

CITY OF SOPCHOPPY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

**CITY OF SOPCHOPPY, FLORIDA
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SEPTEMBER 30, 2020**

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INDEPENDENT AUDITORS' REPORT

To the Honorable City Council
City of Sopchoppy, Florida:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the 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 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 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, and each major fund of the City of Sopchoppy, Florida as of September 30, 2020, and the respective changes in net financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information on pages 3 – 8 and pages 29 – 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2021, on our consideration of the City of Sopchoppy, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sopchoppy, Florida's internal control over financial reporting and compliance.

Brooks, Hansen & Cayer

Tallahassee, Florida
February 15, 2021

Management's Discussion and Analysis

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

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements can be found on pages 9 – 10 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 11 – 13 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 14 – 16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 – 38 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Sopchoppy, Florida's budgetary information. Required supplementary information can be found on pages 39 – 43 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Sopchoppy, Florida, assets exceeded liabilities by \$12,693,596 at the close of the most recent fiscal year.

The largest portion of the City of Sopchoppy, Florida's net position (56 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Sopchoppy, Florida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Sopchoppy, Florida's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Sopchoppy, Florida's Net Position

| | 2020 | | |
|---|--------------------------------|---------------------------------|----------------------|
| | Governmental activities | Business-type activities | Total |
| Current and other assets | \$ 992,624 | \$ 5,853,507 | \$ 6,846,131 |
| Capital assets | 1,530,077 | 6,286,490 | 7,816,567 |
| Total assets | <u>2,522,701</u> | <u>12,139,997</u> | <u>14,662,698</u> |
| Deferred outflows of resources | - | 211,634 | 211,634 |
| Long-term liabilities outstanding | - | 1,439,704 | 1,439,704 |
| Other liabilities | 181,059 | 555,766 | 736,825 |
| Total liabilities | <u>181,059</u> | <u>1,995,470</u> | <u>2,176,529</u> |
| Deferred inflows of resources | - | 37,525 | 37,525 |
| Net position: | | | |
| Invested in capital assets, net of related debt | 1,530,077 | 5,502,974 | 7,033,051 |
| Restricted | 42,019 | 679,059 | 721,078 |
| Unrestricted | 769,546 | 4,136,603 | 4,906,149 |
| Total net position | <u>\$ 2,341,642</u> | <u>\$ 10,318,636</u> | <u>\$ 12,660,278</u> |
| | | | |
| | 2019 | | |
| | Governmental activities | Business-type activities | Total |
| Current and other assets | \$ 828,723 | \$ 5,317,855 | \$ 6,146,578 |
| Capital assets | 895,807 | 6,425,969 | 7,321,776 |
| Total assets | <u>1,724,530</u> | <u>11,743,824</u> | <u>13,468,354</u> |
| Deferred outflows of resources | - | 192,781 | 192,781 |
| Long-term liabilities outstanding | - | 1,376,390 | 1,376,390 |
| Other liabilities | 3,198 | 535,890 | 539,088 |
| Total liabilities | <u>3,198</u> | <u>1,912,280</u> | <u>1,915,478</u> |
| Deferred inflows of resources | - | 72,991 | 72,991 |
| Net position: | | | |
| Invested in capital assets, net of related debt | 895,807 | 5,566,066 | 6,461,873 |
| Restricted | 41,651 | 695,761 | 737,412 |
| Unrestricted | 783,874 | 3,689,507 | 4,473,381 |
| Total net position | <u>\$ 1,721,332</u> | <u>\$ 9,951,334</u> | <u>\$ 11,672,666</u> |

An additional portion of the City of Sopchoppy, Florida's net position (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$4,906,149) may be used to meet the government's ongoing obligations to citizens and creditors.

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

- **Governmental activities.** Governmental activities increased the City of Sopchoppy, Florida's net position by \$620,310. The key element of this increase is due to capital contributions and close monitoring over expenses.

City of Sopchoppy, Florida's Changes in Net Position

| | 2020 | | |
|--|--------------------------------|---------------------------------|----------------------|
| | Governmental activities | Business-type activities | Total |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 42,323 | \$ 1,819,839 | \$ 1,862,162 |
| Operating grants and contributions | - | - | - |
| Capital grants and contributions | 562,468 | - | 562,468 |
| General revenues: | | | |
| Other taxes, licenses, and permits | 59,861 | - | 59,861 |
| Intergovernmental and other | 66,310 | 42,031 | 108,341 |
| Transfers | 45,000 | (45,000) | - |
| Total revenues | <u>775,962</u> | <u>1,816,870</u> | <u>2,592,832</u> |
| Expenses: | | | |
| General government | 48,683 | - | 48,683 |
| Public safety | 1,039 | - | 1,039 |
| Transportation | 53,973 | - | 53,973 |
| Culture and recreation | 51,957 | - | 51,957 |
| Water | - | 1,449,568 | 1,449,568 |
| Total expenses | <u>155,652</u> | <u>1,449,568</u> | <u>1,605,220</u> |
| Change in net position | 620,310 | 367,302 | 987,612 |
| Nets position, beginning of year | 1,721,332 | 9,951,334 | 11,672,666 |
| Net position, end of year | <u>\$ 2,341,642</u> | <u>\$ 10,318,636</u> | <u>\$ 12,660,278</u> |
| | | | |
| | 2019 | | |
| | Governmental activities | Business-type activities | Total |
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 41,010 | \$ 1,687,796 | \$ 1,728,806 |
| Operating grants and contributions | - | - | - |
| Capital grants and contributions | 49,257 | - | 49,257 |
| General revenues: | | | |
| Other taxes, licenses, and permits | 60,059 | - | 60,059 |
| Intergovernmental and other | 83,086 | 50,005 | 133,091 |
| Transfers | 15,000 | (15,000) | - |
| Total revenues | <u>248,412</u> | <u>1,722,801</u> | <u>1,971,213</u> |
| Expenses: | | | |
| General government | 41,559 | - | 41,559 |
| Public safety | 1,114 | - | 1,114 |
| Transportation | 13,663 | - | 13,663 |
| Culture and recreation | 76,871 | - | 76,871 |
| Water | - | 1,508,009 | 1,508,009 |
| Total expenses | <u>133,207</u> | <u>1,508,009</u> | <u>1,641,216</u> |
| Change in net position | 115,205 | 214,792 | 329,997 |
| Net position, beginning of year, restated | 1,606,127 | 9,736,542 | 11,342,669 |
| Net position, end of year | <u>\$ 1,721,332</u> | <u>\$ 9,951,334</u> | <u>\$ 11,672,666</u> |

Business-type activities. Business-type activities increased the City of Sopchoppy, Florida's net position by \$367,302. The key elements of this increase was:

- Close monitoring over expenses.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Sopchoppy, Florida's governmental funds reported ending fund balances of \$2,341,642, an increase of \$620,310 in comparison with the prior year. \$769,546 of this constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the City of Sopchoppy, Florida. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$769,546 and \$811,565, respectively. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 103 percent of total general fund expenditures.

The fund balance of the City of Sopchoppy, Florida's general fund decreased by \$13,960 during the current fiscal year. Key factors in this decline are as follows:

- The decrease in general fund net position is due to City match on the CDBG Stormwater Grant.

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

Unrestricted net position of the water fund at the end of the year amounted to \$4,136,603. The total incline in net position for the fund was \$367,302. Other factors concerning the finances of this fund have already been addressed in the discussion of the City of Sopchoppy, Florida's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be summarized as follows:

- Change in budgeted carryforwards.

Capital Asset and Debt Administration

Capital assets. The City of Sopchoppy, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2020, amounts to \$7,829,187 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads.

Additional information on the City of Sopchoppy, Florida's capital assets can be found in note III. C. on page 26 of this report.

Long-term debt. At the end of the current fiscal year, the City of Sopchoppy, Florida had notes payable outstanding of \$704,092. The remainder of the City of Sopchoppy, Florida's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Sopchoppy, Florida's Outstanding Debt Notes Payable and Revenue Bonds

| | <u>2020</u> | <u>2019</u> |
|---------------|--|--|
| | <u>Business- type activities</u> | <u>Business- type activities</u> |
| Notes payable | \$ 694,092 | \$ 768,447 |
| Revenue bonds | 10,000 | 15,000 |
| Total | <u>\$ 704,092</u> | <u>\$ 783,447</u> |

Additional information on the City of Sopchoppy, Florida's long-term debt can be found in note III.D. on pages 27 – 28 of this report.

Economic Factors and Next Year's Budgets and Rates

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

Requests for Information

This financial report is designed to provide a general overview of the City of Sopchoppy, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Ashley Schilling, City Clerk, Post Office Box 1219, Sopchoppy, Florida 32358.

**CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020**

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 809,914 | \$ 4,293,262 | \$ 5,103,176 |
| Certificate of deposit | - | 240,602 | 240,602 |
| Receivables, net | 182,710 | 137,681 | 320,391 |
| Internal balances | - | - | - |
| Inventories | - | 108,588 | 108,588 |
| Prepaid items | - | 15,569 | 15,569 |
| Restricted assets: | | | |
| Cash and cash equivalents | - | 1,057,805 | 1,057,805 |
| Capital assets not being depreciated | 954,729 | 342,361 | 1,297,090 |
| Capital assets, net of accumulated depreciation | 575,348 | 5,944,129 | 6,519,477 |
| Total assets | <u>2,522,701</u> | <u>12,139,997</u> | <u>14,662,698</u> |
| Liabilities | | | |
| Deferred Outflows of Resources | | | |
| Pension related | - | 211,634 | 211,634 |
| Accounts payable and other current liabilities | 181,059 | 14,331 | 195,390 |
| Utility deposits | - | 373,335 | 373,335 |
| Noncurrent liabilities: | | | |
| Due within one year | - | 171,068 | 171,068 |
| Due in more than one year | - | 1,436,736 | 1,436,736 |
| Total liabilities | <u>181,059</u> | <u>1,995,470</u> | <u>2,176,529</u> |
| Deferred Inflows of Resources | | | |
| Pension related | - | 37,525 | 37,525 |
| Net Position | | | |
| Net investment in capital assets | 1,530,077 | 5,502,974 | 7,033,051 |
| Restricted for: | | | |
| Debt service | - | 679,059 | 679,059 |
| Depot | 531 | - | 531 |
| Fourth of July | 41,438 | - | 41,438 |
| Stormwater construction | 50 | - | 50 |
| Unrestricted | 769,546 | 4,136,603 | 4,906,149 |
| Total net position | <u>\$ 2,341,642</u> | <u>\$ 10,318,636</u> | <u>\$ 12,660,278</u> |

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

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

| | PROGRAM REVENUES | | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | | |
|-------------------------------|---------------------|-------------------------|--|--|--|---------------------------------|----------------------|
| | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES | BUSINESS- TYPE ACTIVITIES | TOTAL |
| Functions/Programs | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 48,683 | \$ - | \$ - | \$ - | \$ (48,683) | \$ - | \$ (48,683) |
| Public safety | 1,039 | 427 | - | - | (612) | - | (612) |
| Transportation | 53,973 | - | - | - | (53,973) | - | (53,973) |
| Culture and recreation | 51,957 | 41,896 | - | 562,468 | 552,407 | - | 552,407 |
| Total governmental activities | <u>155,652</u> | <u>42,323</u> | <u>-</u> | <u>562,468</u> | <u>449,139</u> | <u>-</u> | <u>449,139</u> |
| Business-type activities: | | | | | | | |
| Water | 1,449,568 | 1,819,839 | - | - | - | 370,271 | 370,271 |
| Total Government | <u>\$ 1,605,220</u> | <u>\$ 1,862,162</u> | <u>\$ -</u> | <u>\$ 562,468</u> | <u>449,139</u> | <u>370,271</u> | <u>819,410</u> |
| | | | General revenues: | | | | |
| | | | Other taxes, licenses, and permits | | 59,861 | - | 59,861 |
| | | | Intergovernmental revenue | | 62,010 | - | 62,010 |
| | | | Rent and other | | 3,570 | - | 3,570 |
| | | | Unrestricted investment earnings | | 730 | 42,031 | 42,761 |
| | | | Transfers | | 45,000 | (45,000) | - |
| | | | Total general revenues | | <u>171,171</u> | <u>(2,969)</u> | <u>168,202</u> |
| | | | Change in net position | | 620,310 | 367,302 | 987,612 |
| | | | Net position, beginning of year | | <u>1,721,332</u> | <u>9,951,334</u> | <u>11,672,666</u> |
| | | | Net position, end of year | | <u>\$ 2,341,642</u> | <u>\$ 10,318,636</u> | <u>\$ 12,660,278</u> |

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

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

| | <u>General Fund</u> |
|--|--------------------------------|
| Assets | |
| Cash and cash equivalents | \$ 809,914 |
| Receivables, net | 182,710 |
| Total Assets | <u><u>\$ 992,624</u></u> |
| Liabilities and Fund Balances | |
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 181,059 |
| Total liabilities | <u>181,059</u> |
| Fund Balance: | |
| Restricted for: | |
| Depot | 531 |
| Fourth of July | 41,438 |
| Stormwater construction | 50 |
| Unassigned | 769,546 |
| Total fund balance | <u>811,565</u> |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p> | |
| | 1,530,077 |
| Net position of governmental activities | <u><u>\$ 2,341,642</u></u> |

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

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

| | General Fund |
|---|-------------------------|
| Revenues | |
| Taxes, licenses and permits | \$ 59,861 |
| Intergovernmental | 624,478 |
| Charges for services | 42,323 |
| Other | 4,300 |
| Total revenues | 730,962 |
| Expenditures | |
| General government | 38,893 |
| Transportation | 53,228 |
| Culture and recreation | 697,801 |
| Total expenditures | 789,922 |
| Excess of revenues over expenditures | (58,960) |
| Transfers in | 45,000 |
| Net change in fund balance | (13,960) |
| Fund balance, beginning of year | 825,525 |
| Fund balance, end of year | \$ 811,565 |

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

**CITY OF SOPCHOPPY, 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**

Amounts reported for governmental activities in the statement of activities (page 10)
are different because:

| | | |
|---|-----------|----------------|
| Net change in fund balances - total governmental funds (page 12) | \$ | (13,960) |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. | | 634,270 |
| Change in net position of governmental activities (page 10) | <u>\$</u> | <u>620,310</u> |

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF NET POSITION -
PROPRIETARY FUND
SEPTEMBER 30, 2020

| | Water Fund |
|---|-----------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents | \$ 4,293,262 |
| Certificate of deposit | 240,602 |
| Accounts receivable, net | 137,681 |
| Inventories | 108,588 |
| Prepaid items | 15,569 |
| Total current assets | 4,795,702 |
| Noncurrent assets: | |
| Restricted assets: | |
| Cash and cash equivalents | 1,057,805 |
| Capital assets not being depreciated | 342,361 |
| Capital assets, net of accumulated depreciation | 5,944,129 |
| Total noncurrent assets | 7,344,295 |
| Total assets | \$ 12,139,997 |
| Deferred Outflows of Resources | |
| Pension related | 211,634 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable and accrued expenses | \$ 8,920 |
| Compensated absences | 91,644 |
| Payable from restricted assets: | |
| Revenue bonds payable, current portion | 5,000 |
| Notes payable, current portion | 74,424 |
| Accrued interest payable | 5,411 |
| Utility deposits | 373,335 |
| Total current liabilities | 558,734 |
| Noncurrent liabilities: | |
| Revenue bonds payable, long-term portion | 10,000 |
| Notes payable, long-term portion | 694,092 |
| Net pension liability | 732,644 |
| Total noncurrent liabilities | 1,436,736 |
| Total liabilities | 1,995,470 |
| Deferred Inflows of Resources | |
| Pension related | 37,525 |
| Net Position | |
| Net investment in capital assets | 5,502,974 |
| Restricted for debt service | 679,059 |
| Unrestricted | 4,136,603 |
| Total net position | \$ 10,318,636 |

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

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

| | <u>Water Fund</u> |
|--|-----------------------------|
| Operating revenues | |
| Charges for services | <u>\$ 1,819,839</u> |
| Operating expenses | |
| Salaries | 519,423 |
| Employee benefits | 228,448 |
| Contract services | 18,683 |
| Office | 73,248 |
| Depreciation | 218,727 |
| Miscellaneous | 38,775 |
| Professional fees | 20,700 |
| Repairs and maintenance | 192,798 |
| Supplies | 14,984 |
| Telephone and utilities | 95,783 |
| Training | 5,402 |
| Total operating expenses | <u>1,426,971</u> |
| Operating income | <u>392,868</u> |
| Nonoperating revenues (expenses) | |
| Interest income | 42,031 |
| Interest expense | (22,597) |
| Total nonoperating revenues (expenses) | <u>19,434</u> |
| Transfers out | (45,000) |
| Change in net position | <u>367,302</u> |
| Total net position, beginning of year | <u>9,951,334</u> |
| Total net position, end of year | <u><u>\$ 10,318,636</u></u> |

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

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

| | Water Fund |
|---|-----------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 1,843,159 |
| Cash paid to suppliers | (654,419) |
| Cash paid to employees | (519,423) |
| Net cash provided by operating activities | 669,317 |
| Cash flows from noncapital and related financing activities | |
| Transfers to other funds | (45,000) |
| Cash flows from capital and related financing activities | |
| Payments on long-term debt | (76,387) |
| Acquisition of capital assets | (79,248) |
| Net cash used in capital and related financing activities | (155,635) |
| Cash flows from investing activities | |
| Interest received | 42,031 |
| Interest paid | (23,082) |
| Proceeds from certificate of deposit | (2,495) |
| Net cash provided by investing activities | 16,454 |
| Net increase in cash and cash equivalents | 485,136 |
| Cash and cash equivalents, beginning of year | 4,865,931 |
| Cash and cash equivalents, end of year | \$ 5,351,067 |
| Reconciliation of operating income to net cash provided by operating activities | |
| Operating income | \$ 392,868 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 218,727 |
| Increase in accounts receivable | (2,266) |
| Increase in inventory | (45,439) |
| Increase in prepaid items | (316) |
| Decrease in deferred inflows | (35,466) |
| Increase in deferred outflows | (18,853) |
| Increase in net pension liability | 139,701 |
| Decrease in accounts payable and accrued items | (5,225) |
| Increase in utility deposits | 25,586 |
| Total adjustments | 276,449 |
| Net cash provided by operating activities | \$ 669,317 |

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

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

I. Summary of Significant Accounting Policies

A. Reporting entity

The City of Sopchoppy, Florida (the “City”) is a municipal corporation formed under the laws of Florida, House Bill No. 1523, June 23, 1955, and is governed by an elected mayor and a four-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present only the City since there are no entities for which the City is considered to be financially accountable.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

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

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

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

I. Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

Property 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

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

The government reports the following major proprietary fund:

The *water fund* accounts for the activities of the government's water distribution operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

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

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

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance

1. Deposits and Investments

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

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

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

2. Receivables and Payables

Activity 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 interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles.

3. Inventory and Prepaid Items

All inventory is valued at cost using the first-in/first-out (FIFO) method.

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

4. Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds and State Revolving Funds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants and third party restrictions.

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

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For financial reporting purposes, capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. For financial reporting purposes, infrastructure assets are defined by the government as assets with an initial, individual cost of more than \$15,000 (amount not rounded) acquired after September 30, 2003 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 5 – 40 |
| Park improvements | 15 |
| System infrastructure | 7 – 50 |
| Vehicles | 5 |
| Equipment | 5 – 40 |

6. Compensated Absences

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
U DOCPROPERTY CYEDATE * MERGEFORMAT SEPTEMBER 30, 2020

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

7. Long-term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

8. 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.

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that

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

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

10. Fund Balance Policies (Continued)

can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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

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

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

I. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

11. Use of Estimates

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

12. Deferred Outflow/Inflows of Resources

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

13. Pensions

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

E. Revenues and Expenditures/Expenses

1. Program revenues

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

2. Proprietary funds operating and nonoperating revenues and expenses

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

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

| | | |
|--|--|-------------------|
| Capital Outlay | | \$ 667,676 |
| Depreciation Expense | | <u>(33,406)</u> |
| Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i> | | <u>\$ 634,270</u> |

III. Detailed Notes on All Funds

A. Deposits and Investments

Deposits. At year end, the carrying amount of the City’s deposits was \$6,401,533 and the bank balance was \$6,565,023. Of the bank balance, \$6,565,023 was covered by Federal depository insurance or by collateral held by the City’s custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

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

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

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

III. Detailed Notes on All Funds (Continued)

A. Deposits and Investments (Continued)

Custodial Credit Risk – Investments are subject to custodial credit risk if the securities are uninsured, not registered in the City’s name, and are held by a party that either sells to or buys from the City. All City securities were held in the City’s name, therefore, no investments at year end were subject to custodial risk.

Credit Risk – The City’s policies are designed to maximize investment earnings while protecting the security of the principal and providing adequate liquidity, in accordance with applicable state laws. At year end, the City’s investment in U.S. Government & Agency Securities include Federal Home Loan Bank and Federal Farm Credit Bank, which were both rated Aaa by Moody’s Investor Services.

Interest Rate Risk – In accordance with investment policy, the government manages its exposure to declines in fair values by structuring the investment portfolio so that securities meet ongoing debt service requirements.

As of September 30, 2020, the City had no investments.

B. Receivables

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

| | <u>General</u> | <u>Water</u> | <u>Total</u> |
|------------------------------------|-------------------|-------------------|-------------------|
| Accounts | \$ – | \$ 142,681 | \$ 142,681 |
| Intergovernmental | 182,710 | – | 182,710 |
| Gross Receivables | <u>182,710</u> | <u>142,681</u> | <u>325,391</u> |
| Less: allowance for uncollectibles | – | 5,000 | 5,000 |
| Net total receivables | <u>\$ 182,710</u> | <u>\$ 137,681</u> | <u>\$ 320,391</u> |

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

III. Detailed Notes on All Funds (Continued)

C. Capital Assets

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

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|------------------------------|-------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 326,764 | \$ - | \$ - | \$ 326,764 |
| Construction in process | 37,818 | 590,147 | - | 627,965 |
| Total capital assets, not being depreciated | <u>364,582</u> | <u>590,147</u> | <u>-</u> | <u>954,729</u> |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 688,059 | - | - | 688,059 |
| Equipment | 35,885 | 8,199 | - | 44,084 |
| Park improvements | 578,381 | 69,330 | - | 647,711 |
| Vehicles | 11,531 | - | - | 11,531 |
| Total capital assets, being depreciated | 1,313,856 | 77,529 | - | 1,391,385 |
| Less accumulated depreciation | (782,631) | (33,406) | - | (816,037) |
| Total capital assets, being depreciated, net | <u>531,225</u> | <u>44,123</u> | <u>-</u> | <u>575,348</u> |
| Governmental activities Capital assets, net | <u>\$ 895,807</u> | <u>\$ 634,270</u> | <u>\$ -</u> | <u>\$ 1,530,077</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 269,541 | \$ - | \$ - | \$ 269,541 |
| Construction in process | - | 72,820 | - | 72,820 |
| Total capital assets, not being depreciated | <u>269,541</u> | <u>-</u> | <u>-</u> | <u>342,361</u> |
| Capital assets, being depreciated: | | | | |
| Equipment, buildings, utility systems and improvements | 9,896,449 | 6,428 | - | 9,902,877 |
| Less accumulated depreciation | (3,740,021) | (218,727) | - | (3,958,748) |
| Total capital assets, being depreciated, net | <u>6,156,428</u> | <u>(212,299)</u> | <u>-</u> | <u>5,944,129</u> |
| Business-type activities capital assets, net | <u>\$ 6,425,969</u> | <u>(139,479)</u> | <u>-</u> | <u>\$ 6,286,490</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|----------------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 9,790 |
| Public safety | 1,039 |
| Transportation | 745 |
| Culture and Recreation | 21,832 |
| Total | <u>\$ 33,406</u> |
| Business-type activities: | |
| Water | <u>\$ 218,727</u> |

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

III. Detailed Notes on All Funds (Continued)

D. Long-term Debt

Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year end are as follows:

| | |
|--|-----------|
| \$85,000 Water Revenue Bonds payable in annual installments ranging from \$1,000 to \$5,000 through September 1, 2023, plus interest at 5.0%, collateralized by net revenues of the water system | \$ 15,000 |
| | \$ 15,000 |

The annual requirements to amortize bonds payable as of September 30, 2020, excluding interest is as follows:

| <u>Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> |
|--------------------------------------|------------------|-----------------|
| 2021 | \$ 5,000 | \$ 750 |
| 2022 | 5,000 | 500 |
| 2023 | 5,000 | 250 |
| 2024 | - | - |
| 2025 | - | - |
| | \$ 15,000 | \$ 1,500 |

Notes Payable

The following is a summary of notes payable at September 30, 2020:

| | |
|---|------------|
| 2.67% – 2.95% note payable to the State of Florida Department of Environmental Protection, principal and interest payments of \$19,589 are due semiannually through December 2033 | \$ 439,955 |
| 2.64% note payable to the State of Florida Department of Environmental Protection, principal and interest payments of \$27,670 are due semiannually through January 2027 | 328,561 |
| | \$ 768,516 |

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

III. Detailed Notes on All Funds (Continued)

D. Long-term Debt (Continued)

Maturities of notes payable are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|-------------------|-------------------|
| 2021 | \$ 74,424 | \$ 20,107 |
| 2022 | 76,475 | 18,098 |
| 2023 | 78,484 | 16,035 |
| 2024 | 80,602 | 13,917 |
| 2025 | 82,778 | 11,741 |
| 2026 – 2030 | 245,823 | 32,345 |
| 2031 – 2034 | 129,930 | 7,186 |
| | <u>\$ 768,516</u> | <u>\$ 119,429</u> |

Changes in long-term liabilities

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

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due within one year</u> |
|--|------------------------------|-------------------|--------------------|---------------------------|--------------------------------|
| Business-type activities: | | | | | |
| Revenue bonds | \$ 19,000 | \$ – | \$(4,000) | \$ 15,000 | \$ 5,000 |
| Notes payable | 840,903 | – | (72,387) | 768,516 | 74,424 |
| Net Pension Liability | 592,943 | 139,701 | – | 732,644 | – |
| Compensated absences | 85,762 | 5,882 | – | 91,644 | 91,644 |
| Business-type activity long-term liabilities | <u>\$1,538,608</u> | <u>\$ 145,583</u> | <u>\$ (76,387)</u> | <u>\$1,607,804</u> | <u>\$ 171,068</u> |

IV. Other Information

A. Contingent Liabilities

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

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

IV. Other Information (Continued)

B. Retirement Plan

General Information about the Florida Retirement System (FRS)

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

In addition, all regular employees of the City are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the average final

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

IV. Other Information (Continued)

B. Retirement Plan (Continued)

General Information about the Florida Retirement System (FRS) (Continued)

compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

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

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

The City's contributions to the Pension Plan totaled \$51,839 for the fiscal year ended September 30, 2020. (All Plans)

FRS Pension Plan

Plan Description. The FRS Pension Plan (Pension Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership applicable to the City are as follows:

- ***Regular Class***—Members of the FRS who do not qualify for membership in the other classes.

- ***Senior Management Service Class (SMSC)***—Members in senior management level positions.

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

IV. Other Information (Continued)
B. Retirement Plan (Continued)
FRS Pension Plan (Continued)

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for FRS during the City's 2019-20 fiscal year were as follows:

| Class | Year Beginning July 1, 2020 Percent of Gross Salary | |
|---------------------------|--|-------------------------|
| | Employee | Employer ⁽¹⁾ |
| Regular | 3.00 | 10.00 |
| Senior Management Service | 3.00 | 27.29 |
| DROP | 0.00 | 16.98 |

⁽¹⁾ These rates include the normal cost and unfunded actuarial liability contributions but do not include the contribution for the Retiree Health Insurance Subsidy and the fee of 0.06% for administration of the FRS Investment Plan and provision of educational tools for both plans.

The City's contributions to the FRS Plan totaled \$44,910 for the fiscal year ended September 30, 2020.

Net Pension Liability. At September 30, 2020, the City reported the following net pension liability:

| | FRS Pension Plan |
|--|-------------------------|
| City's Proportion | 0.001351672% |
| City's Proportionate Share of Net Pension Liability | \$ 585,835 |

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 proportionate share of the net pension liability was based on the City's contributions during the Pension Plan's fiscal year relative to the contributions of all participating members in the same fiscal year. At June 30, 2020, the City's proportion increased of .000018146 from its proportion measured as of June 30, 2019.

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

IV. Other Information (Continued)

B. Retirement Plan (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions. The total pension liability in the June 30, 2020 actuarial valuation, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|---------------------------|-------|--|
| Inflation | 2.40% | |
| Salary Increases | 3.25% | Average, Including Inflation |
| Investment Rate of Return | 6.80% | Net of Pension Plan Investment Expense, Including Inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2020.

The long-term expected rate of return on 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 | Annual Target Allocation ⁽¹⁾ | Annual Arithmetic Return | 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% | | | |
| Assumed Inflation - Mean | | | 2.4% | 1.7% |

⁽¹⁾ As Outlined in the FRS Pension Plan's Investment Policy.

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

IV. Other Information (Continued)

B. Retirement Plan (Continued)

FRS Pension Plan (Continued)

Actuarial Assumptions. (Concluded)

Discount Rate . The discount rate used to measure the total pension liability was 6.80%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate . The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.80%, 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 (5.800%) 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 the Net Pension Liability | \$ 935,479 | \$ 585,835 | \$ 293,810 |

HIS Pension Plan

Pension Plan Fiduciary Net Position . Detailed information about the Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Plan Description . The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

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

IV. Other Information (Continued)

B. Retirement Plan (Continued)

HIS Pension Plan (Continued)

Benefits Provided. For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS-participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the Plan fiscal years ended June 30, 2020 and 2019, the contribution rates were 1.66% and 1.66% of payroll respectively, pursuant to Section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$6,929 for the fiscal year ended September 30, 2020.

Net Pension Liability. At September 30, 2020, the City reported the following net pension liability:

| <u>FRS Pension Plan</u> | |
|--|--------------|
| City's Proportion | 0.001202387% |
| City's Proportionate Share of Net Pension Liability | \$ 146,809 |

The City's proportionate share of the net pension liability was based on the City's contributions during the Pension Plan's fiscal year relative to the contributions of all participating members in the same fiscal year. At June 30, 2020, the City's proportion increased of .000007504 from its proportion measured as of June 30, 2019.

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

IV. Other Information (Continued)

B. Retirement Plan (Continued)

HIS Pension Plan (Continued)

Actuarial Assumptions. The net pension liability was measured as of June 30, 2020. The total pension liability for the HIS Plan was determined by an actuarial valuation as of June 30, 2020, and recalculated as of September 30, 2020, using a standard actuarial roll-forward technique. The following actuarial assumptions, applied to all periods included in the measurement, were used to determine the total pension liability:

| | |
|------------------|------------------------------------|
| Inflation | 2.40% |
| Salary Increases | 3.25% Average, Including Inflation |

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

The actuarial assumptions used in the June 30, 2020 valuation, were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2020.

Discount Rate. The discount rate used to measure the total pension liability 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 date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 2.21%, 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 the Net Pension Liability | \$ 169,705 | \$ 146,809 | \$ 128,069 |

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

IV. Other Information (Continued)

B. Retirement Plan (Continued)

Additional Disclosures - Defined Benefit Plans (Continued)

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

Deferred Outflows of Resources

| Description | FRS Plan | HIS Plan | Total Plan |
|--|-------------------|------------------|-------------------|
| Difference Between Expected and Actual Experience | \$ 22,421 | \$ 6,005 | \$ 28,426 |
| Changes of Assumptions | 106,055 | 15,786 | 121,841 |
| Net Difference between Projected and Actual Earnings on Plan Investments | 34,881 | 117 | 34,998 |
| Employer -Specific Amounts Due to Changes in Employer Proportion | 18,349 | 8,020 | 26,369 |
| Total | \$ 181,706 | \$ 29,928 | \$ 211,634 |

Deferred Inflows of Resources

| Description | FRS Plan | HIS Plan | Total Plan |
|--|--------------------|--------------------|--------------------|
| Difference Between Expected and Actual Experience | \$ - | \$ (113) | \$ (113) |
| Changes of Assumptions | | (8,537) | (8,537) |
| Net Difference between Projected and Actual Earnings on Plan Investments | - | - | - |
| Changes in Proportion and Difference Between City's Contributions and Proportionate Share of Contributions | (21,666) | (7,209) | (28,875) |
| Total | \$ (21,666) | \$ (15,859) | \$ (37,525) |

The above amounts for deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2020.

Pension Expense. For the year ended September 30, 2020, the City recognized pension expense as follows:

| | |
|------------------------------|------------------|
| FRS Plan | \$ 44,910 |
| HIS Plan | 6,929 |
| Total Pension Expense | \$ 51,839 |

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

IV. Other Information (Continued)

B. Retirement Plan (Continued)

Additional Financial and Actuarial Information

Additional audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer is located in the Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2020. The systems's CAFR for the year ended June 30, 2020. The system's CAFR and the actuarial valuation reports referenced herein are available online at:

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

The System's CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

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

C. Risk Management

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

The City is also a member of the Florida municipal Insurance Trust (the "Trust"). The Trust is a self-insurance program established to provide certain liability, casualty and property coverage to participating units of local governments in Florida, pursuant to various provisions of Florida Statutes. The Trust's underwriting and rate setting policies were established after consulting with an independent actuary. The City pays an annual premium to the Trust for its insurance coverage. The Trust is non-assessable and therefore, the City has no liability for future deficits of the Trust, if any.

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

IV. Other Information (Continued)

D. Subsequent Event

The City has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 15, 2021, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

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

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

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget - Positive (Negative)</u> |
|--|-------------------------|-------------------|-----------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes, licenses and permits | \$ 49,244 | \$ 49,244 | \$ 59,861 | \$ 10,617 |
| Intergovernmental | 661,243 | 661,243 | 624,478 | (36,765) |
| Charges for services | 22,000 | 22,000 | 42,323 | 20,323 |
| Other | 13,600 | 13,600 | 4,300 | (9,300) |
| Total revenues | <u>746,087</u> | <u>746,087</u> | <u>730,962</u> | <u>(15,125)</u> |
| Expenditures | | | | |
| General government | 43,500 | 43,500 | 38,893 | 4,607 |
| Public safety | 1,500 | 1,500 | - | 1,500 |
| Transportation | 55,200 | 55,200 | 53,228 | 1,972 |
| Culture and recreation | 752,000 | 752,000 | 697,801 | 54,199 |
| Total expenditures | <u>852,200</u> | <u>852,200</u> | <u>789,922</u> | <u>62,278</u> |
| Deficiency of revenues under expenditures | <u>(106,113)</u> | <u>(106,113)</u> | <u>(58,960)</u> | <u>47,153</u> |
| Transfers in | 45,000 | 45,000 | 45,000 | - |
| Net change in fund balance | <u>(61,113)</u> | <u>(61,113)</u> | <u>(13,960)</u> | <u>47,153</u> |
| Fund balances, beginning of year | 825,525 | 825,525 | 825,525 | - |
| Fund balances, end of year | <u>\$ 764,412</u> | <u>\$ 764,412</u> | <u>\$ 811,565</u> | <u>\$ 47,153</u> |

The accompanying note to required supplementary information
is an integral part of this statement.

**CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
AND HEALTH INSURANCE SUBSIDY PENSION PLANS
SEPTEMBER 30, 2020**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| City of Sopchoppy's Proportion of the FRS Net Pension Liability | 0.001351672% | 0.001333526% | 0.001486093% | 0.001382953% | 0.001320436% | 0.001320435% | 0.131236900% |
| City of Sopchoppy's Proportionate Share of the FRS Net Pension Liability | \$ 585,835 | \$ 459,248 | \$ 447,619 | \$ 409,068 | \$ 328,866 | \$ 170,552 | \$ 80,074 |
| City of Sopchoppy's Covered Payroll (for the Year Ended June 30) | \$ 417,311 | \$ 399,619 | \$ 409,698 | \$ 360,387 | \$ 363,403 | \$ 359,951 | \$ 360,505 |
| City of Sopchoppy's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll | 140.38% | 114.92% | 109.26% | 113.51% | 90.50% | 47.38% | 22.21% |
| FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 84.26% | 84.26% | 84.26% | 83.89% | 84.88% | 92.00% | 96.09% |

Note: The amounts shown above, as reported on the date indicated, have a measurement date three months prior.

HEALTH INSURANCE SUBSIDY PENSION PLAN

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| City of Sopchoppy's Proportion of the FRS Net Pension Liability | 0.001202387% | 0.001194883% | 0.001254360% | 0.001130329% | 0.001177187% | 0.001186463% | 0.0012133430% |
| City of Sopchoppy's Proportionate Share of the FRS Net Pension Liability | \$ 146,809 | \$ 133,695 | \$ 132,763 | \$ 120,860 | \$ 137,196 | \$ 121,001 | \$ 113,451 |
| City of Sopchoppy's Covered Payroll (for the Year Ended June 30) | \$ 417,311 | \$ 399,619 | \$ 409,698 | \$ 360,387 | \$ 363,403 | \$ 359,951 | \$ 360,505 |
| City of Sopchoppy's Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered Payroll | 35.18% | 33.46% | 32.41% | 33.54% | 37.75% | 33.62% | 31.47% |
| FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 2.15% | 2.15% | 2.15% | 1.64% | 0.97% | 0.50% | 0.99% |

Note: The amounts shown above, as reported on the date indicated, have a measurement date three months prior.

The accompanying notes to required supplementary information
is an integral part of this statement

**CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
AND HEALTH INSURANCE SUBSIDY PENSION PLANS
SEPTEMBER 30, 2020**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 44,910 | \$ 41,349 | \$ 42,352 | \$ 36,002 | \$ 31,762 | \$ 32,193 | \$ 28,746 |
| FRS Contribution in Relation to the Contractually Required Contribution | \$ (44,910) | \$ (41,349) | \$ (42,352) | \$ (36,002) | \$ (31,762) | \$ (32,193) | \$ (28,746) |
| FRS Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered-Employee Payroll (for the Year Ended September 30) | \$417,311 | \$399,619 | \$409,698 | \$360,387 | \$363,403 | \$359,951 | \$360,505 |
| FRS Contributions as a Percentage of Covered Payroll | 10.76% | 10.35% | 10.34% | 9.99% | 8.74% | 8.94% | 7.97% |

HEALTH INSURANCE SUBSIDY PENSION PLAN

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 6,929 | \$ 6,635 | \$ 6,802 | \$ 5,982 | \$ 6,034 | \$ 4,535 | \$ 4,157 |
| FRS Contribution in Relation to the Contractually Required Contribution | \$ (6,929) | \$ (6,635) | \$ (6,802) | \$ (5,982) | \$ (6,034) | \$ (4,535) | \$ (4,157) |
| FRS Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered-Employee Payroll (for the Year Ended September 30) | \$417,311 | \$399,619 | \$409,698 | \$360,387 | \$363,403 | \$359,951 | \$360,505 |
| FRS Contributions as a Percentage of Covered Payroll | 1.66% | 1.66% | 1.66% | 1.66% | 1.66% | 1.26% | 1.15% |

The accompanying notes to required supplementary information
is an integral part of this statement

CITY OF SOPCHOPPY, FLORIDA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2020

A. Budgetary Information

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

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

1. Prior to October 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
6. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

B. Pension Liability

1. Changes in Benefit Terms

There were no significant changes in benefit terms during the Pension Plan's fiscal year ended June 30, 2020.

2. Changes in Assumption

- FRS—The long-term expected rate of return decreased from 6.90% to 6.80%.
- HIS—The municipal rate used to determine total pension liability decreased from 3.50% to 2.21%.

**CITY OF SOPCHOPPY, FLORIDA
OFFICIALS
SEPTEMBER 30, 2020**

CITY COUNCIL

Lara Edwards, Mayor
Nathan Lewis, Vice-Mayor
Becton Roddenberry
Roger McKenzie
Fred McClendon

CITY CLERK

Ashley Schilling

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

To the Honorable City Council,
City of Sopchoppy, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the City of Sopchoppy, Florida, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise City of Sopchoppy, Florida's basic financial statements and have issued our report thereon dated February 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sopchoppy, Florida'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sopchoppy, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sopchoppy, Florida'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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during the 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 City of Sopchoppy, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Brooks, Harrison & Cayer

Tallahassee, Florida
February 15, 2021

**INDEPENDENT AUDITORS' EXAMINATION REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

To the Honorable City Council,
City of Sopchoppy, Florida:

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides 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 aforementioned requirements for the year ended September 30, 2020.

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

Brooks, Harrison & Cayer

Tallahassee, Florida
February 15, 2021

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

To the Honorable City Council,
City of Sopchoppy, Florida:

Report on the Financial Statements

We have audited the financial statements of the City of Sopchoppy, Florida, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated February 15, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 15, 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 significant findings and recommendations made in the preceding annual financial auditor report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that a statement must be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that City of Sopchoppy, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 of Sopchoppy, Florida’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

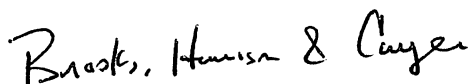
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts and 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, City Council, and management, and is not intended to be and should not be used by anyone other than these specified parties.



Tallahassee, Florida
February 15, 2021