



City of Chipley, Florida

FINANCIAL STATEMENTS

September 30, 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Community Redevelopment Agency for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, schedule of changes in OPEB liability, related ratios, and notes to schedule, Florida Retirement System Pension Plan schedule of employer's proportionate share of net pension liability and schedule of employer contributions, the Health Insurance Subsidy Program schedule of employer's proportionate share of net pension liability and schedule of employer contributions, and notes to required supplementary information on pages 62 through 67 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 (the "GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional

procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chipley, Florida's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama

June 29, 2021

City of Chipley, Florida Management's Discussion and Analysis

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

Since the Management Discussion and Analysis is designed to present an overview of the City's current year's activities, resulting changes and currently known facts as well as the financial activities for the two fiscal years ended September 30, 2020 and September 30, 2019, please read in conjunction with the City's financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$38,612,824 (net position). Of this amount, \$(1,480,281) is a deficit in unrestricted net position for governmental activities and \$(717,895) is a deficit in unrestricted net position for business-type activities, while \$279,554 is restricted net position for business-type activities and \$1,052,181 is restricted net position for governmental activities.
- Total net position decreased by \$831,370. Of this amount, an increase of \$330,366 is attributable to governmental activities, and a decrease of \$1,161,736 is attributable to business-type activities.
- As of September 30, 2020, the general fund's unassigned fund balance was \$1,149,135.
- Governmental activities' total revenues increased by \$330,423 or 8%, while governmental activities' total expenses decreased \$234,190 or 6%. Business-type activities' total revenues decreased by \$1,111,790 or 25%, while business-type activities' total expenses decreased \$64,082 or 1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

City of Chipley, Florida Management's Discussion and Analysis

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget and are presented as part of the fund financial statements on pages 19 and 20. The governmental fund financial statements can be found on pages 15 – 20 of this report.

City of Chipley, Florida Management's Discussion and Analysis

Proprietary Funds

The City maintains four major enterprise funds which are proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its water, sewer, sanitation, and natural gas. The proprietary fund statement provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 21 – 25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found beginning on page 26.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Statement of Net Position

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the City for the fiscal years ended September 30, 2020 and 2019. At the end of the fiscal year 2020, the City is able to report positive balances in two categories of net position for its governmental activities and its business-type activities. However, the City has a deficit balance in the unrestricted net position of governmental activities, business-type activities, and for the government as a whole at the end of fiscal years 2020 and 2019.

City of Chipley, Florida
Management's Discussion and Analysis

The following schedule reflects the condensed Statement of Net Position as of September 30, 2020 and 2019:

<i>September 30,</i>	Governmental Activities		
	2020	2019	Change
Assets			
Current and other assets	\$ 3,620,076	\$ 2,578,534	\$ 1,041,542
Capital assets, net	5,808,195	5,452,771	355,424
Total assets	9,428,271	8,031,305	1,396,966
Deferred Outflows of Resources			
Deferred outflows related to OPEB	53,455	61,287	(7,832)
Deferred outflows related to pensions	798,670	800,159	(1,489)
Total deferred outflows of resources	852,125	861,446	(9,321)
Liabilities			
Current liabilities	590,422	376,978	213,444
Noncurrent liabilities	4,056,711	3,657,115	399,596
Total liabilities	4,647,133	4,034,093	613,040
Deferred Inflows of Resources			
Unavailable revenue - occupational licenses	44,010	44,161	(151)
Unearned revenue - intergovernmental	728,761	271,396	457,365
Deferred inflows related to OPEB	65,314	73,650	(8,336)
Deferred inflows related to pensions	190,332	194,971	(4,639)
Total deferred inflows of resources	1,028,417	584,178	444,239
Net Position			
Net investment in capital assets	5,032,946	4,683,972	348,974
Restricted	1,052,181	1,084,048	(31,867)
Unrestricted (deficit)	(1,480,281)	(1,493,540)	13,259
Total net position	\$ 4,604,846	\$ 4,274,480	\$ 330,366

City of Chipley, Florida
Management's Discussion and Analysis

<i>September 30,</i>	Business-type Activities		
	2020	2019	Change
Assets			
Current and other assets	\$ 1,460,652	\$ 1,510,107	\$ (49,455)
Capital assets, net	38,080,141	38,981,539	(901,398)
Total assets	39,540,793	40,491,646	(950,853)
Deferred Outflows of Resources			
Deferred outflows related to OPEB	33,242	37,776	(4,534)
Deferred outflows related to pensions	383,418	384,211	(793)
Total deferred outflows of resources	416,660	421,987	(5,327)
Liabilities			
Current liabilities	797,081	870,054	(72,973)
Noncurrent liabilities	5,013,419	4,727,591	285,828
Total liabilities	5,810,500	5,597,645	212,855
Deferred Inflows of Resources			
Deferred inflows related to OPEB	38,047	42,874	(4,827)
Deferred inflows related to pensions	100,928	103,400	(2,472)
Total deferred inflows of resources	138,975	146,274	(7,299)
Net Position			
Net investment in capital assets	34,446,319	35,514,350	(1,068,031)
Restricted	279,554	277,004	2,550
Unrestricted (deficit)	(717,895)	(621,640)	(96,255)
Total net position	\$ 34,007,978	\$ 35,169,714	\$ (1,161,736)

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$4.6 million for governmental activities and \$34.0 million for business-type activities.

The largest component \$39.5 million of the City's net position as of September 30, 2020, reflects its investment in capital assets (i.e. land, infrastructure, buildings, equipment and others), less any related debt outstanding to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and businesses in the City. Restricted net position is the next largest component, totaling \$1.3 million as of September 30, 2020. Restricted net position represent resources that are subject to external restrictions. The remaining balance of net position is a deficit in unrestricted net position totaling (\$2.2) million.

City of Chipley, Florida
Management's Discussion and Analysis

Statement of Activities

The following schedule summarizes revenues and expenses comparing the current year to the prior year, as derived from the government-wide Statement of Activities. Increases and decreases in net position measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities increased \$330 thousand, or greater than 7.7 percent, and the net position of the business-type activities decreased \$1.2 million, or greater than 3.3 percent.

<i>For the years ended September 30,</i>	Governmental Activities		
	2020	2019	Change
Revenues			
Program revenues			
Charges for services	\$ 97,947	\$ 125,658	\$ (27,711)
Operating grants and contributions	1,184,884	1,244,043	(59,159)
Capital grants and contributions	825,711	584,933	240,778
General revenues			
Taxes	1,812,222	1,813,917	(1,695)
Investment earnings	13,133	24,845	(11,712)
Other	343,503	153,581	189,922
Total revenues	4,277,400	3,946,977	330,423
Expenses			
Governmental activities			
General government	1,310,325	1,502,475	(192,150)
Public safety	1,421,925	1,473,957	(52,032)
Public works	722,338	672,172	50,166
Cemetery and grounds	213,522	232,115	(18,593)
Culture and recreation	243,909	264,102	(20,193)
Interest	35,015	36,403	(1,388)
Total expenses	3,947,034	4,181,224	(234,190)
Excess revenues over (under) expenses	330,366	(234,247)	564,613
Net Position - beginning	4,274,480	4,508,727	(234,247)
Net Position - ending	\$ 4,604,846	\$ 4,274,480	\$ 330,366

City of Chipley, Florida
Management's Discussion and Analysis

<i>For the years ended September 30,</i>	Business-type Activities		
	2020	2019	Change
Revenues			
Program revenues			
Charges for services	\$ 3,044,896	\$ 3,070,172	\$ (25,276)
Operating grants and contributions	21,946	-	21,946
Capital grants and contributions	284,822	1,341,445	(1,056,623)
General revenues			
Investment earnings	6,865	12,258	(5,393)
Other	48,786	95,230	(46,444)
Total revenues	3,407,315	4,519,105	(1,111,790)
Expenses			
Business-type activities			
Water	981,005	1,007,445	(26,440)
Sewer	2,319,739	2,299,546	20,193
Sanitation	812,459	779,495	32,964
Natural gas	455,848	546,647	(90,799)
Total expenses	4,569,051	4,633,133	(64,082)
Excess revenues over (under) expenses	(1,161,736)	(114,028)	(1,047,708)
Net Position - beginning	35,169,714	35,283,742	(114,028)
Net Position - ending	\$ 34,007,978	\$ 35,169,714	\$ (1,161,736)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

The general fund is reported as a major governmental fund. The general fund is the general operating fund of the City. All general tax revenue and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund. As of the end of the fiscal year 2020, the City's general fund reported a fund balance of \$1,937,835. The restricted portion of this fund balance is \$707,327, the committed portion is \$61,486, the assigned portion is \$19,887 and the unassigned portion is \$1,149,135.

The Community Redevelopment Agency fund is reported as a major governmental fund and is a separate legal entity, but is required to be included in the City's reporting because of the significance of the financial relationships with the City. As of the end of the fiscal year 2020, the Community Redevelopment Agency fund reported a restricted fund balance of \$285,606.

City of Chipley, Florida Management's Discussion and Analysis

As of the end of the fiscal year 2020, the City's other governmental funds (non-major funds) reported a restricted fund balance of \$59,248 and a committed fund balance of \$12,245.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

During fiscal year 2020, the City invested \$1.1 million in capital assets and increased total debt by \$173 thousand. Approximately \$1.0 million of these capital expenditures were funded with federal and state government grants.

Additional information about the City's capital assets and long-term debt can be obtained in Note 2 of the City's notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

Contacting the City's Financial Management

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

City of Chipley, Florida
Statement of Net Position

<i>September 30, 2020</i>	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 514,298	\$ 202,357	\$ 716,655
Investments	830,731	476,625	1,307,356
Receivables, net	383,049	353,586	736,635
Due from other governments	962,712	197,183	1,159,895
Internal balances	428,750	(428,750)	-
Restricted cash	320,273	557,015	877,288
Restricted investments	176,442	102,636	279,078
Land held for resale	3,821	-	3,821
Capital assets			
Non-depreciable	1,262,780	3,679,023	4,941,803
Depreciable, net	4,545,415	34,401,118	38,946,533
Total assets	9,428,271	39,540,793	48,969,064
Deferred Outflows of Resources			
Deferred outflows related to OPEB	53,455	33,242	86,697
Deferred outflows related to pension liability	798,670	383,418	1,182,088
Total deferred outflows of resources	852,125	416,660	1,268,785
Liabilities			
Accounts payable	412,044	201,099	613,143
Accrued payroll liabilities	80,601	53,920	134,521
Other liabilities	-	3,542	3,542
Payable from restricted assets			
Accrued interest	2,968	8,562	11,530
Customer deposits	-	247,626	247,626
Non-current liabilities			
Net pension liability	2,715,529	1,295,155	4,010,684
Net OPEB liability	39,566	26,827	66,393
Due within one year			
Compensated absences	55,905	64,590	120,495
Notes payable	17,646	94,142	111,788
Bonds payable	21,258	123,600	144,858
Due in more than one year			
Compensated absences	565,271	275,357	840,628
Notes payable	56,813	1,824,780	1,881,593
Bonds payable	679,532	1,591,300	2,270,832
Total liabilities	4,647,133	5,810,500	10,457,633
Deferred Inflows of Resources			
Unearned revenue - occupational licenses	44,010	-	44,010
Unearned revenue - intergovernmental	728,761	-	728,761
Deferred inflows related to OPEB	65,314	38,047	103,361
Deferred inflows related to pensions	190,332	100,928	291,260
Total deferred inflows of resources	1,028,417	138,975	1,167,392

-Continued-

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

City of Chipley, Florida
Statement of Net Position (Continued)

<i>September 30, 2020</i>	Primary Government		Total
	Governmental Activities	Business-type Activities	
Net Position			
Net investment in capital assets	5,032,946	34,446,319	39,479,265
Restricted	1,052,181	279,554	1,331,735
Unrestricted (deficit)	(1,480,281)	(717,895)	(2,198,176)
Total net position	\$ 4,604,846	\$ 34,007,978	\$ 38,612,824

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

City of Chipley, Florida
Statement of Activities

For the year ended September 30, 2020

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 1,310,325	\$ 53,753	\$ 590,349
Public safety	1,421,925	19,863	456,283
Public works	722,338	-	135,783
Cemetery and grounds	213,522	17,600	-
Culture and recreation	243,909	6,731	2,469
Interest	35,015	-	-
Total governmental activities	3,947,034	97,947	1,184,884
Business-type Activities:			
Water	981,005	674,836	7,203
Sewer	2,319,739	1,221,693	14,410
Sanitation	812,459	794,642	58
Natural gas	455,848	353,725	275
Total business-type activities	4,569,051	3,044,896	21,946
Total primary government	\$ 8,516,085	\$ 3,142,843	\$ 1,206,830

General revenues

Taxes:

Ad valorem tax

Sales taxes

Utility taxes

Other taxes

Interest income

Miscellaneous

Rental income

Gain on disposal of capital assets

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

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

Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 93,854	\$ (572,369)	\$ -	\$ (572,369)
-	(945,779)	-	(945,779)
731,857	145,302	-	145,302
-	(195,922)	-	(195,922)
-	(234,709)	-	(234,709)
-	(35,015)	-	(35,015)
825,711	(1,838,492)	-	(1,838,492)
90,351	-	(208,615)	(208,615)
194,471	-	(889,165)	(889,165)
-	-	(17,759)	(17,759)
-	-	(101,848)	(101,848)
284,822	-	(1,217,387)	(1,217,387)
<u>\$ 1,110,533</u>	<u>(1,838,492)</u>	<u>(1,217,387)</u>	<u>(3,055,879)</u>
	969,912	-	969,912
	136,709	-	136,709
	631,486	-	631,486
	74,115	-	74,115
	13,133	6,865	19,998
	205,646	48,786	254,432
	99,200	-	99,200
	38,657	-	38,657
	2,168,858	55,651	2,224,509
	330,366	(1,161,736)	(831,370)
	4,274,480	35,169,714	39,444,194
	\$ 4,604,846	\$ 34,007,978	\$ 38,612,824

City of Chipley, Florida
Balance Sheet – Governmental Funds

<i>September 30, 2020</i>	General Fund	Community Redevelopment Agency
Assets		
Cash and cash equivalents	\$ 501,557	\$ -
Investments	830,731	-
Receivables, net	306,878	76,171
Due from other governments	962,712	-
Due from other funds	428,750	-
Restricted cash	225,957	35,068
Restricted investments	-	176,442
Total assets	\$ 3,256,585	\$ 287,681
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 409,473	\$ 2,075
Salaries and benefits payable	136,506	-
Total liabilities	545,979	2,075
Deferred inflows of resources		
Unearned revenue - intergovernmental	728,761	-
Unearned revenue - occupational license	44,010	-
Total deferred inflows of resources	772,771	-
Fund balances		
Restricted	707,327	285,606
Committed	61,486	-
Assigned	19,887	-
Unassigned	1,149,135	-
Total fund balances	1,937,835	285,606
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,256,585	\$ 287,681

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

	Nonmajor Funds		Total Governmental Funds
\$	12,741	\$	514,298
	-		830,731
	-		383,049
	-		962,712
	-		428,750
	59,248		320,273
	-		176,442
<hr/>			
\$	71,989	\$	3,616,255
<hr/>			
\$	496	\$	412,044
	-		136,506
<hr/>			
	496		548,550
	-		728,761
	-		44,010
<hr/>			
	-		772,771
	59,248		1,052,181
	12,245		73,731
	-		19,887
	-		1,149,135
<hr/>			
	71,493		2,294,934
<hr/>			
\$	71,989	\$	3,616,255
<hr/>			

City of Chipley, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

September 30, 2020

Total fund balance - governmental funds	\$ 2,294,934
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the governmental funds.	5,808,195
Certain assets held for resale are not current financial resources and, therefore are not reported in the governmental funds.	3,821
Deferred inflow of resources related to pension earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(190,332)
Deferred inflow of resources related to OPEB earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(65,314)
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	798,670
Deferred outflow of resources related to OPEB earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	53,455
Long-term liabilities, including total OPEB liability, net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(2,715,529)
Net OPEB liability	(39,566)
Compensated absences	(565,271)
Accrued interest on debt	(2,968)
Bonds, notes and leases payable	(775,249)
Net position of governmental activities	\$ 4,604,846

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

City of Chipley, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds

<i>For the year ended September 30, 2020</i>	General Fund	Community Redevelopment Agency
Revenues		
Taxes	\$ 2,239,015	\$ -
Licenses and permits	49,055	-
Fines, forfeitures and penalties	9,307	-
Intergovernmental	1,275,398	167,969
Charges for services	6,731	-
Interest	8,643	4,479
Rental income	99,200	-
Miscellaneous revenue	367,947	-
Total revenues	4,055,296	172,448
Expenditures		
Current		
General government	796,737	247,552
Public safety	1,218,629	-
Public works	1,191,662	-
Cemetery and grounds	202,696	-
Culture and recreation	200,956	-
Debt service, principal	-	-
Debt service, interest	-	-
Total expenditures	3,610,680	247,552
Excess (deficiency) of revenues over (under) expenditures	444,616	(75,104)
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(73,641)	-
Debt proceeds	45,050	-
Proceeds from sale of capital assets	38,744	-
Total other financing sources (uses)	10,153	-
Net change in fund balances	454,769	(75,104)
Fund balances, beginning of year	1,483,066	360,710
Fund balances, end of year	\$ 1,937,835	\$ 285,606

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

	Nonmajor Funds	Total Governmental Funds
\$	-	\$ 2,239,015
	-	49,055
	-	9,307
	-	1,443,367
	-	6,731
	8	13,130
	-	99,200
	10,991	378,938
	10,999	4,238,743
	-	1,044,289
	12,251	1,230,880
	-	1,191,662
	-	202,696
	-	200,956
	38,600	38,600
	35,015	35,015
	85,866	3,944,098
	(74,867)	294,645
	73,641	73,641
	-	(73,641)
	-	45,050
	-	38,744
	73,641	83,794
	(1,226)	378,439
	72,719	1,916,495
\$	71,493	\$ 2,294,934

City of Chipley, Florida

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

For the year ended September 30, 2020

Net change in fund balances - total governmental funds \$ 378,439

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the period. 355,424

Cash pensions contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore decreased net position. (276,483)

Other postemployment benefit obligation reported in the statement of activities does not require the use of current financial resources and therefore, is not reported as an expenditure in governmental funds. 778

Long-term compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (121,342)

Governmental funds report debt proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. (6,450)

Change in net position of governmental activities \$ 330,366

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

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

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,279,997	\$ 2,313,897	\$ 2,239,015	\$ (74,882)
Licenses and permits	52,000	52,000	49,055	(2,945)
Fines, forfeitures and penalties	22,700	23,491	9,307	(14,184)
Intergovernmental	936,013	1,628,186	1,275,398	(352,788)
Charges for services	44,500	44,500	6,731	(37,769)
Interest	12,500	12,500	8,643	(3,857)
Rental income	99,201	99,201	99,200	(1)
Miscellaneous	499,639	719,047	367,947	(351,100)
Total revenues	3,946,550	4,892,822	4,055,296	(837,526)
Expenditures				
General government	647,477	823,659	796,737	26,922
Public safety	1,092,563	1,249,730	1,218,629	31,101
Public works	1,470,404	2,147,175	1,191,662	955,513
Cemetery and grounds	207,025	211,425	202,696	8,729
Culture and recreation	205,185	215,820	200,956	14,864
Total expenditures	3,622,654	4,647,809	3,610,680	1,037,129
Excess of revenues over (under) expenditures	323,896	245,013	444,616	199,603
Other Financing Sources (Uses)				
Transfers in	75,500	105,252	-	(105,252)
Transfers out	(74,630)	(74,630)	(73,641)	989
Debt proceeds	-	-	45,050	45,050
Sale of capital assets	-	-	38,744	38,744
Total other financing sources (uses)	870	30,622	10,153	(20,469)
Net change in fund balances	324,766	275,635	454,769	179,134
Fund balances - beginning of the year	1,483,066	1,483,066	1,483,066	-
Fund balances - end of year	\$ 1,807,832	\$ 1,758,701	\$ 1,937,835	\$ 179,134

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

City of Chipley, Florida

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

<i>For the year ended September 30, 2020</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 167,969	\$ 167,969	\$ 167,969	\$ -
Interest	9,500	9,500	4,479	(5,021)
Total revenues	177,469	177,469	172,448	(5,021)
Expenditures				
General government	472,235	472,235	247,552	224,683
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(294,766)	(294,766)	(75,104)	219,662
Fund balances, beginning of year	360,710	360,710	360,710	-
Fund balances, end of year	\$ 65,944	\$ 65,944	\$ 285,606	\$ 219,662

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

City of Chipley, Florida
Statement of Net Position – Proprietary Funds

<i>September 30, 2020</i>	Business-type	
	Water	Sewer
Assets		
Current assets		
Cash and cash equivalents	\$ 57,936	\$ 6,756
Investments	392	660
Accounts receivable, net	84,542	144,263
Due from other governments	22,306	174,818
Restricted assets:		
Cash and cash equivalents	158,509	330,767
Investments	-	102,636
Total current assets	323,685	759,900
Non-current assets		
Land and construction in progress	187,800	3,476,373
Capital assets, net of depreciation	5,073,379	29,104,089
Total non-current assets	5,261,179	32,580,462
Total assets	5,584,864	33,340,362
Deferred Outflows of Resources		
Deferred outflows related to OPEB	13,720	14,459
Deferred outflows related to pensions	124,087	183,890
Total deferred outflows of resources	137,807	198,349
Liabilities		
Current liabilities		
Accounts payable	20,326	114,087
Accrued payroll liabilities	18,188	23,639
Other accrued liabilities	78	265
Compensated absences	24,538	21,400
Due to other funds	-	136,950
Total current liabilities	63,130	296,341
Current liabilities payable from restricted assets		
Accrued interest	468	7,383
Notes payable, current portion	7,322	70,978
Bonds payable, current portion	2,400	121,200
Total current liabilities payable from restricted assets	10,190	199,561

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

Activities - Enterprise Funds

	Sanitation	Natural Gas	Total
\$	136,953	\$ 712	\$ 202,357
	475,042	531	476,625
	90,920	33,861	353,586
	59	-	197,183
	41,733	26,006	557,015
	-	-	102,636
	744,707	61,110	1,889,402
	10,350	4,500	3,679,023
	54,956	168,694	34,401,118
	65,306	173,194	38,080,141
	810,013	234,304	39,969,543
	2,854	2,209	33,242
	30,736	44,705	383,418
	33,590	46,914	416,660
	58,109	8,577	201,099
	4,664	7,429	53,920
	-	3,199	3,542
	4,618	14,034	64,590
	-	291,800	428,750
	67,391	325,039	751,901
	393	318	8,562
	9,025	6,817	94,142
	-	-	123,600
	9,418	7,135	226,304

-Continued-

City of Chipley, Florida
Statement of Net Position – Proprietary Funds (Continued)

<i>September 30, 2020</i>	Business-type	
	Water	Sewer
Noncurrent liabilities		
Compensated absences	104,605	91,233
Customer deposits	77,856	102,145
Net pension liability	450,723	578,132
Notes payable	-	1,808,082
Net OPEB liability	12,544	11,081
Bonds payable	101,000	1,490,300
Total noncurrent liabilities	746,728	4,080,973
Total liabilities	820,048	4,576,875
Deferred Inflows of Resources		
Deferred inflows related to OPEB	14,003	17,228
Deferred inflows related to pensions	32,736	48,407
Total deferred inflows of resources	46,739	65,635
Net Position		
Net investment in capital assets	5,150,457	29,089,902
Restricted	77,837	201,717
Unrestricted (deficit)	(372,410)	(395,418)
Total net position (deficit)	\$ 4,855,884	\$ 28,896,201

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

Activities - Enterprise Funds

Sanitation	Natural Gas	Total
19,687	59,832	275,357
42,596	25,029	247,626
103,803	162,497	1,295,155
9,298	7,400	1,824,780
2,151	1,051	26,827
-	-	1,591,300
177,535	255,809	5,261,045
254,344	587,983	6,239,250
3,441	3,375	38,047
8,158	11,627	100,928
11,599	15,002	138,975
46,983	158,977	34,446,319
-	-	279,554
530,677	(480,744)	(717,895)
\$ 577,660	\$ (321,767)	\$ 34,007,978

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

<i>For the year ended September 30, 2020</i>	Business-type	
	Water	Sewer
Operating Revenues		
Charges for services	\$ 674,836	\$ 1,221,693
Miscellaneous revenue	36,367	9,746
Total operating revenues	711,203	1,231,439
Operating Expenses		
Salaries and benefits	517,453	600,273
Services and supplies	173,567	309,491
Depreciation	183,763	1,101,272
Other expenses	3,627	6,527
Total operating expenses	878,410	2,017,563
Operating income (loss)	(167,207)	(786,124)
Nonoperating Revenues (Expenses)		
Grant expenses	(97,554)	(208,881)
Grant revenue	97,554	208,881
Interest income	37	1,497
Interest expense	(5,041)	(93,295)
Total nonoperating revenues (expenses)	(5,004)	(91,798)
Change in net position	(172,211)	(877,922)
Net position (deficit) - beginning of year	5,028,095	29,774,123
Net position (deficit) - end of year	\$ 4,855,884	\$ 28,896,201

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

Activities - Enterprise Funds

	Sanitation	Natural Gas	Total
\$	794,642	\$ 353,725	\$ 3,044,896
	-	2,673	48,786
	794,642	356,398	3,093,682
	115,985	210,527	1,444,238
	674,016	213,082	1,370,156
	19,534	28,235	1,332,804
	2,406	3,053	15,613
	811,941	454,897	4,162,811
	(17,299)	(98,499)	(1,069,129)
	(58)	(275)	(306,768)
	58	275	306,768
	5,322	9	6,865
	(460)	(676)	(99,472)
	4,862	(667)	(92,607)
	(12,437)	(99,166)	(1,161,736)
	590,097	(222,601)	35,169,714
\$	577,660	\$ (321,767)	\$ 34,007,978

City of Chipley, Florida
Statement of Cash Flows – Proprietary Funds

	Business-type	
<i>For the year ended September 30, 2020</i>	Water	Sewer
Operating Activities		
Receipts from customers, users and others	\$ 723,152	\$ 1,240,576
Payments to suppliers	(126,413)	(480,450)
Payments to employees	(495,872)	(580,056)
<hr/>		
Net cash provided by (used in) operating activities	100,867	180,070
Noncapital Financing Activities		
Advances from other funds	-	(130,000)
<hr/>		
Capital and Related Financing Activities		
Grant revenue	(7,139)	210,494
Purchases and construction of capital assets	(87,475)	(9,475)
Principal paid on capital debt	(9,387)	(142,449)
Interest paid on capital debt	(5,144)	(92,720)
<hr/>		
Net cash provided by (used in) capital and related financing activities	(109,145)	(34,150)
Investing Activities		
Interest and dividends	37	1,497
Purchase of investments	(34)	(1,392)
<hr/>		
Net cash provided by (used in) investing activities	3	105
<hr/>		
Net increase (decrease) in cash and cash equivalents	(8,275)	16,025
Cash and cash equivalents, beginning of year	224,720	321,498
<hr/>		
Cash and cash equivalents, end of year	\$ 216,445	\$ 337,523
<hr/>		

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

Activities - Enterprise Funds

Sanitation		Natural Gas		Total	
\$	795,044	\$	352,023	\$	3,110,795
	(607,769)		(190,173)		(1,404,805)
	(112,284)		(199,058)		(1,387,270)
	74,991		(37,208)		318,720
	-		44,500		(85,500)
	(59)		-		203,296
	-		-		(96,950)
	(9,566)		(6,421)		(167,823)
	(67)		(824)		(98,755)
	(9,692)		(7,245)		(160,232)
	5,322		6		6,862
	(35,898)		(7)		(37,331)
	(30,576)		(1)		(30,469)
	34,723		46		42,519
	143,963		26,672		716,853
\$	178,686	\$	26,718	\$	759,372

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City of Chipley, Florida
Statement of Cash Flows – Proprietary Funds (Continued)

<i>For the year ended September 30, 2020</i>	Business-type	
	Water	Sewer
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used In) Operating Activities		
Operating income (loss)	\$ (167,207)	\$ (786,124)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	183,763	1,101,272
Changes in operating assets and liabilities:		
Accounts receivable	11,128	6,118
Deferred outflows related to pension	292	330
Deferred outflows related to OPEB	1,649	2,061
Accounts payable	(3,342)	(225,777)
Accrued payroll liabilities	5,954	10,402
Other accrued liabilities	78	255
Compensated absences	15,627	9,815
Pension liability	54,827	61,994
Net OPEB liability	(58)	(72)
Deferred inflows related to pension	(910)	(1,029)
Deferred inflows related to OPEB	(1,755)	(2,194)
Customer deposits	821	3,019
Net cash provided by (used in) operating activities	\$ 100,867	\$ 180,070
Noncash Financing Activities		
Equipment acquired through issuance of long-term debt	\$ -	\$ 306,660

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

Activities - Enterprise Funds

	Sanitation	Natural Gas	Total
\$	(17,299)	\$ (98,499)	\$ (1,069,129)
	19,534	28,235	1,332,804
	(2,257)	(3,480)	11,509
	60	111	793
	412	412	4,534
	57,636	3,767	(167,716)
	1,616	2,399	20,371
	-	1,573	1,906
	2,085	9,070	36,597
	11,184	20,899	148,904
	(14)	(14)	(158)
	(186)	(347)	(2,472)
	(439)	(439)	(4,827)
	2,659	(895)	5,604
\$	74,991	\$ (37,208)	\$ 318,720
\$	27,889	\$ -	\$ 334,549

City of Chipley, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

The City, located in Washington County, was incorporated in 1901 pursuant to 5077-1901 Laws of Florida. The City is a political subdivision of the State of Florida and operates under an elected City Council. The City provides police and fire protection, general government, recreation, and public works services to its residents. In addition, the City provides water, sewer, natural gas and sanitation services. In evaluating the City as a supporting entity, management has considered all potential component units in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100: *Defining the Financial Reporting Entity*.

The accompanying financial statement statements present the city and its component units, entities for which the City is considered financially accountable. Component units are reported as either blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the city. The City has no discretely presented component units.

Blended Component Units

Community Redevelopment Agency (the “Agency”) – The Agency was created by the City pursuant to State Statutes with commissioners of the Agency being City Council Members. During 1997, the City passed an ordinance establishing a board of directors (the “Board”) for the Agency. Operations are administered by the Council appointed Board and are financed with City and county funds.

Chipley Volunteer Fire Department (the “Department”) – This is a nonprofit organization which is funded primarily by City funds and public donations. Operations are administered by the Department. The City includes the operations of the Department in the General Fund.

Related Organization

Chipley Housing Authority (the “Authority”) – The Authority was created by the City pursuant to Florida Statutes with commissioners of the Authority being appointed by the City Council. Operations are administered by the Authority and financed with Federal funds and rentals. Outstanding debt of the Authority is not an obligation of the City and the City does not exercise budgetary control. Based on these factors, the Authority is not included in the City’s financial statements.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues 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 that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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

City of Chipley, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). 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 year-end). All other revenue items are considered to be measurable and available only when cash is received by the City. The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Fund Financial Statements

The fund financial statements provide information about the City's funds and blended component units. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The *Community Redevelopment Agency* is a blended component unit of the City. It is a separate legal entity required to be included in the City's reporting entity because of the significance of their operating or financial relationships with the City.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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

The City reports the following major enterprise funds:

The *Water Fund* accounts for all activity related to providing water services to its citizens.

The *Sewer Fund* accounts for all activity related to providing sewer services to its citizens.

The *Sanitation Fund* accounts for all activity related to providing sanitation services to its citizens.

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

Budgetary Information

Budgetary basis of accounting

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

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

Budget Amendments

During fiscal year 2020, there were general fund supplemental budget appropriations of \$1,025,155 or 28.30% of the original budget. The Community Redevelopment Agency had no significant budget amendments during fiscal year 2020. The following items represent the major additional appropriations:

General Fund

Capital outlays	\$ 676,771
Various personnel services and operating costs	348,384
Total general fund	\$ 1,025,155

City of Chipley, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand as well as demand deposits and certificates of deposit with original maturities of three months or less. This policy applies to the primary government and its component unit.

Investments

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

- The Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Section 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Savings accounts in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Certificates of deposit in state-certified qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Direct obligations of the U.S. Treasury.
- Federal agencies and instrumentalities.

Investments (continued)

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

Receivables

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

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

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Interfund Activities and Transactions

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

Restricted Assets

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

Capital Assets

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

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

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	20 – 50
Water and sewer system	15 – 50
Improvements	10 – 20
Machinery and equipment	5 – 10
Other infrastructure	10 – 50

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Deferred Outflows/Inflows of Resources

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

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two (2) items that qualify for reporting as deferred inflows of resources. The deferred inflows related to pensions and OPEB are an aggregate of items related to pensions and OPEB as calculated in accordance with GASBs 68 and 75. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. The deferred inflows related to OPEB will be recognized as either OPEB expense or a reduction in the net OPEB liability in future reporting years. Unearned revenue, reported in the governmental funds balance sheet, represents amounts received before eligibility requirements are met. The governmental funds report unearned revenues from two sources: occupational licenses and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become earned.

Compensated Absences

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

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Compensated Absences (continued)

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

Long-Term Obligations

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

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

Pensions

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Other Post-Employment Benefits (OPEB) Liability

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

Categories and Classification of Fund Equity

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.

Net position is reported on the government-wide and proprietary fund financial statements into the following net position categories:

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

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

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

Fund 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.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Categories and Classification of Fund Equity (continued)

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

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

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

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

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

Revenues and Expenditures/Expenses

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

The current property tax calendar is as follows:

Lien date:	January 1, 2019
Levy date:	November 1, 2019
Due date:	March 31, 2020
Delinquent date:	April 1, 2020

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

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

City of Chipley, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (continued)

Proprietary funds operating and nonoperating revenues and expenses - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer, Sanitation and Natural Gas Departments are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 expenses during the reporting period. Actual results could vary from estimates used.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued June 29, 2021 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recently Issued and Implemented Accounting Pronouncements

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

Pronouncements Issued But Not yet Effective

The GASB has issued statements that will become effective in future years. These statements are as follows:

In January 2017, the GASB issued Statement No. 84 (GASB 84), *Fiduciary Activities*. GASB 84 establishes specific criteria for identifying fiduciary activities and the requirements for financial statement reporting. The focus of the criteria is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1)

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. In addition, recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred which compels the government to disburse fiduciary resources should also be reported. GASB 84 will be effective for the fiscal years beginning after December 15, 2019.

In June 2017, the GASB issued Statement No. 87 (GASB 87), *Leases*. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. 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 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. Under this statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021.

In June 2018, the GASB issued Statement No. 89 (GASB 89), *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of GASB 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of GASB 89 are effective for reporting periods beginning after December 15, 2020.

In August 2018, the GASB issued Statement No. 90 (GASB 90), *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of GASB 90 are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

In May 2019, the GASB issued Statement No. 91 (GASB 91), *Conduit Debt Obligations*. The primary objectives of GASB 91 are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB 91 achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of GASB 91 are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92 (GASB 92), *Omnibus 2020*. The objectives of GASB 92 are to enhance the comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB 92 are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 93 (GASB 93), *Replacement of Interbank Offered Rates*. The purpose of GASB 93 is to address accounting and financial reporting implications that result from the replacement of interbank offered rate (IBOR) – most notably, the London Interbank Offered Rate (LIBOR). GASB 93 achieves this objective by (1) providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment, (2) clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate, (3) clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable, (4) removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap, (5) identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of the interest rate swap, and (6) clarifying the definition of reference rate, as it is used in Statement 53, as amended. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021.

In March 2020, the GASB issued Statement No. 94 (GASB 94), *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of GASB 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in GASB 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in GASB 94 as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not yet Effective (continued)

operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. GASB 94 also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in GASB 94, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. GASB 94 is effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued Statement No. 96 (GASB 96), *Subscription-Based Information Technology Arrangements*. GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB 96 (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. GASB 96 is effective for fiscal years beginning after June 15, 2022.

In June 2020, the GASB issued Statement No. 97 (GASB 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of GASB 97 are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The requirements for GASB 97 are effective for reporting periods beginning after June 15, 2021.

The City is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The City maintains its deposits with “Qualified Public Depositories” as defined in Chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. The City’s Demand and time deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

The City invests in the Florida State Board of Administration Local Government Surplus Funds Trust Fund (Florida PRIME). The Local Government Surplus Funds Trust Fund is a “2a-7 like” pool and, therefore, the City’s pool account balance (amortized cost) is used as the fair value for financial reporting. At September 30, 2020, the fair value and the carrying value of these funds was \$1,483,798. The funds are reported as investments in the amount of \$1,307,356, and as restricted investments of \$176,442.

Florida PRIME is administered by the SBA, under the regulatory oversight of the State of Florida. Florida PRIME is rated by Standard and Poor’s as AAAM. At September 30, 2020, Florida PRIME’s investments dollar weighted average days to maturity (WAM) was 48 days. Next interest rate reset dates for floating rate securities are used in the calculation of WAM and weighted average life (WAL) is 63 days. Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2019 through September 30, 2020. As of September 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City’s daily access to 100 percent of their account value.

Florida PRIME is governed by Chapters 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration, (the “SBA”). These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. Additional information and investment policies regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration at www.sbafla.com/prime. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (the “SEC”); however, the State has adopted operating procedures consistent with the requirements for a “2a-7 like” pool.

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

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

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

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

Investments are comprised of the following, at amortized cost.

Investment Type	Fair Value	Purchase Date to Maturity			
		0 – 1 Year	1 – 2 Years	2 – 3 Years	3 – 5 Years
Florida PRIME	\$ 1,483,798	\$ 1,483,798	\$ -	\$ -	\$ -
Certificates of Deposit	102,636	102,636	-	-	-
	<u>\$ 1,586,434</u>	<u>\$ 1,586,434</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Accounts Receivable

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

Governmental Funds	General Fund	Community Redevelopment Agency
Taxes	\$ 92,490	\$ -
Franchise fees	21,737	-
Revolving loan receivable	-	76,171
Other	192,651	-
<u>Total</u>	<u>\$ 306,878</u>	<u>\$ 76,171</u>

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable (continued)

Proprietary Funds	Water	Sewer	Sanitation	Natural Gas
Accounts – utility billings (1)	\$ 89,916	\$ 154,666	\$ 96,619	\$ 35,781
Allowance for uncollectibles	(6,111)	(10,403)	(6,334)	(2,196)
Other	737	-	635	276
Total	\$ 84,542	\$ 144,263	\$ 90,920	\$ 33,861

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

Due from Other Governments

The \$962,712 reported in governmental activities and \$197,183 reported in business-type activities are due from the State of Florida for grant reimbursements. The amounts due are deemed collectible.

Interfund Balances

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. These amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2020 is shown below:

	Payable Fund		
	Sewer	Gas	Total
Receivable Fund			
General	\$ 136,950	\$ 291,800	\$ 428,750

Interfund Transfers

The General Fund transferred \$73,641 to the Debt Service Fund during the year ended September 30, 2020 in order to meet debt service requirements.

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 957,092	\$ -	\$ 86	\$ 957,006
Construction-in-progress	165,657	657,578	517,461	305,774
Capital assets, not being depreciated	1,122,749	657,578	517,547	1,262,780
Capital assets, being depreciated				
Furniture and equipment	2,415,124	47,051	21,862	2,440,313
Improvements other than buildings	3,067,102	517,461	-	3,584,563
Buildings	4,627,559	-	-	4,627,559
Capital assets, being depreciated	10,109,785	564,512	21,862	10,652,435
Less accumulated depreciation for				
Furniture and equipment	2,395,695	126,598	21,862	2,500,431
Improvements other than buildings	1,131,485	146,669	-	1,278,154
Buildings	2,252,583	75,852	-	2,328,435
Total accumulated depreciation	5,779,763	349,119	21,862	6,107,020
Total capital assets being depreciated, net	\$ 4,330,022	\$ 215,393	\$ -	\$ 4,545,415
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 2,356,559	\$ -	\$ -	\$ 2,356,559
Construction-in-progress	985,143	337,321	-	1,322,464
Capital assets, not being depreciated	3,341,702	337,321	-	3,679,023

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Building and plant	50,270,021	-	-	50,270,021
Equipment and vehicles	2,531,071	94,085	6,000	2,619,156
Capital assets, being depreciated	52,801,092	94,085	6,000	52,889,177
Less accumulated depreciation for				
Building and plant	15,151,532	1,209,619	-	16,361,151
Equipment and vehicles	2,009,723	123,185	6,000	2,126,908
Total accumulated depreciation	17,161,255	1,332,804	6,000	18,488,059
Total capital assets being depreciated, net	\$ 35,639,837	\$ (1,238,719)	\$ -	\$ 34,401,118

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

<i>For the year ended September 30,</i>	<i>2020</i>
Governmental activities	
General government	\$ 103,960
Public safety	73,696
Public works	153,611
Culture and recreation	17,852
Total depreciation expense - governmental activities	\$ 349,119
Business-type Activities	
Water	\$ 183,763
Sewer	1,101,272
Sanitation	19,534
Natural Gas	28,235
Total depreciation expense - business-type activities	\$ 1,332,804

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Revenue bonds	\$ 720,493	\$ -	\$ 19,703	\$ 700,790	\$ 21,258
Notes	48,306	45,050	18,897	74,459	17,646
Compensated absences	548,060	146,031	72,915	621,176	55,905
Total	\$ 1,316,859	\$ 191,081	\$ 111,515	\$ 1,396,425	\$ 94,809
Business-type activities					
Revenue bonds	\$ 1,832,000	\$ -	\$ 117,100	\$ 1,714,900	\$ 123,600
Notes	1,635,189	334,549	50,816	1,918,922	94,142
Compensated absences	303,350	104,724	68,127	339,947	64,590
Total	\$ 3,770,539	\$ 439,273	\$ 236,043	\$ 3,973,769	\$ 282,332

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

<i>Year ending September 30,</i>	Governmental Activities			
	Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest
2021	\$ 21,258	\$ 33,237	\$ 17,646	\$ 2,436
2022	21,841	32,228	18,170	1,911
2023	23,451	31,192	18,683	1,370
2024	24,090	30,117	6,441	812
2025	25,759	28,937	6,703	550
2026-2030	146,000	125,373	6,816	277
2031-2035	179,197	87,594	-	-
2036-2040	220,194	41,469	-	-
2041-2043	39,000	2,793	-	-
Total	\$ 700,790	\$ 412,940	\$ 74,459	\$ 7,356

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

Year ending <i>September 30,</i>	Business-type Activities			
	Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest
2021	\$ 123,600	\$ 81,646	\$ 50,863	\$ 9,559
2022	129,300	75,614	84,422	8,167
2023	136,100	69,302	72,446	7,111
2024	141,900	62,667	73,300	6,434
2025	148,000	55,725	74,176	5,736
2026-2030	418,400	204,564	321,894	22,431
2031-2035	405,200	98,026	333,837	15,526
2036-2040	182,100	24,326	338,086	8,114
2041-2045	30,300	4,176	224,184	2,971
2046-2050	-	-	345,714	1,058
Total	\$ 1,714,900	\$ 676,046	\$ 1,918,922	\$ 87,107

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

	Governmental Activities
Regions Bank - A note payable in annual installments of \$12,828 including interest at 2.411%. The note matures on December 20, 2022 and is secured by a vehicle.	\$ 74,459

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

	Business-Type Activities
Capital City Bank – A note payable in annual installments of \$7,248 including interest at 3.03%. The note matures on January 4, 2022 and is secured by a vehicle.	\$ 14,217
Capital City Bank – A note payable in annual installments of \$12,100.83 including interest at 4.15%. The note matures on June 1, 2026 and is secured by a vehicle.	51,484
Capital City Bank – A note payable in annual installments of \$7,606.60 including interest at 3.55%. The note matures on May 1, 2021 and is secured by a vehicle.	7,322
Capital City Bank – A note payable in annual installments of \$9,633 including interest at 3.32%. The note matures on May 1, 2021 and is secured by a vehicle.	18,323
 Florida Department of Environmental Protection – A Clean Water State Revolving Fund Loan issued April 5, 2016 to finance the cost of acquisition and construction of certain capital improvement in connection with the water and sewer utility systems. The loan is secured by a pledge of gross revenues derived yearly from the operation of the water and sewer systems after payment of the operation and maintenance expense and the satisfactory of all yearly payment obligations of the senior revenue obligations and any senior revenue obligations issued pursuant to Section 7.02 of this loan agreement. The loan is payable in semi-annual principal and interest installments of \$45,431 beginning March 2021 with a stated interest rate of .17%. The remaining principal and interest payments on this debt as of September 30, 2020 totaled \$1,435,485. Principal and interest paid for the year ended September 30, 2020 and total pledged revenues were \$0 and \$234,902, respectively.	 1,400,828
Florida Department of Environmental Protection – A Clean Water State Revolving Fund Loan issued January 12, 2006 to finance the cost of acquisition and construction of certain capital improvement in connection with the sewer utility system. The loan is secured by a pledge of revenues as security for the repayment of the debt and shall be the funds, including investment income, on deposit in the debt service accounts. The remaining principal and interest payments on this debt as of September 30, 2020 totaled \$470,999. Principal and interest paid for the year ended September 30, 2020 and total pledged revenues were \$22,001 and \$234,902, respectively. Principal and interest payments were 44.23% of the pledged revenue for the year ended September 30, 2020.	426,748
Total	\$ 1,918,922

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

Bonds Payable

Bonds payable at September 30, 2020 are comprised of the following:

	<u>Governmental Activities</u>
City of Chipley Public Improvement Revenue Bonds – 2002A Series , authorized and issued \$546,000, interest at 4.75%, principal and interest payable annually on September 1, collateralized by pledge of solid waste disposal system revenues. Bonds are held by the U.S. Department of Agriculture, Rural Development.	\$ 394,790
City of Chipley Public Improvement Revenue Bonds – 2003 Series , authorized and issued \$400,000, interest at 4.675%, principal and interest payable annually on September 1, collateralized by pledge of solid waste disposal system net revenues and revenues from an interlocal agreement with Washington County, Florida. The interlocal agreement specifies that Washington County will share equally with the City the full repayment of the bonds and will pay to the City, in equal installments, a sum equal to one-half of the annual bond payment. Bonds are held by the U.S. Department of Agriculture, Rural Development.	306,000
Total	\$ 700,790
	<u>Business-Type Activities</u>
Water and Sewer Revenue Bonds – 1986 Series , authorized and issued \$1,379,200, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	\$ 347,200
Water and Sewer Revenue Bonds – 1994 Series A , authorized and issued \$851,000, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	473,900
Water and Sewer Revenue Bonds – 1994 Series B , authorized and issued \$143,400, interest at 5.00%, principal and interest payable annually on September 1, with principal payments beginning in 1996, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	79,800

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

Bonds Payable (continued)

	Business-Type Activities
Water and Sewer Revenue Bonds – 1999 Series , authorized and issued \$1,068,600, interest at 4.50%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	710,600
Water and Sewer Revenue Bonds – 2006 Series , authorized and issued \$128,900, interest at 4.375%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	103,400
Total	\$ 1,714,900

The City has pledged future water and sewer system net revenues to repay \$2,415,690 in revenue bonds issued in 1986, 1994, 1999, 2002, 2003, and 2006. Proceeds from the bonds were used for capital improvements and rehabilitation or expansion of the City’s water and sewer systems. Principal and interest on the bonds are payable through 2045, solely from the water and sewer system net revenues and an interlocal agreement with Washington County in which the City agreed to pay half of the debt service related to the portion of the debt which financed the construction of a library. Annual principal and interest on the bonds are expected to require approximately 74 percent of such net revenues. Principal and interest paid for the current year and total customer net revenues were \$254,392 and \$342,965, respectively.

Net Position and Fund Balances

Restricted net position is comprised of the following at September 30, 2020:

	Governmental	Business-Type
Restricted to capital improvements	\$ 707,327	\$ 178,469
Restricted to debt service	59,248	101,085
Restricted to economic development	285,606	-
Total	\$ 1,052,181	\$ 279,554

A net position deficit of \$321,767 exists in the natural gas fund resulting from the rising costs of natural gas. The City has adjusted natural gas fees beginning in fiscal year 2021.

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Net Position and Fund Balances (continued)

	General Fund	Community Redevelopment Agency	Nonmajor Government Funds	Total Governmental Funds
Restricted				
Capital Improvements	\$ 707,327	\$ -	\$ -	\$ 707,327
Debt Service	-	-	59,248	59,248
Economic development	-	285,606	-	285,606
Committed:				
Cemetery	61,486	-	-	61,486
Volunteer Fire Department	-	-	12,245	12,245
Assigned:				
Recreation	19,887	-	-	19,887
Unassigned	1,149,135	-	-	1,149,135
Total	\$ 1,937,835	\$ 285,606	\$ 71,493	\$ 2,294,934

Note 3: RETIREMENT PLANS

Florida Retirement System Pension Plan

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

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

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

City of Chipley, Florida Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

Participating employer contributions are based upon state-wide rates established by the State of Florida. These rates are applied to employee salaries as follows: regular employees-10.00% DROP Program-16.98%, special risk employees-24.45%, senior management-27.29% and elected officials-49.18%. The rate applied to employee salaries for employee contributions was 3.00% for all classifications with the exception of DROP program participants who do not make contributions.

The City's contributions to the plan for the year ended September 30, 2020, was \$271,390, and equal to the actuarially determined contributions for the year. The City's contributions to the HIS for the year ended September 30, 2020, was \$34,258, and equal to the actuarially determined contributions for the year. These contributions were paid by their due date. Total payroll for the City employees covered by the System pension plan and HIS was \$2,050,433 for the year ended September 30, 2020. The City's total payroll was \$2,131,785 for the same period. Net pension liabilities are generally liquidated by the general fund.

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At September 30, 2020, the City reported a liability of \$3,304,271 for its proportionate share of the collective net pension liability for the Florida Retirement System Pension Plan (the "Pension Plan"). 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 June 30, 2020. The City's proportion of the collective net pension liability was based on the employers' shares of contributions to the Pension Plan relative to the total employer contributions of all participating employers. At June 30, 2020, the City's proportion of the Pension Plan was 0.007624%, which was a decrease of 0.000882% from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the City recognized pension expense of \$474,435 for the Pension Plan. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:

City of Chipley, Florida
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 126,461	\$ -
Changes of assumptions	598,178	-
Net difference between projected and actual earnings on pension plan investments	196,739	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	47,412	(229,771)
Employer contributions subsequent to the measurement date	75,132	-
Total	\$ 1,043,922	\$ (229,771)

\$75,132 reported as deferred outflows of resources related to the Pension Plan resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year Ended
September 30,

2021		\$ 159,854
2022		159,854
2023		159,854
2024		159,853
2025		99,604

Actuarial assumptions. The total pension liability for the Pension Plan was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Investment rate of return*	6.80%
Projected salary increases	3.25%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of July 1, 2020 for the Pension Plan were based on the results of an investigation of the economic and demographic experience for the System based upon participant data as of June 30, 2018.

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

City of Chipley, Florida
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return*	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate (property)	10.3%	6.4%	5.8%	11.7%
Private equity	11.1%	10.8%	8.1%	25.7%
Strategic investments	4.4%	5.5%	5.3%	6.9%
Total	100%			

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

* Includes assumed rate of inflation of 2.40%

Discount rate. The discount rate used to measure the total pension liability for the Pension Plan was 6.90%. The Plan's fiduciary net position was projected to be available to make all future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80% for the Pension Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.80%) or 1-percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's proportionate share of collective net pension liability	\$ 5,276,365	\$ 3,304,271	\$ 1,657,169

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued System Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 *Report for the System* prepared as of June 30, 2020. The auditor's report dated January 15, 2021 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of June 30, 2020 along with supporting schedules is also available. The additional financial and actuarial information is available from the following website:

http://www.dms.myflorida.com/workforce_operations/retirement/publications.

Health Insurance Subsidy Program

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At September 30, 2020, the City reported a liability of \$706,413 for its proportionate share of the collective net pension liability. For the HIS, 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 June 30, 2020. The City's proportion of the collective net pension liability was based on the employers' shares of contributions to the HIS relative to the total employer contributions of all participating employers. At June 30, 2020, the City's proportion of the HIS was 0.005786%, which was a decrease of 0.000047% from its proportion measured as of June 30, 2019.

For the year ended September 30, 2020, the City recognized pension expense of \$33,563 for the HIS. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the HIS from the following sources:

City of Chipley, Florida
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Health Insurance Subsidy Program (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,897	\$ (545)
Changes of assumptions	75,960	(41,075)
Net difference between projected and actual earnings on pension plan investments	564	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,589	(19,869)
Employer contributions subsequent to the measurement date	9,156	-
Total	\$ 138,166	\$ (61,489)

\$9,156 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS will be recognized in the pension's expense as follows:

Year Ended
September 30,

2021	\$	10,941
2022		10,941
2023		10,941
2024		10,941
2025		10,800
Thereafter		12,957

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

Inflation	2.40%
Investment rate of return*	2.21%
Projected salary increases	3.25%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of July 1, 2020 for the HIS were based on the results of an investigation of the economic and demographic experience for the Florida Retirement System (the "FRS") based upon participant data as of June 30, 2018.

City of Chipley, Florida
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Health Insurance Subsidy Program (continued)

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

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

Discount rate. The discount rate used to measure the total pension liability for the HIS was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion rate is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 2.21% for the HIS as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21%) or 1-percentage point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
City's proportionate share of collective net pension liability	\$ 816,582	\$ 706,413	\$ 616,240

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued System Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020. The supporting actuarial information is included in the GASB Statement No. 68 Report for the System prepared as of June 30, 2020. The auditor's report dated January 15, 2021 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of June 30, 2020 along with supporting schedules is also available. The additional financial and actuarial information is available from the following website:

http://www.dms.myflorida.com/workforce_operations/retirement/publications.

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

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

Funding Policy

Contribution rates for the insurance are established on an annual basis. The retired employees reimburse the City for the actual premium cost, including the portion that previously would have been paid by the City during employment. Expenses for postretirement health care benefits are recognized as paid and there is no advance funding on the part of the City. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute toward the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an OPEB obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. OPEB liabilities are liquidated by the respective funds that are obligated for the related costs. For governmental activities, OPEB liabilities are generally liquidated by the general fund. For the year ended September 30, 2020, the City estimated it subsidized \$20,271 of medical costs for its retirees and their covered dependents.

As of September 30, 2020, no trust has been established and no assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4.

Plan Membership

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

Summary of Employer Census Data

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

City of Chipley, Florida
Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2020 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

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

In the October 1, 2019 actuarial valuation, the Individual Entry Age, Level Dollar Closed cost method was used. The actuarial assumptions included a healthcare cost trend level 5.00% for medical. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

At September 30, 2020, the City reported a total OPEB liability of \$66,393. The GASB 75 information has been provided as of the September 30, 2020 measurement date.

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

<i>As of and for the year ended September 30,</i>	2020	2019	2018
Total OPEB liability - beginning	\$ 66,825	\$ 176,397	\$ 170,973
Changes due to:			
Service costs	2,489	5,318	2,749
Interest	2,407	16,796	6,736
Differences between expected and actual experience	-	(112,265)	-
Changes in assumptions and methods	-	1,300	7,598
Benefit payments	(5,328)	(20,721)	(11,659)
Net changes in total OPEB liability	(432)	(109,572)	5,424
Total OPEB liability - ending	\$ 66,393	\$ 66,825	\$ 176,397

The City reported changes in assumptions since the prior measurement date. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2019. These calculations are based in the Individual Entry Age, Level Dollar Closed cost method required by GASBC P52.

City of Chipley, Florida
Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of the Net OPEB Liability

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

	1% Decrease (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB Liability	\$ 78,189	\$ 66,393	\$ 57,374
	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 56,425	\$ 66,393	\$ 78,561

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 80,338	\$ (89,810)
Changes of assumptions	6,359	(13,551)
	\$ 86,697	\$ (103,361)

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

Year Ended September 30,	Deferred Outflows of Resources
2021	\$ (795)
2022	(795)
2023	(795)
2024	(795)
2025	(795)
Thereafter	(12,689)
Total	\$ (16,664)

City of Chipley, Florida
Notes to Financial Statements

Note 5: COMMITMENTS AND CONTINGENCIES

Grants - Grant funds received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such reviews may result in requests for reimbursements due to disallowed expenditures. Based upon experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2020, there were no questioned or disallowed costs as a result of reviews by grantor agencies in process or completed.

Construction Commitments - The City had open contract commitments for improvements as of September 30, 2020 as follows:

Contract amounts	\$	1,006,295
Amount expended through September 30, 2020		306,644
<hr/>		
Remaining commitment on contract	\$	699,651
<hr/>		

Note 6: RISK MANAGEMENT

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

Note 7: LITIGATION

The City is involved in several litigations and claims arising in the ordinary course of operations. In the opinion of management, the range of potential recoveries or liabilities would not materially affect the financial position of the City at September 30, 2020. Accordingly, no accruals for loss contingency have been made in the accompanying financial statements.

Note 8: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of the novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the ongoing operating activities and the future results of the Town. The occurrence and extent of such an impact will depend on future developments, including (i) the and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain as of June 29, 2021

City of Chipley, Florida
Notes to Financial Statements

Note 9: SUPPLEMENTAL CASH FLOW INFORMATION

Interest expense incurred for business-type activities for the year ended September 30, 2020 was \$99,472, all of which was charged to non-operating expenses. Cash paid for interest was \$102,123 and there was \$2,651 of interest capitalized for the year ended September 30, 2020.

Note 10: MAJOR SUPPLIER

All natural gas sold by the natural gas fund is purchased from a single supplier, Florida Gas Utility. Purchases totaled \$133,331. Florida Gas Utility is currently the City's sole supplier of natural gas.

City of Chipley, Florida
Required Supplementary Information

**Schedule of Changes in OPEB
Liability, Related Ratios, and Notes to Schedule
Last Three Fiscal Years (1)**

<i>As of and for the year ended September 30,</i>	2020	2019	2018
Total OPEB liability - beginning	\$ 66,825	\$ 176,397	\$ 170,973
Changes due to:			
Service costs	2,489	5,318	2,749
Interest	2,407	16,796	6,736
Differences between expected and actual experience	-	(112,265)	-
Changes in assumptions and methods	-	1,300	7,598
Benefit payments	(5,328)	(20,721)	(11,659)
Net changes in total OPEB liability	(432)	(109,572)	5,424
Total OPEB liability - ending	\$ 66,393	\$ 66,825	\$ 176,397
Covered-employee payroll for the measurement period	\$ 1,291,689	\$ 1,242,008	\$ 1,335,483
OPEB liability as a percentage of covered-employee payroll	5.14%	5.38%	13.21%
Plan net fiduciary position as a percentage of total OPEB liability	0.00%	0.00%	0.00%

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

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

Notes to OPEB Required Supplementary Information

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

City of Chipley, Florida
Required Supplementary Information

**Schedule of Employer's Proportionate Share
of the Net Pension Liability
Florida Retirement System Pension Plan
Last Six Fiscal Years (1)**

<i>As of and for the year ended June 30,</i>	2020(1)	2019(1)	2018(1)	2017(1)	2016(1)	2015(1)
Employer's proportion of the net pension liability	0.007624%	0.008506%	0.008221%	0.008400%	0.008848%	0.008602%
Employer's proportionate share of the net pension liability	\$ 3,304,271	\$ 2,929,453	\$ 2,476,158	\$ 2,485,639	\$ 2,234,242	\$ 1,111,018
Covered payroll*	\$ 2,000,926	\$ 1,991,905	\$ 1,804,772	\$ 1,770,759	\$ 1,783,369	\$ 1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	165.14%	147.07%	137.20%	140.37%	125.28%	62.37%
Plan fiduciary net position as a percentage of the total pension liability	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

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

*Covered payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2020, the measurement period is the twelve month period beginning July 1, 2019.

City of Chipley, Florida
Required Supplementary Information

Schedule of Employer Contributions
Florida Retirement System Pension Plan
Last Six Years (1)

<i>As of and for the year ended September 30,</i>	2020	2019	2018	2017	2016	2015
Contractually required contribution**	\$ 271,390	\$ 261,467	\$ 242,646	\$ 261,073	\$ 220,909	\$ 205,049
Contributions in relation to the actuarially determined contribution	271,390	261,467	242,646	261,073	220,909	205,049
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll*	\$ 2,050,433	\$ 1,985,261	\$ 1,841,915	\$ 1,819,586	\$ 1,798,143	\$ 1,885,154
Contributions as a percentage of covered payroll	13.24%	13.17%	13.17%	14.35%	12.29%	10.88%

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

*Employer's covered payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll). For fiscal year 2020, the period is October 1, 2019 through September 30, 2020.

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

City of Chipley, Florida
Required Supplementary Information

**Schedule of the Employer's Proportionate
Share of the Net Pension Liability
Health Insurance Subsidy Program
Last Six Fiscal Years (1)**

<i>As of and for the year ended June 30,</i>	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.005786%	0.005833%	0.005544%	0.005521%	0.005790%	0.005865%
Employer's proportionate share of the net pension liability	\$ 706,413	\$ 652,694	\$ 586,772	\$ 590,320	\$ 674,775	\$ 598,119
Covered payroll*	2,000,926	1,991,905	1,804,772	1,770,759	1,783,369	1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	35.30%	32.77%	32.51%	33.34%	37.84%	33.58%
Plan fiduciary net position as a percentage of the total pension liability	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

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

*Covered payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2020, the measurement period is the twelve month period beginning July 1, 2019.

City of Chipley, Florida
Required Supplementary Information

**Schedule of Employer Contributions
Health Insurance Subsidy Program
Last Six Fiscal Years (1)**

<i>For the year ended September 30,</i>	2020(1)	2019(1)	2018(1)	2017(1)	2016(1)	2015(1)
Contractually required contribution**	\$ 34,258	\$ 32,331	\$ 30,519	\$ 30,205	\$ 29,849	\$ 31,294
Contributions in relation to the actuarially determined contribution	34,258	32,331	30,519	30,205	29,849	31,294
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll*	\$ 2,050,433	\$ 1,985,261	\$ 1,841,915	\$ 1,819,586	\$ 1,798,143	\$ 1,885,154
Contributions as a percentage of covered payroll	1.67%	1.63%	1.66%	1.66%	1.66%	1.66%

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

*Covered payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll). For fiscal year 2020, the period is October 1, 2019 through September 30, 2020.

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

City of Chipley, Florida
Required Supplementary Information
September 30, 2020

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: FLORIDA RETIREMENT SYSTEMS (FRS)

The following actuarial assumptions changed in 2020:

- The long-term expected rate of return was decreased from 6.90% to 6.80%, and the active member mortality assumption was updated.

Note 2: HEALTH INSURANCE SUBSIDY PROGRAM (HIS)

The following actuarial assumptions changed in 2020:

- The municipal rate used to determine total pension liability was decreased from 3.50% to 2.21%.
- The economic and demographic experience study as of June 30, 2013 was updated as of June 30, 2018.

Note 3: OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB)

Actuarial assumptions remained consistent during the year ended September 30, 2020.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Chipley, Florida (the "City"), which comprise the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of and for the year ended September 30, 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 29, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

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

Enterprise, Alabama
June 29, 2021



Carr, Riggs & Ingram, LLC
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**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT
INVESTMENT POLICIES**

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

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

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

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2020.

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

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

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

Enterprise, Alabama
June 29, 2021

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

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

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

Enterprise, Alabama
June 29, 2021

City of Chipley, Florida
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020

Federal Agency			Passed	
Pass-Through Entity			Through to	
Federal Program	CFDA	Grant I.D. Number	Subrecipients	Expenditures
U.S. Department of Transportation				
Pass-through Florida Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	436993-1-58-01	\$ -	\$ 346,489
Environmental Protection Agency				
Pass-through Florida Department of Environmental Protection				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds	66.458	WW670110	-	96,813
U.S. Department of Homeland Security				
Pass-through Florida Department of Emergency Management				
Disaster Grants - Public Assistance	97.036	Z0890	-	14,559
Disaster Grants - Public Assistance	97.036	Z2383	-	47,505
Disaster Grants - Public Assistance	97.036	Z2581	-	32,483
Department total			-	94,547
U.S. Department of Agriculture				
Pass-through Florida Department of Agriculture and Consumer Services				
Cooperative Forestry Assistance	10.664		-	14,840
Waste Disposal Systems for Rural Communities	10.760		-	158,757
Department total			-	173,597
U.S. Department of Housing and Urban Development				
Pass-through Florida Department of Economic Opportunity				
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii				
	14.228	19DB-ON-02-77-02-N12	-	90,351
U.S. Department of Treasury				
Pass-through Washington County, Florida				
COVID-19 Coronavirus Relief Fund	21.019	COVID-19	-	398,818
U.S. Department of Justice				
Pass-through Florida Department of Law Enforcement				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	COVID-19 2020-CESF-WASH-1-Y6-007	-	82
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-JAGD-WASH-1-Y6-007	-	1,135
Direct Award				
Bulletproof Vest Partnership Program	16.607	N/A	-	2,305
Equitable Sharing Program	16.922	N/A	-	4,900
Department total			-	8,422
Total Expenditures of Federal Awards			\$ -	\$ 1,209,037

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

City of Chipley, Florida
Notes to Schedule of Expenditures of
Federal Awards
For the Year Ended September 30, 2020

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes federal spending of the City and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended and does not represent the financial position of the City.

Note 2: INDIRECT COST

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

Note 3: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES

The City did not have any federal loans or loan guarantees outstanding during the year ended September 30, 2020.

Note 4: SUB-RECIPIENTS

During the year ended September 30, 2020 the City had no sub-recipients.

Note 5: NONCASH ASSISTANCE AND OTHER

The City did not receive any noncash assistance or federally funded insurance during the year ended September 30, 2020.

Note 6: CONTINGENCIES

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

City of Chipley, Florida
Notes to Schedule of Expenditures of
Federal Awards
For the Year Ended September 30, 2020

Note 7: FEDERAL PASS-THROUGH FUNDS

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

City of Chipley, Florida
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I: Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

CFDA Number	Federal Program	
20.205	Highway Planning and Construction Cluster	
21.019	Highway Planning and Construction	
	COVID-19 – Coronavirus Relief Fund	
5. Dollar threshold used to distinguish between type A and type B programs		\$750,000
6. Auditee qualified as low-risk under 2CFR 200.520		No

Section II: Financial Statements Findings

No such findings noted.

Section III: Federal Award Findings and Questioned Costs

No such findings noted.



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INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Chipley, Florida (the "City") as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated June 29, 2021.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 29, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Financial Condition

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

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

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

Additional Matters

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

Purpose of this Letter

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

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

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

Enterprise, Alabama
June 29, 2021