

CITY OF SOPCHOPPY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

**CITY OF SOPCHOPPY, FLORIDA
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SEPTEMBER 30, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of 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 (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Sopchoppy, Florida's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

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

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

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities, and Utility Fund, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, and Utility Fund of the City as of September 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund for the City, as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

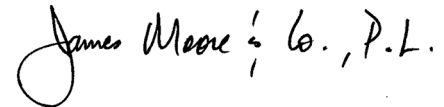
Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, on our consideration of City of Sopchoppy, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Sopchoppy, Florida's internal control over financial reporting and compliance.

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

Tallahassee, Florida
June 15, 2022

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

As management of the City of Sopchoppy, Florida, we offer readers of this narrative overview and analysis of the financial activities of the City of Sopchoppy, Florida for the fiscal year ended September 30, 2021.

Overview of the Financial Statements

This discussion and analysis are 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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of 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., uncollected taxes and 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, physical environment, intergovernmental services, 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 11 – 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of 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.

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

The City of 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 13 – 16 of this report.

Proprietary funds. The City of Sopchoppy, Florida maintains a proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Sopchoppy, Florida uses an 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 information for the water operations, which is considered to be a major fund.

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

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 20– 39 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 and pension information. Required supplementary information can be found on pages 40 – 44 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sopchoppy, Florida, assets and deferred outflows exceeded liabilities and deferred inflows by \$13,450,278 at the close of the most recent fiscal year.

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

An additional portion of the City of Sopchoppy, Florida's net position (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance is an *unrestricted net position* of \$5,169,104. At the end of the current fiscal year, the City of Sopchoppy, Florida is able to report a positive balance in net position for its business-type activities.

Governmental activities Governmental activities increased the City of Sopchoppy, Florida's net position by \$121,684.

Key elements of this increase are as follows:

- The City received \$50,000 for the sale of a building.

City of Sopchoppy, Florida's Changes in Net Position

	2021		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 37,329	\$ 2,101,467	\$ 2,138,796
Capital grants and contributions	26,700	-	26,700
General revenues:			
Property taxes	56,129	-	56,129
Sales and use taxes	26,376	-	26,376
Intergovernmental and other	121,825	30,367	152,192
Transfers	72,840	(72,840)	-
Total revenues	<u>341,199</u>	<u>2,058,994</u>	<u>2,400,193</u>
Expenses:			
General government	111,230	-	111,230
Public Safety	1,039	-	1,039
Transportation	16,287	-	16,287
Culture and recreation	90,959	-	90,959
Water	-	1,467,286	1,467,286
Total expenses	<u>219,515</u>	<u>1,467,286</u>	<u>1,686,801</u>
Change in net position	121,684	591,708	713,392
Net position , beginning of year, as restated	2,341,642	10,395,244	12,736,886
Net position , end of year	<u>\$ 2,463,326</u>	<u>\$ 10,986,952</u>	<u>\$ 13,450,278</u>

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

	2020		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 42,323	\$ 1,896,447	\$ 1,938,770
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>1,893,478</u>	<u>2,669,440</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	443,910	1,064,220
Net position, beginning of year	1,721,332	9,951,334	11,672,666
Net position, end of year	<u>\$ 2,341,642</u>	<u>\$ 10,395,244</u>	<u>\$ 12,736,886</u>

Business-type activities Business-type activities increased the City of Sopchoppy, Florida's net position by \$591,708.

Key element of this increase are as follows:

- Increase in the utility customers due to population growth and development and significant interest income from cash accounts.

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

As of the end of the current fiscal year, the City of Sopchoppy, Florida's governmental fund reported ending fund balance of \$860,543, an increase of \$48,978 in comparison with the prior year. Of this total amount, \$860,493 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 \$860,543. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures.

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

Unrestricted net position of the Utility fund at the end of the year amounted to \$4,336,007. The total increase in net position for the fund was \$591,708. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Sopchoppy, Florida's business-type activities.

General Fund Budgetary Highlights

The City had no amendments to the budget during the 2021 fiscal year. Variances in the budget and actual resulted mainly from not budgeting for potential grant expenses and revenues.

Capital Asset and Debt Administration

Capital assets The City of Sopchoppy, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2021, amounts to \$7,786,699 (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 II. C. on pages 28-29 of this report.

Long-term debt - At the end of the current fiscal year, the City of Sopchoppy, Florida had debt outstanding of \$1,022,117.

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021**

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

	<u>2021</u>
	Business-type activities
Revenue bond	\$ 10,000
Note payable	1,012,117
Total	<u>\$ 1,022,117</u>
	<u>2020</u>
	Business-type activities
Revenue bond	\$ 15,000
State revolving fund loan	768,516
Total	<u>\$ 783,516</u>

Additional information on the City of Sopchoppy, Florida's long-term debt can be found in note II.E on pages 29 - 31 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 2022 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 Ashley Schilling, City Clerk, P.O. Box 1219, Sopchoppy, Florida 32358.

**CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 978,084	\$ 4,813,294	\$ 5,791,378
Certificates of deposit	-	241,809	241,809
Receivables, net	-	248,450	248,450
Grants receivable	26,700	-	26,700
Due from other governments	9,626	-	9,626
Inventory	-	15,200	15,200
Prepaid items	-	17,408	17,408
Restricted assets:			
Cash and cash equivalents	-	1,516,542	1,516,542
Capital assets, not being depreciated	429,333	409,539	838,872
Capital assets, being depreciated, net	1,200,846	5,746,981	6,947,827
Total assets	<u>\$ 2,644,589</u>	<u>\$ 13,009,223</u>	<u>\$ 15,653,812</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 6,991</u>	<u>\$ 160,458</u>	<u>\$ 167,449</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 30,657	\$ 29,081	\$ 59,738
Customer deposits	-	409,744	409,744
Deferred revenue	123,210	-	123,210
Noncurrent liabilities			
Due within one year	558	212,977	213,535
Due in more than one year	6,125	895,057	901,182
Net pension liability	10,802	247,930	258,732
Total liabilities	<u>\$ 171,352</u>	<u>\$ 1,794,789</u>	<u>\$ 1,966,141</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 16,902</u>	<u>\$ 387,940</u>	<u>\$ 404,842</u>
NET POSITION			
Net investment in capital assets	\$ 1,630,179	\$ 5,134,403	\$ 6,764,582
Restricted			
Stormwater construction	-	1,516,542	1,516,542
Unrestricted	833,147	4,336,007	5,169,154
Total net position	<u>\$ 2,463,326</u>	<u>\$ 10,986,952</u>	<u>\$ 13,450,278</u>

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

**CITY OF SOPCHOPPY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2021**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 978,084
Grants receivable	26,700
Due from other governments	9,626
Total Assets	\$ 1,014,410
LIABILITIES	
Accounts payable and accrued expenses	\$ 30,657
Deferred revenue	123,210
Total liabilities	153,867
FUND BALANCE	
Unassigned	860,543
Total fund balance	860,543
Total Liabilities and Fund Balance	\$ 1,014,410

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

CITY OF SOPCHOPPY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

Fund balances - total governmental funds \$ 860,543

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

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

Capital assets not being depreciated	429,333	
Capital assets being depreciated	2,065,739	
Accumulated depreciation	<u>(864,893)</u>	1,630,179

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

Deferred outflows	6,991	
Net pension liability	(10,802)	
Deferred inflows	<u>(16,902)</u>	(20,713)

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

Compensated absences	<u>(6,683)</u>	(6,683)
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Net position of governmental activities \$ 2,463,326

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 FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund
Revenues	
Taxes, licenses and permits	\$ 89,086
Intergovernmental	41,449
Charges for services	37,329
Grants	26,700
Interest income	674
Sale of asset	50,000
Miscellaneous	23,121
Total revenues	268,359
Expenditures	
Current:	
General government	74,011
Public safety	-
Physical environment	-
Transportation	15,542
Culture and recreation	51,210
Capital outlay	151,458
Total expenditures	292,221
Deficiency of revenues under expenditures	(23,862)
Other Financing Sources	
Transfer in	72,840
Change in fund balance	48,978
Fund balance, beginning of year	811,565
Fund balance, end of year	\$ 860,543

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 BALANCE OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net change in fund balance - governmental fund	\$	48,978
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	(51,356)	
Capital outlay	151,458	100,102
Net pension liability expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in:		
Net pension liability	(10,802)	
Deferred outflows related to pensions	6,991	
Deferred inflows related to pensions	(16,902)	(20,713)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences and other		(6,683)
Change in net position of governmental activities	\$	121,684

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, 2021**

	<u>Enterprise - Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 4,813,294
Certificate of deposit	241,809
Receivables, net of allowance for uncollectible accounts	248,450
Prepaid items	17,408
Inventory	15,200
Restricted assets:	
Cash and cash equivalents	1,516,542
Total current assets	<u>6,852,703</u>
Noncurrent assets:	
Capital assets, not being depreciated	409,539
Capital assets, net of accumulated depreciation	5,746,981
Total noncurrent assets	<u>6,156,520</u>
Total assets	<u>\$ 13,009,223</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>\$ 160,458</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 28,898
Interest payable	183
Current portion of revenue bond and notes payable	205,652
Compensated absences, current portion	7,325
Customer deposits	409,744
Total current liabilities	<u>651,802</u>
Noncurrent liabilities:	
Net pension liability	247,930
Revenue bond and notes payable, long-term portion	816,465
Compensated absences, long-term portion	78,592
Total noncurrent liabilities	<u>1,142,987</u>
Total liabilities	<u>\$ 1,794,789</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>\$ 387,940</u>
NET POSITION	
Net investment in capital assets	\$ 5,134,403
Restricted	1,516,542
Unrestricted	4,336,007
Total net position	<u>\$ 10,986,952</u>

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Enterprise - Utility Fund
Operating revenues	
Charges for services	\$ 2,101,467
Total operating revenues	2,101,467
Operating expenses	
Salaries	365,100
Employee benefits	152,243
Contract services	62,828
Office	104,716
Depreciation	218,633
Miscellaneous	18,862
Professional fees	40,208
Repairs and maintenance	392,110
Telephone and utilities	86,734
Training	6,831
Total operating expenses	1,448,265
Operating income	653,202
Nonoperating revenues (expenses)	
Interest income	29,867
Gain on sale of asset	500
Interest expense	(19,021)
Total nonoperating revenues (expenses)	11,346
Income before transfers	664,548
Transfers out	(72,840)
Change in net position	591,708
Total net position, beginning of year, as restated	10,395,244
Total net position, end of year	\$ 10,986,952

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, 2021

	Enterprise - Utility Fund
Cash flows from operating activities	
Cash received from customers and others	\$ 2,067,302
Cash paid to suppliers	(570,018)
Cash paid to employees	(606,193)
Net cash provided by operating activities	891,091
Cash flows from noncapital financing activities	
Transfer to other funds	(72,840)
Net cash used in noncapital financing activities	(72,840)
Cash flows from investing activities	
Purchase of certificates of deposit	(1,206)
Interest revenues	29,867
Net cash provided by investing activities	28,661
Cash flows from capital and related financing activities	
Acquisitions and construction of capital assets	(88,663)
Proceeds from sale of assets	500
Proceeds from debt	1,045,000
Principal payments on long-term debts	(806,399)
Interest paid	(19,021)
Net cash provided by capital and related financing activities	131,417
Net change in cash and cash equivalents	978,329
Cash and cash equivalents, beginning of year	5,351,507
Cash and cash equivalents, end of year	\$ 6,329,836
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 653,202
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	218,633
Changes in asset and liabilities:	
Accounts receivable	(34,165)
Prepays	(1,838)
Inventory	93,388
Accounts payable and accrued expenses	14,728
Customer deposits	35,993
Compensated absences	(5,727)
Net pension liability	(484,714)
Deferred outflows	51,176
Deferred inflows	350,415
Total adjustments	237,889
Net cash provided by operating activities	\$ 891,091
Cash and cash equivalents classified as:	
Unrestricted	\$ 4,813,294
Restricted	1,516,542
	\$ 6,329,836

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies:

A. Reporting entity

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. Description of government wide financial statements

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

C. Basis of presentation - government-wide financial statements

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

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

D. Basis of presentation – fund financial statements

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

The *enterprise – utility fund* accounts for the activities of the government’s water collection operations.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

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

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

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

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

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

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies: (Continued)

E. Measurement focus and basis of accounting (Continued)

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

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

F. Budgetary information

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

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

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

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

1. Deposits

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

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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 uncollectible accounts. Trade accounts receivable in excess of 30 days comprise the trade accounts receivable allowance for uncollectible accounts.

3. ***Restricted Assets***

Certain proceeds of the City's enterprise fund revenue bond 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.

4. ***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.

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.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies: (Continued)

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

4. *Capital assets* (Continued)

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

Assets	Years
Buildings and improvements	5 – 40
Park improvements	15
System infrastructure	7 – 50
Vehicles and other equipment	5
Equipment	5

5. *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.

6. *Long-term Obligations*

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

7. *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.

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.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies: (Continued)

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

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 City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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 government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

11. *Deferred outflows/inflows of resources*

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

I. Summary of Significant Accounting Policies: (Continued)

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

12. Pensions

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

13. Certificates of deposit

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

H. Revenues and expenditures/expenses

1. Program revenues

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

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 utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

II. Detailed Notes on All Funds:

A. Deposits and Investments

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

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

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

Credit Risk: The City'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.

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.

B. Receivables

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

	<u>General</u>	<u>Utility</u>	<u>Total</u>
Accounts receivable	\$ -	\$ 252,114	\$ 252,114
Grants receivable	26,700	-	26,700
Due from other governments	9,626	-	9,626
Less: Allowance for uncollectible	-	3,664	3,664
Net total receivables	<u>\$ 36,326</u>	<u>\$ 248,450</u>	<u>\$ 284,776</u>

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

C. **Capital assets**

Capital asset activity for the year ended September 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 326,764	\$ 75,869	\$ -	\$ 402,633
Construction in progress	627,965	26,700	(627,965)	26,700
Total capital assets, not being depreciated	<u>954,729</u>	<u>102,569</u>	<u>(627,965)</u>	<u>429,333</u>
Capital assets, being depreciated:				
Buildings and improvements	674,590	6,027	(2,500)	678,117
Equipment	39,924	-	-	39,924
Park improvements	665,340	670,827	-	1,336,167
Vehicles	11,531	-	-	11,531
Total capital assets, being depreciated	1,391,385	676,854	(2,500)	2,065,739
Less accumulated depreciation	(816,037)	(51,356)	2,500	(864,893)
Total capital assets, being depreciated, net	<u>575,348</u>	<u>625,498</u>	<u>-</u>	<u>1,200,846</u>
Capital assets, net	<u>\$ 1,530,077</u>	<u>\$ 728,067</u>	<u>\$ (627,965)</u>	<u>\$ 1,630,179</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 269,541	\$ -	\$ -	\$ 269,541
Construction in progress	72,820	67,178	-	139,998
Total capital assets, not being depreciated	<u>342,361</u>	<u>67,178</u>	<u>-</u>	<u>409,539</u>
Capital assets, being depreciated:				
Buildings, utility systems, and improvements	9,280,419	-	-	9,280,419
Machinery and equipment	622,458	21,485	(15,803)	628,140
Total capital assets, being depreciated	9,902,877	21,485	(15,803)	9,908,559
Less accumulated depreciation for:	<u>(3,958,748)</u>	<u>(218,633)</u>	<u>15,803</u>	<u>(4,161,578)</u>
Total capital assets, being depreciated, net	<u>5,944,129</u>	<u>(197,148)</u>	<u>-</u>	<u>5,746,981</u>
Capital assets, net	<u>\$ 6,286,490</u>	<u>\$ (129,970)</u>	<u>\$ -</u>	<u>\$ 6,156,520</u>

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

C. **Capital assets** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 9,823
Public safety	1,039
Transportation	745
Culture and recreation	39,749
Total	\$ 51,356

Business-type activities:	
Water	\$ 218,633
Total	\$ 218,633

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

The composition of interfund transfers as of September 30, 2021, is as follows:

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

	Transfers In	Transfers out
General Fund	\$ 72,840	\$ -
Utility Fund	-	72,840
Total	\$ 72,840	\$ 72,840

The interfund amounts were used to cover operational costs during the fiscal year.

E. **Long-term debt**

Business-type activities:

Revenue bonds:

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Amounts outstanding at the end of the current fiscal year related to these issues in prior years totaled \$10,000.

Water revenue bonds outstanding at September 30, 2021 are comprised of the following:

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

Business-type activities: (Continued)

\$85,000 Water Revenue Bond, 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.	\$ 10,000
Less current amount	5,000
Revenue bond, less current portion	<u>\$ 5,000</u>

Debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2022	\$ 5,000	\$ 500
2023	5,000	250
	\$ 10,000	\$ 750

Note payable:

Note payable at September 30, 2021 was comprised of the following:

Promissory note to bank, payable in monthly installments through July 27, 2026, plus interest at 2.25%, collateralized by net revenues of the water system.	\$ 1,012,117
Less current amount	200,652
Notes payable, less current portion	<u>\$ 811,465</u>

Debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2022	\$ 200,652	\$ 20,709
2023	205,213	16,148
2024	209,878	11,482
2025	214,650	6,711
2026	181,724	1,870
	\$ 1,012,117	\$ 56,920

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activity:					
Compensated absences	\$ 6,414	\$ 1,384	\$ 1,115	\$ 6,683	\$ 558
Governmental activity long-term liabilities	<u>\$ 6,414</u>	<u>\$ 1,384</u>	<u>\$ 1,115</u>	<u>\$ 6,683</u>	<u>\$ 558</u>
Business-type activities:					
Revenue bond	\$ 15,000	\$ -	\$ 5,000	\$ 10,000	\$ 5,000
Long-term note payable	768,516	1,045,000	801,399	1,012,117	200,652
Compensated absences	85,229	15,337	14,649	85,917	7,325
Business-type activity long- term liabilities	<u>\$ 868,745</u>	<u>\$ 1,060,337</u>	<u>\$ 821,048</u>	<u>\$ 1,108,034</u>	<u>\$ 212,977</u>

III. **Other Information:**

A. **Contingent Liabilities**

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

B. **FRS Pension Plan**

Plan Description and Administration

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

Benefits Provided and Employees Covered

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

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.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

Financial Statements

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

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

Contributions

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2021, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2021	After June 30, 2021
Regular Class	10.00%	10.82%
Senior Management	27.29%	29.01%
Special Risk	24.45%	25.89%
DROP – Applicable to members above	14.60%	18.34%

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

Actual contributions made for City employees participating in FRS and HIS for the year ended September 30, 2021 were as follows:

	2021
Contributions – FRS	\$ 54,477
Contributions – HIS	7,222
Employee Contributions – FRS	13,052

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 108,021
HIS	150,711
Total	<u>\$ 258,732</u>

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At September 30, 2021 and September 30, 2020, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2021</u>	<u>2020</u>
FRS	0.001430013%	0.001351672%
HIS	0.001228638%	0.001202387%

For the plan year ended September 30, 2021, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 4,729
HIS	11,022
Total	<u>\$ 15,751</u>

Deferred outflows/inflows related to pensions:

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,515	\$ -	\$ 5,043	\$ (63)
Changes of assumptions	73,914	-	11,843	(6,210)
Net different between projected and actual investment earnings	-	(376,859)	157	-
Change in proportionate share	32,873	(16,488)	8,623	(5,222)
Contributions subsequent to measurement date	14,701	-	1,780	-
	<u>\$ 140,003</u>	<u>\$ (393,347)</u>	<u>\$ 27,446</u>	<u>\$ (11,495)</u>

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2022	\$ (41,561)
2023	(52,751)
2024	(72,675)
2025	(93,428)
2026	5,952
Thereafter	<u>589</u>
Total	<u>\$ (253,874)</u>

Actuarial assumptions:

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

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.80%. This rate did not change from the prior year. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 2.21%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

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

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

Long-term expected rate of return:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.1%
Fixed income	20.0%	3.8%
Global equities	54.2%	8.2%
Real estate	10.3%	7.1%
Private equity	10.8%	11.7%
Strategic investments	3.7%	5.7%
Total	<u>100.0%</u>	

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

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

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.80%	\$ 483,078	\$ 108,021	\$ (205,484)
HIS	2.16%	174,236	150,711	131,437

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

C. **Other Postemployment Benefits**

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

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

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

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

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

D. **Risk Management**

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

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, 2021

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

E. **Uncertainties**

During the year ended September 30, 2021, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of June 15, 2022, management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

F. **Recent Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2021, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

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

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

G. **Subsequent Events**

The City has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 15, 2022, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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

H. **Commitments**

During the year ended September 30, 2021, the City entered a contract with a construction company for the construction of an elevated water tank for \$1,045,000. As of September 30, 2021, the amount outstanding on this contract was \$977,822.

I. **Restatement of Beginning Equity**

Subsequent to the issuance of the September 30, 2020 financial statements, management became aware of the following error: understatement of utility accounts receivable due to the lack of accrual of unbilled receivables. The net effect of this understatement of construction in process had the following effects on beginning net position:

	Net Position
	Water Fund
Net position/ fund balance -	
9/30/20, originally reported	\$ 10,318,636
Unbilled receivable adjustment	76,608
Net position/ fund balance -	
9/30/20, as restated	\$ 10,395,244

The impact of the restatement was for the beginning net position of business-type activities to increase by the above amount for the Water fund.

J. **Deferred Revenue – American Rescue Plan Act (ARPA)**

The City has been allocated approximately \$246,420 through the ARPA federal stimulus bill to aid in public health and economic recovery from COVID-19. The City received the first installment of the funds during 2021, of which none were spent or earned. At the end of the fiscal year, the City has unearned revenue of approximately \$123,210 related to ARPA funds received and not yet expended.

CITY OF SOPCHOPPY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2021

CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes, licenses and permits	\$ 70,465	\$ 70,465	\$ 89,086	\$ 18,621
Intergovernmental	177,734	177,734	41,449	(136,285)
Charges for service	-	-	37,329	37,329
Grants	-	-	26,700	26,700
Interest income	-	-	674	674
Gain on sale of asset	-	-	50,000	50,000
Miscellaneous	13,500	13,500	23,121	9,621
Total revenues	<u>261,699</u>	<u>261,699</u>	<u>268,359</u>	<u>6,660</u>
Expenditures				
Current:				
General government	33,000	33,000	74,011	(41,011)
Transportation	26,700	26,700	15,542	11,158
Culture and recreation	277,219	277,219	51,210	226,009
Capital outlay	-	-	151,458	(151,458)
Total expenditures	<u>336,919</u>	<u>336,919</u>	<u>292,221</u>	<u>44,698</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(75,220)</u>	<u>(75,220)</u>	<u>(23,862)</u>	<u>51,358</u>
Other financing sources				
Transfers in	40,000	40,000	72,840	32,840
Total other financing sources	<u>40,000</u>	<u>40,000</u>	<u>72,840</u>	<u>32,840</u>
Net change in fund balance	<u>(35,220)</u>	<u>(35,220)</u>	<u>48,978</u>	<u>84,198</u>
Fund balance, beginning of year	811,565	811,565	811,565	-
Fund balance, end of year	<u>\$ 776,345</u>	<u>\$ 776,345</u>	<u>\$ 860,543</u>	<u>\$ 84,198</u>

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

CITY OF SOPCHOPPY, FLORIDA
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Florida Retirement System (FRS)								
Proportion of the net pension liability (asset)	0.001430013%	0.001351672%	0.001333526%	0.001486093%	0.001382953%	0.001320436%	0.001320435%	0.001312369%
Proportionate share of the net pension liability (asset)	\$ 108,021	\$ 585,835	\$ 459,248	\$ 447,619	\$ 409,068	\$ 328,866	\$ 170,552	\$ 80,074
Covered payroll	435,057	417,311	399,619	409,698	360,387	363,403	359,951	360,505
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.83%	140.38%	114.92%	109.26%	113.51%	90.50%	47.38%	22.21%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)								
Proportion of the net pension liability (asset)	0.001228638%	0.001202387%	0.001194883%	0.001254360%	0.001130329%	0.001177187%	0.001186463%	0.001213343%
Proportionate share of the net pension liability (asset)	\$ 150,711	\$ 146,809	\$ 133,695	\$ 132,763	\$ 120,860	\$ 137,196	\$ 121,001	\$ 113,451
Covered payroll	435,057	417,311	399,619	409,698	360,387	363,403	359,951	360,505
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	34.64%	35.18%	33.46%	32.41%	33.54%	37.75%	33.62%	31.47%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Florida Retirement System (FRS)</u>								
Contractually required contribution	\$ 54,477	\$ 44,910	\$ 41,349	\$ 42,352	\$ 36,002	\$ 31,762	\$ 32,193	\$ 28,746
Contributions in relation to the contractually required contribution	(54,477)	(44,910)	(41,349)	(42,352)	(36,002)	(31,762)	(32,193)	(28,746)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 435,057	\$ 417,311	\$ 399,619	\$ 409,698	\$ 360,387	\$ 363,403	\$ 359,951	\$ 360,505
Contributions as a percentage of covered payroll	12.52%	10.76%	10.35%	10.34%	9.99%	8.55%	8.94%	7.97%
<u>Health Insurance Subsidy Program (HIS)</u>								
Contractually required contribution	\$ 7,222	\$ 6,929	\$ 6,635	\$ 6,802	\$ 5,982	\$ 6,034	\$ 4,535	\$ 4,157
Contributions in relation to the contractually required contribution	(7,222)	(6,929)	(6,635)	(6,802)	(5,982)	(6,034)	(4,535)	(4,157)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 435,057	\$ 417,311	\$ 399,619	\$ 409,698	\$ 360,387	\$ 1,556,193	\$ 1,484,731	\$ 1,505,514
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%	1.20%

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

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

To the Honorable Mayor and Members of City Council,
City of 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 as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated .

Internal Control over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Tallahassee, Florida
June 15, 2022

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

To the Honorable Mayor and Members of City Council,
City of 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, 2021, and have issued our report thereon dated June 15, 2022.

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

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Report on Internal Control over Compliance in Accordance with Chapter 10.550 Rules of the Florida Auditor General; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 15, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 this management letter, unless disclosed in the notes to the financial statements. There are no component units of City of Sopchoppy, Florida to be disclosed as required by accounting principles generally accepted in the United States of America.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City of Sopchoppy, Florida. 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.

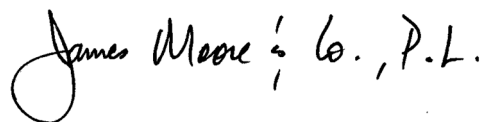
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any recommendations.

Additional Matters

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

Purpose of this Letter

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

James Moore & Co., P.L.

Tallahassee, Florida
June 15, 2022

**CITY OF SOPCHOPPY
OFFICIALS
SEPTEMBER 30, 2021**

CITY COUNCIL

Lara Edwards, Mayor
Nathan Lewis
Richard Harden
Fred McClendon
Roger McKenzie

CITY CLERK

Ashley Schilling

CITY ATTORNEY

Daniel Cox

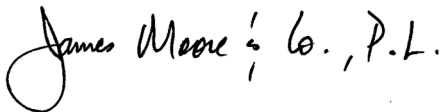
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the compliance of the City of Sopchoppy, Florida (the City) with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021. Management is responsible for City of Sopchoppy, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied with the aforementioned statutes, for the year ended September 30, 2021, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.



Tallahassee, Florida
June 15, 2022