45%	32.40%	31.81%	35.81%	31.98%	29.95%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF CHATTAHOOCHEE, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Florida Retirement System (FRS)</u>							
Contractually required contribution	\$ 185,374	\$ 178,288	\$ 137,978	\$ 128,984	\$ 132,978	\$ 130,227	\$ 124,281
Contributions in relation to the contractually required contribution	<u>(185,374)</u>	<u>(178,288)</u>	<u>(137,978)</u>	<u>(128,984)</u>	<u>(132,978)</u>	<u>(130,227)</u>	<u>(124,281)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,604,208	\$ 1,680,361	\$ 1,472,484	\$ 1,504,951	\$ 1,556,193	\$ 1,484,731	\$ 1,505,514
Contributions as a percentage of covered payroll	11.56%	10.61%	9.37%	8.57%	8.55%	8.77%	8.26%
<u>Health Insurance Subsidy Program (HIS)</u>							
Contractually required contribution	\$ 26,630	\$ 27,894	\$ 24,443	\$ 24,982	\$ 25,833	\$ 18,708	\$ 18,066
Contributions in relation to the contractually required contribution	<u>(26,630)</u>	<u>(27,894)</u>	<u>(24,443)</u>	<u>(24,982)</u>	<u>(25,833)</u>	<u>(18,708)</u>	<u>(18,066)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,604,208	\$ 1,680,361	\$ 1,472,484	\$ 1,504,951	\$ 1,556,193	\$ 1,484,731	\$ 1,505,514
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%	1.20%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE**

**CITY OF CHATTAHOOCHEE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Federal Grantor/State Grantor/Pass-Through Entity/Program Title	CFDA/ CSFA Number	Grant Contract Identification Number	Expenditures
FEDERAL AGENCY			
U.S. Department of Justice			
Passed-through Florida Department of Law Enforcement			
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2020-JAGD-GADS-1-Y6-049	\$ 956
Edward Byrne Memorial Justice Assistance Grant (JAG) Program	16.738	2020-JAGD RESID. LAPTOPS	19,021
			<u>19,977</u>
Department of Homeland Security			
Passed through the Executive Office of the Governor:			
Disaster Grants - Public Assistance	97.036	Z0849	<u>2,422,763</u>
U.S. Department of Agriculture			
Passed through the State of Florida Department of Agriculture			
Emergency Watershed Protection Program	10.923	NR194209C003	445,490
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,888,230</u></u>

The accompanying notes to schedule of expenditures of federal awards and state financial assistance is an integral part of this schedule.

CITY OF CHATTAHOOCHEE, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Federal Grantor/State Grantor/Pass-Through Entity/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Grant Contract Identification Number</u>	<u>Expenditures</u>
STATE AGENCY			
Florida Department of Financial Services			
Direct:			
Grants & Aids - Local Government Fire Service Grants	43.009	FM440	<u>\$ 2,588</u>
Florida Department of Economic Opportunity			
Division of Housing and Community Development			
Division of Housing and Community Development	40.038	DL005	75,000
Growth Management Implementation	40.024	P0352	32,600
Regional Rural Development and Infrastructure	40.042	D0148	<u>82,650</u>
			<u>190,250</u>
Florida Executive Office of the Governor			
Direct:			
Hurricane Michael Recovery Grant Program	31.070	F0043	<u>268,476</u>
Florida Department of Environmental Protection			
Direct:			
Wastewater Treatment Facility Construction	37.077	WW200240	426,937
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 888,251</u></u>

The accompanying notes to schedule of expenditures of federal awards and state financial assistance is an integral part of this schedule.

CITY OF CHATTAHOOCHEE, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE
FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the Schedule) includes the Federal awards and State activity of City of Chattahoochee, Florida under programs of the federal government for the year ended September 30, 2020 in accordance with the 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). Because the Schedule presents only a selected portion of the operations of City of Chattahoochee, Florida it is not intended to and does not present the financial position, changes in net assets, of City of Chattahoochee, Florida.

(2) **Summary of Significant Accounting Policies:**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

(3) **Contingency**

Project expenditures are subject to audit and adjustment. If any expenditures were to be disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability of the City. In the opinion of management, all project expenditures included on the accompanying schedule are in compliance with the terms of the project agreements and applicable federal and state laws and regulations.

(4) **De Minimis Indirect Cost Rate Election:**

The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under Uniform Guidance.

(5) **Subrecipients:**

During the year ended September 30, 2020, the City provided no grant awards to subrecipients.

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

To the Honorable Mayor and Members of City Council,
City of Chattahoochee, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 22, 2021.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the schedule of findings and questions costs as Finding 2020-001 to be a material weakness.

Compliance and Other Matters

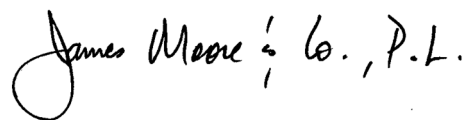
As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of material noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Chattahoochee, Florida's Response to Finding

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

Purpose of this Report

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

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

Tallahassee, Florida
June 22, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Board of Directors,
The City of Chattahoochee, Florida

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

We have audited The City of Chattahoochee, Florida's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* and *Florida Department of Financial Services State Projects Compliance Supplement*, that could have a direct and material effect on The City of Chattahoochee, Florida's major Federal program and major state projects for the year ended September 30, 2020. The City of Chattahoochee, Florida's major Federal program and major state projects are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its Federal programs and State projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Chattahoochee, Florida's major federal program and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General; require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City of Chattahoochee, Florida compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program and State projects. However, our audit does not provide a legal determination of the City of Chattahoochee, Florida's compliance.

Opinion on Each Major Federal Program and Major State Project

In our opinion, The City of Chattahoochee, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program and State projects for the year ended September 30, 2020.

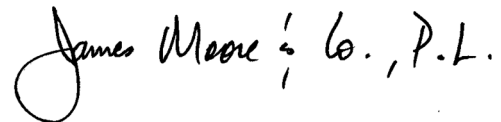
Report on Internal Control Over Compliance

Management of City of Chattahoochee, Florida 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 City of Chattahoochee, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550 Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Chattahoochee, Florida'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 and state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program and state project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program and state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

James Moore & Co., P.L.

Tallahassee, Florida
June 22, 2021

**CITY OF CHATTAHOOCHEE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

I. Summary of Auditors' Results:

Financial Statements

Type of audit report issued on the financial statements: *Qualified*

Internal control over financial reporting:

- Material weaknesses identified? X yes no
- Significant deficiencies identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major Federal programs:

- Material weakness (es) identified? yes X no
- Significant deficiencies identified? yes X none reported

Types of auditor's report issued on compliance for major Federal programs: *Unmodified*

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

Identification of major programs:

Federal Program	Federal CFDA Number
Disaster Grants - Public Assistance	97.036

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

Auditee qualified as a low risk auditee? yes X no

**CITY OF CHATTAHOOCHEE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

I. Summary of Auditors' Results: (Continued)

State Financial Assistance

Internal control over major State projects:

- Material weakness (es) identified? ___ yes X no
- Significant deficiencies identified? ___ yes X none reported

Types of auditor's report issued on compliance for major State projects: *Unmodified*

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550? ___ yes X no

Identification of major State programs:

State Projects	State CSFA Number
Hurricane Michael Recovery Grant Program	31.070
Wastewater Treatment Facility Construction	37.077
 Dollar threshold used to distinguish between Type A and Type B programs:	 <u>\$ 300,000</u>

II. Financial Statement Findings:

Finding 2020-001: Audit Adjustments

Criteria: 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 ("GAAP").

Condition: Adjustments were required to be made to the accounting records as part of the audit process to be in accordance with GAAP.

Cause: Management relied on auditors to propose entries that had not been recorded at the time of the audit.

Effect: Incorrect recording of accounting records could lead to a material misstatement on the financial statements.

Recommendation: We recommend that the process for identifying accounting transaction be reviewed and updated.

**CITY OF CHATTAHOOCHEE, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2020**

III. Federal Awards Findings and Questioned Costs:

None.

IV. State Project Findings and Questioned Costs:

None.

**CITY OF CHATTAHOOCHEE, FLORIDA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2020**

Finding 2019-001: Audit Adjustments

Status: Unresolved

The City has obtained the services of a 3rd party accountant to assist with the preparation of financials in order to alleviate the need for adjustments and feel that added assistance will reduce the need for adjustments in the future.

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

To the Honorable Mayor and Members of City Council,
City of Chattahoochee, Florida:

Report on the Financial Statements

We have audited the financial statements of the City of Chattahoochee, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 22, 2021.

As discussed in Note III. C. to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities, business-type activities, and the Utility Fund.

In addition, as discussed in Note III. D. to the financial statements, the City has not implemented the provisions of Statement No. 67 *Financial Reporting for Pension Plans* and Statement No. 68 *Accounting and Financial Reporting for Pensions*, for its Municipal Firefighters' Pension Trust Fund. Accounting principles generally accepted in the United States of America require recording of an obligation for the net pension liability, and any associated deferred inflow and outflow related to the pension fund. This would increase liabilities, increase deferred inflows and outflows, decrease net position, and change the expenses in the governmental activities.

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 the 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance in Accordance with Chapter 10.550 Rules of the Florida Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, 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 22, 2021, should be considered in conjunction with this management letter.

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Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the table below.

Tabulation of Uncorrected Audit Findings			
Description	Current Year Finding #	2018-19 FY Finding #	2017-18 FY Finding #
Audit adjustments	2020-001	2019-001	2018-001

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. There are no component units of City of Chattahoochee, Florida to be disclosed as required by accounting principles generally accepted in the United States of America.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we recommended the following:

2020-002: Budgetary Controls

Florida Statutes, Chapter 166.241(2) provides that the budget must regulate expenditures of the municipality, and it is unlawful for any officer of municipal government to expend or contract for expenditures in any fiscal year except in pursuant of budgeted expenditures. During our audit, we noted funds were expended in excess of budgeted amounts. The City adopts its budget for the various funds on the modified accrual basis of accounting.

2020-003: FEMA Equipment Tracking

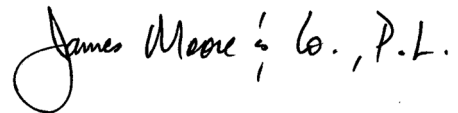
2 CFR Part 200.313 outlines tracking of equipment purchased with use of federal funds. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. Certain assets tracked by the City are unable to be broken out by funding source.

Additional Matters

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

Purpose of this Letter

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

James Moore & Co., P.L.

Tallahassee, Florida
June 22, 2021

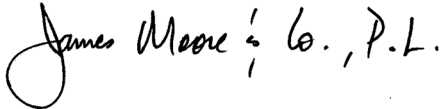
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable Mayor and Members of City Council,
City of Chattahoochee, Florida:

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with the aforementioned statutes, for the year ended September 30, 2020, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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



Tallahassee, Florida
June 22, 2021



CITY of CHATTAHOOCHEE

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Telephone: (850) 663-4383
Fax: (850) 663-8510

PARKS & RECREATION
Telephone: (850) 663-2123
Fax: (850) 663-3800

June 22, 2021

James Moore & CO., P.L.
2477 Tim Gamble Place Suite 200
Tallahassee, Florida 32308

We agree with the auditors' comments, and the following actions will be or have been taken to improve the situation.

Finding Number

2020-001; Audit Adjustments

Management has hired a Certified Public Accountant as City Clerk in order to identify accounting transactions which will be reviewed and updated prior to the issuance of a trial balance from which the auditors can conduct their annual audit procedures. The review and updating will include a review to determine which items in the accounting records need to be accrued to the prior fiscal year. A written procedure will be prepared and maintained as part of the year end accounting and financial statement preparation.

2020-002: Budgetary Controls

Management has instructed the City Clerk to perform a budgetary review and adjustment process accordance with required accounting standards to update the fiscal budget for unexpected revenues and expenditures. Management has also upgraded the accounting system to include project accounting which will enable staff to track grant and special projects revenues and expenditures.

2020-003: FEMA Equipment Tracking

Management has instructed the City Clerk to prepare a grants management policy which will outline the procedures for properly identifying, tracking and disposing equipment purchased with federal and state funds in accordance with applicable law. The procedure will be given to the City's purchasing agent and staff to ensure compliance.



Robert Presnell, City Manager



Rhonda Woodward, CPA, CGFM City Clerk