

Vale of Paradise



City of Valparaiso, Florida Financial Statements September 30, 2021

**CITY OF VALPARAISO, FLORIDA
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Page
TITLE PAGE	
I. INTRODUCTORY SECTION	
Table of Contents	i-ii
II. FINANCIAL SECTION	
Independent Auditors' Report	1
A. MANAGEMENT'S DISCUSSION AND ANALYSIS	3
B. BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements	
<u><i>Governmental Funds</i></u>	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	14
<u><i>Proprietary Funds</i></u>	
Statement of Net Position	15
Statement of Revenues, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
<u><i>Fiduciary Funds</i></u>	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to the Financial Statements	22

**CITY OF VALPARAISO, FLORIDA
TABLE OF CONTENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Page
III. REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	62
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Streets Fund	63
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Stormwater Fund	64
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System	65
Schedule of Proportionate Share of Net Pension Liability – Health Insurance Subsidy	66
Schedule of Contributions – Florida Retirement System	67
Schedule of Contributions – Health Insurance Subsidy	68
Schedule of Changes in Net Pension Liability and Related Ratios – Public Safety Pension Plan	69
Schedule of Contributions – Public Safety Pension Plan	70
Notes to the Schedule of Contributions – Public Safety Pension Plan	71
Schedule of Investment Returns	72
IV. COMPLIANCE SECTION	
Independent Accountants’ Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, <i>Rules of the Auditor General</i>	73
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 <i>Government Auditing Standards</i>	74
Schedule of Findings and Responses	76
Management Letter	77

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Commission
City of Valparaiso, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida (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, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison information, and the schedules related to the pension liabilities, contributions, and investment returns, 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 8, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the City's internal control over financial reporting and compliance.

Warren Averett, LLC

Fort Walton Beach, Florida
June 8, 2022

MANAGEMENT’S DISCUSSION AND ANALYSIS

This discussion and analysis (MD&A) of the City of Valparaiso, Florida’s (the City) financial performance provides an overview of financial activity, identifies changes in financial position, and assists the reader in focusing on significant financial issues for the fiscal year ended September 30, 2021. The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$2,250,981.
- Net position increased by \$2,454,045.
- Total revenues increased by 5.4%, or \$512,816, and total expenses decreased by 1.4%, or \$103,093. The increase in revenues was driven by moderate increases in revenues from several sources, including property taxes, local sales-based taxes, building permits, and impact fees.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with financial reporting standards issued by the Governmental Accounting Standards Board. The statement of net position and the statement of activities (on pages 9-10) provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 11. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

REPORTING THE CITY AS A WHOLE

Government-Wide Financial Statements

Our analysis of the City as a whole begins on page 5. One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities?” The statement of net position and the statement of activities report information about the City as a whole and about its activities in a way that helps answer that question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City’s net position and changes in them. You can think of the City’s net position – the difference between assets and liabilities – as one way to measure the City’s financial health, or financial position. Over time, increases or decreases in the City’s net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City’s property tax base and the condition of the City’s roads, to assess the overall health of the City.

In the statement of net position and the statement of activities, we divide the City into two kinds of activities:

- **Governmental activities** – Most of the City’s basic services are reported here, including the police, fire, public works, cemetery, library, parks, and general administration. Taxes and intergovernmental revenues finance most of these activities.
- **Business-type activities** – The City charges fees to customers to help it cover the costs of certain services it provides. The City’s utility, communication, and sanitation systems are included here.

REPORTING THE CITY’S FUNDS

Fund Financial Statements

Our analysis of the City’s funds begins on page 7. The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City’s two kinds of funds, governmental and proprietary, use different accounting approaches.

- **Governmental funds** – Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in the reconciliations on pages 12 and 14.
- **Proprietary funds** – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. In fact, the City’s proprietary funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. The proprietary funds financial statements begin on page 15.

THE CITY AS TRUSTEE

REPORTING THE CITY'S FIDUCIARY RESPONSIBILITIES

The City is the trustee, or fiduciary, for its employees' pension plan. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position on pages 20 and 21.

We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE FINANCIAL ANALYSIS)

The following table reflects the net position of the City's governmental activities and business-type activities and is compared to the prior year.

Table 1
CITY OF VALPARAISO, FLORIDA
STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2021 AND 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 6,559,067	\$ 4,914,624	\$ 4,979,674	\$ 4,240,324	\$ 11,538,741	\$ 9,154,948
Capital assets, net	3,413,231	3,699,991	5,352,685	5,198,737	8,765,916	8,898,728
Total assets	9,972,298	8,614,615	10,332,359	9,439,061	20,304,657	18,053,676
Deferred outflows of resources	224,413	238,694	57,082	73,012	281,495	311,706
Current liabilities	102,929	127,876	243,373	324,891	346,302	452,767
Other liabilities	1,052,009	1,326,572	3,114,424	3,377,914	4,166,433	4,704,486
Total liabilities	1,154,938	1,454,448	3,357,797	3,702,805	4,512,735	5,157,253
Deferred inflows of resources	633,616	263,996	50,328	8,705	683,944	272,701
Net position						
Net investment in capital assets	2,568,649	2,686,772	2,417,123	2,112,134	4,985,772	4,798,906
Restricted	1,621,230	1,206,935	1,037,520	944,684	2,658,750	2,151,619
Unrestricted	4,218,278	3,241,158	3,526,673	2,743,745	7,744,951	5,984,903
Total net position	\$ 8,408,157	\$ 7,134,865	\$ 6,981,316	\$ 5,800,563	\$ 15,389,473	\$ 12,935,428

For more detailed information on the amounts shown in Table 1, see the accompanying statement of net position.

The table on the following page reflects the changes in net position of the City's governmental activities and business-type activities and compares the current and previous fiscal year.

Table 2
CITY OF VALPARAISO, FLORIDA
STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues						
Charges for services	\$ 716,915	\$ 620,401	\$ 4,399,081	\$ 4,444,625	\$ 5,115,996	\$ 5,065,026
Operating grants and contributions	113,352	537,427	212,546	-	325,898	537,427
Capital grants and contributions	54,330	38,582	219,435	112,660	273,765	151,242
General revenues						
Property taxes	1,333,637	1,230,939	-	-	1,333,637	1,230,939
Utility service taxes	400,912	412,929	-	-	400,912	412,929
Sales taxes	1,650,686	1,349,160	-	-	1,650,686	1,349,160
Franchise taxes	411,910	354,908	-	-	411,910	354,908
Intergovernmental, unrestricted	280,096	247,170	-	-	280,096	247,170
Investment earnings	89,589	43,636	2,103	10,728	91,692	54,364
Sales of investments and capital assets	8,373	-	36,351	4,038	44,724	4,038
Miscellaneous	24,097	28,246	31,821	36,969	55,918	65,215
TOTAL REVENUES	5,083,897	4,863,398	4,901,337	4,609,020	9,985,234	9,472,418
EXPENSES						
Primary government						
General government	895,219	910,629	-	-	895,219	910,629
Public safety	1,346,944	1,394,355	-	-	1,346,944	1,394,355
Physical environment	239,760	258,734	-	-	239,760	258,734
Transportation	424,435	412,229	-	-	424,435	412,229
Culture and recreation	480,040	572,578	-	-	480,040	572,578
Debt service interest	25,499	29,922	-	-	25,499	29,922
Business-type activities						
Utility	-	-	1,475,546	1,482,410	1,475,546	1,482,410
Communication	-	-	1,876,585	1,732,137	1,876,585	1,732,137
Sanitation	-	-	767,161	841,388	767,161	841,388
TOTAL EXPENSES	3,411,897	3,578,447	4,119,292	4,055,935	7,531,189	7,634,382
CHANGE IN NET POSITION						
BEFORE TRANSFERS	1,672,000	1,284,951	782,045	553,085	2,454,045	1,838,036
Transfers	(398,708)	(544,214)	398,708	544,214	-	-
CHANGE IN NET POSITION	1,273,292	740,737	1,180,753	1,097,299	2,454,045	1,838,036
NET POSITION – BEGINNING	7,134,865	6,394,128	5,800,563	4,703,264	12,935,428	11,097,392
NET POSITION – ENDING	\$ 8,408,157	\$ 7,134,865	\$ 6,981,316	\$ 5,800,563	\$ 15,389,473	\$ 12,935,428

For more detailed information on the amounts shown in Table 2, see the accompanying statement of activities.

The City's total revenues increased by \$512,816, or 5.4%, and total expenses decreased by \$103,093, or 1.4%. Net position increased by \$2,454,045 for fiscal year 2021. Our analysis below separately considers the operations of governmental and business-type activities.

Governmental Activities

The City's revenue for governmental activities increased \$220,499, or 4.5%, compared to the prior year. This increase is primarily attributable to moderate increases in property taxes, local sales-based taxes, and building permits. Expenses decreased by \$166,550, or 4.7% from the previous year, primarily related to a decrease in payroll and employee benefit costs as a result of staff vacancies throughout the year.

Business-type Activities

Revenues of the City's business-type activities showed an increase of \$292,317, or 6.3%, from the previous fiscal year. This increase is primarily attributable to an increase in impact fees from the development of a major new subdivision and an increase in equity earnings from the City's joint venture with the City of Niceville (Niceville-Valparaiso Regional Sewer Board, Inc). Expenses increased \$63,357, or 1.6%, which is relatively consistent with the prior fiscal year.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$4,987,079, which is \$1,178,660 higher than last year's total primarily due to discretionary sales tax surcharge revenues greatly exceeding the related expenditures of those funds. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures. Unassigned fund balance represents 78.5% of total expenditures in the General Fund, while total fund balance represents 137.5% of that same amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2021, the City had \$8,765,916 invested in capital assets (net of depreciation). This amount represents a net decrease (including additions and deductions) of \$132,812, or 1.5%, over the prior fiscal year total. See Note 4 for additional information. A listing of capital assets of governmental and business-type activities by major category, net of depreciation, for the current and prior year follows:

Table 3
CITY OF VALPARAISO, FLORIDA
CAPITAL ASSETS
(net of depreciation)
AS OF SEPTEMBER 30, 2021 AND 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 455,209	\$ 455,209	\$ 90,603	\$ 90,603	\$ 545,812	\$ 545,812
Construction in process	6,156	6,156	-	-	6,156	6,156
Buildings and improvements	832,258	889,673	3,813,795	3,720,260	4,646,053	4,609,933
Infrastructure	1,299,980	1,465,087	-	-	1,299,980	1,465,087
Machinery, equipment, and vehicles	819,628	883,866	1,448,287	1,387,874	2,267,915	2,271,740
Total	\$ 3,413,231	\$ 3,699,991	\$ 5,352,685	\$ 5,198,737	\$ 8,765,916	\$ 8,898,728

Debt

At September 30, 2021, the City had \$3,670,212 of bonds and notes outstanding, net of unamortized premiums, versus \$4,073,525 in the prior year, a decrease of \$403,313, as shown below. The City also had \$223,420 of capital lease obligations versus \$178,397 in the prior year, an increase of \$45,023.

Table 4
CITY OF VALPARAISO, FLORIDA
LONG-TERM DEBT OUTSTANDING
AS OF SEPTEMBER 30, 2021 AND 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital leases	\$ 72,920	\$ 144,635	\$ 150,500	\$ 33,762	\$ 223,420	\$ 178,397
Bonds and notes payable, net	771,652	868,584	2,898,560	3,204,941	3,670,212	4,073,525
Total	\$ 844,572	\$ 1,013,219	\$ 3,049,060	\$ 3,238,703	\$ 3,893,632	\$ 4,251,922

The last payment on the debt is due in fiscal year 2041. The maximum debt service in any one year on this debt is \$496,512 in fiscal year 2022.

For additional information on debt, see Note 6 in the accompanying financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Amounts available for appropriation in the fiscal year 2022 General Fund budget are \$4,388,310, which is an increase from the final fiscal year 2021 budget of \$314,945. The City added no major new programs to the fiscal year 2022 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report was prepared by the City. For questions about this report or additional financial information, contact the City Clerk's Office, 465 Valparaiso Parkway, Valparaiso, Florida 32580.

CITY OF VALPARAISO, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,036,671	\$ 1,857,733	\$ 4,894,404
Investments	513,102	-	513,102
Accounts receivables, net	16,815	218,377	235,192
Internal balances	526,298	(526,298)	-
Due from other governments	182,528	-	182,528
Inventory, at cost	-	137,349	137,349
Prepaid items	88,866	15,246	104,112
Restricted assets			
Cash and cash equivalents	712,077	1,250,109	1,962,186
Net pension asset	1,482,710	-	1,482,710
Capital assets			
Non-depreciable	461,365	90,603	551,968
Depreciable, net	2,951,866	5,262,082	8,213,948
Other assets			
Investment in joint venture	-	2,027,158	2,027,158
TOTAL ASSETS	9,972,298	10,332,359	20,304,657
DEFERRED OUTFLOW OF RESOURCES			
	224,413	57,082	281,495
LIABILITIES			
Accounts payable	51,787	59,738	111,525
Accrued liabilities	29,883	12,069	41,952
Accrued interest	13,651	31,290	44,941
Due to other governments	7,608	-	7,608
Payable from restricted assets			
Customer deposits	-	140,276	140,276
Non-current liabilities			
Due within one year			
Compensated absences	160,563	35,898	196,461
Lease payable	72,920	36,728	109,648
Bonds payable	64,724	175,276	240,000
Due in more than one year			
Other postemployment benefits (OPEB)	11,878	-	11,878
Net pension liability	34,996	29,466	64,462
Lease payable	-	113,772	113,772
Bonds payable, net	706,928	2,723,284	3,430,212
TOTAL LIABILITIES	1,154,938	3,357,797	4,512,735
DEFERRED INFLOW OF RESOURCES			
	633,616	50,328	683,944
NET POSITION			
Net investment in capital assets	2,568,649	2,417,123	4,985,772
Restricted			
Debt service	-	474,695	474,695
Capital projects	94,187	562,825	657,012
Pensions	909,153	-	909,153
Other purposes	617,890	-	617,890
Unrestricted	4,218,278	3,526,673	7,744,951
TOTAL NET POSITION	\$ 8,408,157	\$ 6,981,316	\$ 15,389,473

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Function/program activities	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ 895,219	\$ 526,506	\$ -	\$ -	\$ (368,713)	\$ -	\$ (368,713)
Public safety	1,346,944	25,158	58,336	54,330	(1,209,120)	-	(1,209,120)
Physical environment	239,760	107,632	-	-	(132,128)	-	(132,128)
Transportation	424,435	53,215	-	-	(371,220)	-	(371,220)
Culture and recreation	480,040	4,404	55,016	-	(420,620)	-	(420,620)
Debt service interest	25,499	-	-	-	(25,499)	-	(25,499)
Total governmental activities	<u>3,411,897</u>	<u>716,915</u>	<u>113,352</u>	<u>54,330</u>	<u>(2,527,300)</u>	<u>-</u>	<u>(2,527,300)</u>
Business-type activities							
Utility	1,475,546	1,502,526	212,546	219,435	-	458,961	458,961
Communication	1,876,585	2,078,673	-	-	-	202,088	202,088
Sanitation	767,161	817,882	-	-	-	50,721	50,721
Total business-type activities	<u>4,119,292</u>	<u>4,399,081</u>	<u>212,546</u>	<u>219,435</u>	<u>-</u>	<u>711,770</u>	<u>711,770</u>
Total primary government	<u>\$ 7,531,189</u>	<u>\$ 5,115,996</u>	<u>\$ 325,898</u>	<u>\$ 273,765</u>	<u>\$ (2,527,300)</u>	<u>\$ 711,770</u>	<u>\$ (1,815,530)</u>
General revenues							
Taxes							
Property taxes					\$ 1,333,637	\$ -	\$ 1,333,637
Utility service taxes					400,912	-	400,912
Sales and excise taxes					1,650,686	-	1,650,686
Franchise taxes					411,910	-	411,910
Intergovernmental, unrestricted					280,096	-	280,096
Investment earnings					89,589	2,103	91,692
Gain on sale of capital assets					8,373	36,351	44,724
Miscellaneous					24,097	31,821	55,918
Transfers					(398,708)	398,708	-
Total general revenues					<u>3,800,592</u>	<u>468,983</u>	<u>4,269,575</u>
CHANGE IN NET POSITION					<u>1,273,292</u>	<u>1,180,753</u>	<u>2,454,045</u>
NET POSITION AT BEGINNING OF YEAR					<u>7,134,865</u>	<u>5,800,563</u>	<u>12,935,428</u>
NET POSITION AT END OF YEAR					<u>\$ 8,408,157</u>	<u>\$ 6,981,316</u>	<u>\$ 15,389,473</u>

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>Streets Fund</u>	<u>Stormwater Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 2,387,387	\$ 379,006	\$ 270,278	\$ 3,036,671
Investments	513,102	-	-	513,102
Accounts receivables, net	12,874	-	3,941	16,815
Due (to) from other funds	513,822	(13,722)	26,198	526,298
Due from other governments	151,378	31,150	-	182,528
Prepaid items	88,866	-	-	88,866
Restricted assets				
Cash and cash equivalents	712,077	-	-	712,077
TOTAL ASSETS	<u>\$ 4,379,506</u>	<u>\$ 396,434</u>	<u>\$ 300,417</u>	<u>\$ 5,076,357</u>
LIABILITIES				
Accounts payable	\$ 45,858	\$ 5,929	\$ -	\$ 51,787
Accrued liabilities	28,887	892	104	29,883
Due to other governments	7,608	-	-	7,608
TOTAL LIABILITIES	<u>82,353</u>	<u>6,821</u>	<u>104</u>	<u>89,278</u>
FUND BALANCE				
Nonspendable	88,866	-	-	88,866
Restricted	712,077	-	-	712,077
Committed	126,763	-	300,313	427,076
Assigned	915,363	389,613	-	1,304,976
Unassigned	2,454,084	-	-	2,454,084
TOTAL FUND BALANCE	<u>4,297,153</u>	<u>389,613</u>	<u>300,313</u>	<u>4,987,079</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 4,379,506</u>	<u>\$ 396,434</u>	<u>\$ 300,417</u>	<u>\$ 5,076,357</u>

See notes to the financial statements.

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

Fund balance, total governmental funds (page 11)	\$	4,987,079
--	----	-----------

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.

Governmental non-depreciable assets	461,365	
Governmental depreciable assets	8,819,349	
Less accumulated depreciation	<u>(5,867,483)</u>	3,413,231

Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Net pension asset		1,482,710
-------------------	--	-----------

Deferred inflows of resources and deferred outflows of resources related to pensions and other post-employment benefits are not available/receivable or due/payable, respectively, in the current period and therefore are not reported in the governmental funds.

Deferred outflows of resources related to pension plans	222,233	
Deferred inflows of resources related to pension plans	(633,331)	
Deferred outflows of resources related to OPEB plan	2,180	
Deferred inflows of resources related to OPEB plan	<u>(285)</u>	(409,203)

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

Bonds payable, net	(771,652)	
Lease payable	(72,920)	
Accrued interest	(13,651)	
Compensated absences	(160,563)	
Other postemployment benefits (OPEB)	(11,878)	
Net pension liability	<u>(34,996)</u>	<u>(1,065,660)</u>

Net position of governmental activities (page 9)	\$	<u><u>8,408,157</u></u>
--	----	-------------------------

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>General Fund</u>	<u>Streets Fund</u>	<u>Stormwater Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 1,837,257	\$ 272,618	\$ -	\$ 2,109,875
Permits and fees	587,635	-	-	587,635
Intergovernmental	1,668,044	114,857	-	1,782,901
Charges for services	332,889	-	49,132	382,021
Fines and forfeitures	25,448	-	-	25,448
Miscellaneous	195,559	281	177	196,017
Total revenues	<u>4,646,832</u>	<u>387,756</u>	<u>49,309</u>	<u>5,083,897</u>
EXPENDITURES				
Current				
General government	877,144	-	-	877,144
Public safety	1,391,742	-	-	1,391,742
Physical environment	203,685	-	17,848	221,533
Transportation	-	263,775	-	263,775
Culture and recreation	410,483	-	-	410,483
Capital outlay	145,155	-	-	145,155
Debt service				
Principal and interest	96,518	100,179	-	196,697
Total expenditures	<u>3,124,727</u>	<u>363,954</u>	<u>17,848</u>	<u>3,506,529</u>
REVENUES OVER EXPENDITURES	1,522,105	23,802	31,461	1,577,368
OTHER FINANCING SOURCES (USES)				
Transfers out	(398,708)	-	-	(398,708)
NET CHANGE IN FUND BALANCE	1,123,397	23,802	31,461	1,178,660
FUND BALANCE AT BEGINNING OF YEAR	3,173,756	365,811	268,852	3,808,419
FUND BALANCE AT END OF YEAR	<u>\$ 4,297,153</u>	<u>\$ 389,613</u>	<u>\$ 300,313</u>	<u>\$ 4,987,079</u>

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Net change in fund balance – governmental funds (page 13) \$ 1,178,660

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 depreciated/amortized over the estimated useful lives of the assets.

Expenditures for capital assets	145,155	
Disposals / transfers of capital assets	(183,368)	
Accumulated depreciation associated with disposals / transfers	183,368	
Less current year depreciation	<u>(431,915)</u>	
		(286,760)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal payments on revenue bonds	95,605	
Principal payments on capital leases	71,715	
Bond premium amortization	1,327	
Change in accrued interest on long-term debt	<u>2,551</u>	
		171,198

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:

Change in net pension asset (liability)	563,126	
Change in deferred outflows of resources related to pensions	(14,063)	
Change in deferred inflows of resources related to pensions	(369,649)	
Change in long-term compensated absences	30,969	
Change in other postemployment benefits liability and related deferred outflows and inflows of resources	<u>(189)</u>	
		<u>210,194</u>

Change in net position of governmental activities (page 10) \$ 1,273,292

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2021**

	<u>Utility Fund</u>	<u>Communication Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 970,967	\$ 692,767	\$ 193,999	\$ 1,857,733
Accounts receivables, net	128,796	17,829	71,752	218,377
Inventory, at cost	92,271	45,078	-	137,349
Due from other funds	-	-	118,355	118,355
Prepaid items	9,198	6,048	-	15,246
Restricted assets				
Cash and cash equivalents	<u>925,367</u>	<u>319,163</u>	<u>5,579</u>	<u>1,250,109</u>
Total current assets	<u>2,126,599</u>	<u>1,080,885</u>	<u>389,685</u>	<u>3,597,169</u>
Non-current assets				
Capital assets				
Non-depreciable	40,287	50,316	-	90,603
Depreciable, net	<u>4,248,174</u>	<u>543,697</u>	<u>470,211</u>	<u>5,262,082</u>
Total capital assets	<u>4,288,461</u>	<u>594,013</u>	<u>470,211</u>	<u>5,352,685</u>
Other assets				
Investment in joint venture	<u>2,027,158</u>	<u>-</u>	<u>-</u>	<u>2,027,158</u>
Total non-current assets	<u>6,315,619</u>	<u>594,013</u>	<u>470,211</u>	<u>7,379,843</u>
TOTAL ASSETS	<u>8,442,218</u>	<u>1,674,898</u>	<u>859,896</u>	<u>10,977,012</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>45,783</u>	<u>4,330</u>	<u>6,969</u>	<u>57,082</u>

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION – CONTINUED
 SEPTEMBER 30, 2021**

	<u>Utility Fund</u>	<u>Communication Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 22,093	\$ 22,926	\$ 14,719	\$ 59,738
Accrued liabilities				
Compensated absences	10,517	20,376	5,005	35,898
Other	6,417	2,690	2,962	12,069
Due to other funds	231,313	413,340	-	644,653
Payable from restricted assets				
Customer deposits	140,276	-	-	140,276
Accrued interest	21,865	7,220	2,205	31,290
Capital lease payable	-	-	36,728	36,728
Revenue bonds and notes payable	87,977	87,299	-	175,276
Total current liabilities	<u>520,458</u>	<u>553,851</u>	<u>61,619</u>	<u>1,135,928</u>
Non-current liabilities				
Net pension liability	8,520	8,027	12,919	29,466
Capital lease payable	-	-	113,772	113,772
Revenue bonds and notes payable, net	2,246,676	476,608	-	2,723,284
Total non-current liabilities	<u>2,255,196</u>	<u>484,635</u>	<u>126,691</u>	<u>2,866,522</u>
TOTAL LIABILITIES	<u>2,775,654</u>	<u>1,038,486</u>	<u>188,310</u>	<u>4,002,450</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>14,552</u>	<u>13,711</u>	<u>22,065</u>	<u>50,328</u>
NET POSITION				
Net investment in capital assets	2,061,727	30,106	325,290	2,417,123
Restricted				
Debt service	155,532	319,163	-	474,695
System improvements	562,825	-	-	562,825
Unrestricted	2,917,711	277,762	331,200	3,526,673
TOTAL NET POSITION	<u>\$ 5,697,795</u>	<u>\$ 627,031</u>	<u>\$ 656,490</u>	<u>\$ 6,981,316</u>

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Utility Fund</u>	<u>Communication Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 1,502,526	\$ 2,078,673	\$ 817,882	\$ 4,399,081
OPERATING EXPENSES				
Personal services	321,832	301,629	363,458	986,919
Operating	727,956	1,383,047	313,418	2,424,421
Depreciation expense	349,183	175,952	88,080	613,215
Total operating expenses	1,398,971	1,860,628	764,956	4,024,555
OPERATING INCOME	<u>103,555</u>	<u>218,045</u>	<u>52,926</u>	<u>374,526</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest expense	(71,980)	(14,440)	(2,205)	(88,625)
Other debt service costs	(4,595)	(1,517)	-	(6,112)
Rental income	26,478	-	-	26,478
Equity earnings in joint venture	212,546	-	-	212,546
Interest income	903	956	244	2,103
Gain on sale of assets	10,000	-	26,351	36,351
Miscellaneous	3,054	2,289	-	5,343
Total non-operating revenues (expenses)	176,406	(12,712)	24,390	188,084
INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>279,961</u>	<u>205,333</u>	<u>77,316</u>	<u>562,610</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Impact fees	219,435	-	-	219,435
Transfers in	398,708	-	-	398,708
Total capital contributions and transfers	618,143	-	-	618,143
CHANGE IN NET POSITION	898,104	205,333	77,316	1,180,753
NET POSITION AT BEGINNING OF YEAR	<u>4,799,691</u>	<u>421,698</u>	<u>579,174</u>	<u>5,800,563</u>
NET POSITION AT END OF YEAR	<u>\$ 5,697,795</u>	<u>\$ 627,031</u>	<u>\$ 656,490</u>	<u>\$ 6,981,316</u>

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Utility Fund</u>	<u>Communication Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,523,700	\$ 2,079,140	\$ 813,827	\$ 4,416,667
Payments to suppliers	(733,878)	(1,439,989)	(313,747)	(2,487,614)
Payments to employees	(338,165)	(304,496)	(371,817)	(1,014,478)
Miscellaneous income	29,532	2,289	-	31,821
Net cash provided by operating activities	<u>481,189</u>	<u>336,944</u>	<u>128,263</u>	<u>946,396</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Interfund activity	<u>294,215</u>	<u>(16,150)</u>	<u>(53,712)</u>	<u>224,353</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from impact fees	219,435	-	-	219,435
Proceeds from sale of assets	10,000	-	26,351	36,351
Acquisition of capital assets	(514,719)	(107,522)	(144,922)	(767,163)
Proceeds from capital leases	-	-	150,500	150,500
Principal paid on revenue bonds and notes	(155,095)	(148,645)	-	(303,740)
Principal paid on capital leases	(33,762)	-	-	(33,762)
Interest	(80,211)	(16,670)	-	(96,881)
Other debt service costs	(4,595)	(1,517)	-	(6,112)
Net cash provided by (used in) capital and related financing activities	<u>(558,947)</u>	<u>(274,354)</u>	<u>31,929</u>	<u>(801,372)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>903</u>	<u>956</u>	<u>244</u>	<u>2,103</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	217,360	47,396	106,724	371,480
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,678,974</u>	<u>964,534</u>	<u>92,854</u>	<u>2,736,362</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,896,334</u>	<u>\$ 1,011,930</u>	<u>\$ 199,578</u>	<u>\$ 3,107,842</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR CONSIST OF				
Current	\$ 970,967	\$ 692,767	\$ 193,999	\$ 1,857,733
Restricted	<u>925,367</u>	<u>319,163</u>	<u>5,579</u>	<u>1,250,109</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,896,334</u>	<u>\$ 1,011,930</u>	<u>\$ 199,578</u>	<u>\$ 3,107,842</u>

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS – CONTINUED
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Utility Fund</u>	<u>Communication Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 103,555	\$ 218,045	\$ 52,926	\$ 374,526
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	349,183	175,952	88,080	613,215
Miscellaneous revenue	29,532	2,289	-	31,821
Decrease (increase) in assets:				
Accounts receivable, net	13,966	467	(4,055)	10,378
Inventory	14,240	(3,987)	-	10,253
Prepaid items	(381)	(1,419)	-	(1,800)
Decrease in deferred outflows of resources	3,979	3,750	6,033	13,762
Increase (decrease) in liabilities:				
Accounts payable	(19,781)	(51,536)	(329)	(71,646)
Customer deposits – restricted	7,208	-	-	7,208
Salaries and benefits payable	(1,125)	(2,567)	(5,405)	(9,097)
Accrued compensated absences	(12,976)	1,799	430	(10,747)
Net pension liability	(18,245)	(17,189)	(27,666)	(63,100)
Increase in deferred inflows of resources	12,034	11,340	18,249	41,623
Net cash provided by operating activities	<u>\$ 481,189</u>	<u>\$ 336,944</u>	<u>\$ 128,263</u>	<u>\$ 946,396</u>

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 SEPTEMBER 30, 2021**

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	\$ 27,755
Investments, at fair value	
Fixed income mutual funds	1,241,054
Equity mutual funds	2,696,219
Due from State of Florida	-
Employer receivable	5,329
Plan member receivable	2,279
TOTAL ASSETS	3,972,636
LIABILITIES	-
NET POSITION	\$ 3,972,636

See notes to the financial statements.

**CITY OF VALPARAISO, FLORIDA
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Pension Trust Fund
ADDITIONS	
Contributions	
Employer	\$ 34,897
Plan members	11,486
State of Florida	73,414
Total contributions	119,797
Investment income	
Net appreciation (decline) in fair value of investments	634,302
Less investment expense	(7,309)
Net investment income (loss)	626,993
TOTAL ADDITIONS	746,790
DEDUCTIONS	
Pension benefit payments	59,578
Professional services	4,575
Administrative expense	1,000
TOTAL DEDUCTIONS	65,153
CHANGE IN FIDUCIARY NET POSITION	681,637
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	3,290,999
End of year	\$ 3,972,636

See notes to the financial statements.

CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY

Description of the City

The City of Valparaiso, Florida (the City) was incorporated in 1921 under the provisions of the Laws of Florida, Chapter 9101 (1921). The City operates under a Commission-Mayor form of government and provides the following services: public safety (law enforcement and fire control), streets, utilities, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental and financial reporting principles.

The following is a summary of the more significant accounting policies of the City:

The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include, or exclude, a potential component unit in the reporting entity was made by applying the criteria set forth in the GASB literature. The basic, but not the only criterion, for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the application of these criteria, the City of Valparaiso Cable Authority, established in 2007 by Ordinance No. 564 qualifies as a blended component unit and is designated as the Communication Fund in the proprietary funds financial statements. The City does not issue a separate financial statement for this component unit.

Related organizations are those legally separate entities for which the City is responsible for appointing the board members or Trustees and for which the City is not otherwise financially accountable. These organizations are not included in the primary governments' financial statements as they are not considered to be part of the financial reporting entity. There were no entities meeting these criteria.

Government-Wide and Fund Financial Statements

Government-wide financial statements, including the statement of net position and statement of activities, present information about the City as a whole. These statements include the non-fiduciary financial activity of the primary government.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

Government-Wide and Fund Financial Statements – Continued

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operations or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the City.

The effects of interfund activity have been eliminated from the government-wide financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first and then unrestricted resources, as they are needed.

Fund financial statements are used to account for the general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, interest and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

Measurement Focus and Basis of Accounting – Continued

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

The following is the current property tax calendar:

Lien Date	January 1st
Levy Date	November 1st
Due Date	November 1st
Delinquent Date	April 1st

One-percent discounts are granted for each month taxes are paid prior to March 1st.

Revenue recognition criteria for property taxes under GASB requires that only property taxes expected to be collected within 60 days of the current period be accrued. Property taxes which are uncollected as of the end of the fiscal year are generally immaterial in amount and highly susceptible to uncollectibility; therefore, they are not recorded as a receivable at the balance sheet date.

Basis of Presentation

The following three broad classifications are used to categorize the fund types used by the City:

Governmental

Governmental funds include the following major funds:

General Fund – the City's primary operating fund. This fund accounts for all financial resources of the general government, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Streets Fund – a special revenue fund used to account for state revenues restricted for the use and expenditures of transportation.

Stormwater Fund – used to account for revenues and expenditures related to storm drainage.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

Basis of Presentation – Continued

Enterprise

Enterprise funds are accounted for using the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds include the following major funds:

Utility Fund – used to account for the operations associated with potable water supply, treatment, transmission and distribution services to area residents and the operations associated with sewer collection, treatment and disposal services to area residents.

Sanitation Fund – used to account for the operations associated with sanitation collection and disposal services for the residents of the City.

Communication Fund – used to account for the operating activities of the City’s cable television, internet, telephone, and security services.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds are charges to customers for sales of water, sewer, and communication services. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the City under the terms of a formal trust agreement.

Pension Trust Fund – custodial in nature and does not present results of City operations. Pension Trust Funds have the economic resources measurement focus and are accounted for using the accrual basis of accounting. The Pension Trust Fund accounts for the assets of the City’s Police Officers’ Retirement Trust Fund and the Firefighters’ Retirement Trust Fund.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term highly liquid investments purchased within three months of maturity.

The City maintains its deposits with banks that are qualified public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized pursuant to Chapter 280, Florida Statutes (the Florida Public Depository Security Act).

Investments

The City's does not have a written investment policy but has adopted the provisions of Section 218.415, Florida Statutes, which permits the City to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act as provided in Chapter 163.01, Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes.
- Direct obligations of the U.S. Treasury.

The City believes that by adhering to the above deposits and investments policy credit risk and custodial risk will be minimal. The City does not have a policy related to interest rate risk.

The police and firefighters pension trust funds are allowed to invest in corporate stocks and bonds subject to certain limitations. The police and firefighters pension plan investments consist primarily of mutual funds. Investments are reported at fair value. The City invests all of its surplus funds for the primary government and the pension trust fund with the Florida Municipal Investment Trust (FMIvT). The FMIvT is administered by the Florida League of Cities and was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The FMIvT is a local government investment pool (LGIP) and is therefore considered an external investment pool for GASB reporting purposes. The City's investment is the FMIvT portfolio, not the individual securities held within the portfolio. A copy of the FMIvT financial statements can be obtained online from the Florida League of Cities website (www.floridaleagueofcities.com).

Receivables and Payables

Internal Balances

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (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 "internal balances."

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance
– Continued**

Receivables and Payables – Continued

Advances between funds, if any, are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Governmental Fund Receivables

All receivables in governmental funds are shown net of an allowance for uncollectible amounts. At September 30, 2021, gross accounts receivable totaled \$30,304, with an allowance of doubtful accounts of \$13,489.

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

Enterprise Fund Receivables

Accounts receivable from customers are reported at the outstanding balance due from customers, net of any allowance for doubtful accounts. The City provides for doubtful accounts based on experience and analysis of individual accounts. When the collectability of a receivable becomes questionable, an allowance for doubtful accounts is established. When specific accounts are determined to be uncollectible, they are written off by charging the allowance and crediting the receivable. September 30, 2021, gross accounts receivable totaled \$306,732, with an allowance for doubtful accounts of \$88,355.

Inventories and Prepaid Items

Inventories in proprietary funds consist of expendable supplies held for consumption. They are reported at cost or, in instances where cost is not determinable, at an approximate cost based upon current invoice prices. Maintenance and operation supplies are expensed when purchased rather than when consumed.

Payments to vendors that benefit future reporting periods are recorded as prepaid items. Both inventories and prepaid items are similarly reported in government-wide and fund financial statements.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance
– Continued**

Restricted Assets

Certain resources in the following funds are restricted for specific purposes:

General Fund – A police forfeiture fund was established to receive monies and proceeds from sale of confiscated property. Expenditures are made from this fund in accordance with state statutes. A library fund was established to receive donations from private sources to be used for the operating activities of the library. The City collects impact fees for fire protection and development. These funds are restricted for acquisition, expansion, or capital improvement projects for fire protection necessitated by new development in accordance with the City’s Code of Ordinances. Discretionary sales tax revenues are restricted for the specific purposes approved by taxpayers in the November 2018 referendum.

Enterprise Funds – Water and sewer meter deposits received from customers of the water and sewer system are placed in a meter deposit account in the Utility Fund. The money is restricted to use as payment for the final customer bill or returned to the customer upon settlement of final bill.

Certain resources set aside for capital improvements are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The “project” account is used to segregate bond proceeds for capital improvements in the Utility Fund.

Capital Assets

Capital assets, which include property, plant and 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. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and a useful life in excess of one year. Such assets meeting these criteria are capitalized at historical cost, if purchased, while others are charged to expense. Donated assets are stated at estimated acquisition value on the date donated.

The City’s infrastructure asset records include only those infrastructure assets categorized during the past ten years. An estimation of infrastructure costs before this period has not been made. The City elected not to retroactively report major infrastructure assets before this time under GASB Statement No. 34. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance
– Continued**

Capital Assets – Continued

Capital assets are depreciated using the straight-line method generally over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50 Years
Improvements other than buildings	15-25 Years
Infrastructure	20-50 Years
Vehicles	5-10 Years
Office equipment	5-10 Years
Machinery and equipment	5-15 Years
CATV system	5-15 Years
Water and sewer systems	20-50 Years

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows of resources of pension and OPEB-related items, as well as a deferred loss on advance refunding of debt recorded in the Utility Fund. See Notes 7 and 8 for additional information on the City's deferred outflows of resources.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Notes 7 and 8 for additional information on the City's deferred inflows of resources.

Unearned Revenues

Revenues collected in advance are deferred and recognized as revenue in the period earned.

Compensated Absences

Vested or accumulated leave (annual, personal and sick) that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. All vested or accumulated leave is accrued when incurred in the government-wide and proprietary fund financial statements. In accordance with the provisions of the GASB guidance, no liability is recorded for non-vesting accumulating rights to receive sick pay or personal leave benefits.

CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance
– Continued**

Compensated Absences – Continued

The policy of the City for sick leave is that all full-time, permanent employees accrue 80 hours or 10 days per calendar year to a maximum of 240 hours. The policy of the City for vacation leave is that all full-time, permanent employees accrue vacation leave benefits in varying amounts to a maximum of 240 hours depending on length of employment. The estimated liabilities include required salary-related payments. Governmental funds report only matured compensated absences payable to currently terminating employees.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation leave and sick leave) are recorded as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the current portion of compensated absences expected to be paid using expendable available resources.

Long-Term Obligations

Long-term debt and other obligations financed by the proprietary funds are reported as liabilities in the fund and in the government-wide statement of net position. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Other Postemployment Benefits (OPEB) Liability

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The City has implemented GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, and reported a total OPEB liability of \$11,878, deferred outflows of resources of \$2,180, and deferred inflows of resources of \$285, as of September 30, 2021. These amounts have been recognized in the government-wide financial statements. Due to the insignificant amounts involved, management has elected not to provide the detailed footnotes as required by GASB guidance.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each plan, and additions to/deductions from the fiduciary net position of each plan have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions, if any) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. Administrative costs are financed from each respective fund's investment earnings.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance
– Continued**

Net Pension Liability – Continued

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. See Notes 7 and 8 for defined timeframes on the Florida Retirement System/Health Insurance Subsidy and Public Safety Pension Plan, respectively.

Classification of Fund Balances

GASB literature establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB, are comprised of the following:

- *Nonspendable* – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, deposits, prepaid items, and advances to other funds.
- *Restricted* – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes fund balance amounts that can be used only for the specific purposes that are internally imposed by a formal action (an Ordinance) of the government's highest level of decision-making authority (City Commission). Commitments may be changed or lifted only by the City taking the same formal action (an Ordinance) that imposed the constraint initially. Contractual obligations are included to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual obligations.
- *Assigned* – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Intent is expressed by (a) the City Commission or (b) a body (for example: a budget or finance committee) or official to which the City Commission has delegated the authority to assign amounts to be used for specific purposes. The City Commission is the body with authority to assign amounts. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund.
- *Unassigned* – includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

**Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance
– Continued**

Classification of Fund Balances – Continued

These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification with the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. The City does not have a formal fund balance policy.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Net Position

Net position in the government-wide and proprietary funds financial statements are classified as net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and is reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* – consists of restricted assets, other than capital assets, reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- *Unrestricted* – the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The City considers restricted amounts to be spent first when both restricted and unrestricted net position is available.

Capital Contributions

Capital contributions in the proprietary funds financial statements arise from grants or outside contributions of resources, such as impact fees, restricted to capital acquisition and construction.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF THE CITY –
CONTINUED**

Estimates

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

Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation. Such reclassifications have no effect on total fund balance or net position previously reported.

Subsequent Events

Subsequent events were evaluated from September 30, 2021, through June 8, 2022, which is the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual appropriated budgets are adopted for the General Fund, Streets Fund, Stormwater Fund, and the proprietary funds. The annual budgets for the General Fund, Streets Fund, and Stormwater Fund are adopted using the modified accrual basis of accounting, which is in accordance with U.S. GAAP for governmental fund types. Every appropriation, except an appropriation for a capital expenditure, lapses at the end of the year to the extent it has not been expended or encumbered.

Annual appropriated budgets are adopted by resolution for all governmental and proprietary funds on or before October 1 of each year as required by state statute. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. Budgets are amended through a resolution passed by a majority vote of the City Commission at a publicized meeting. The total revenue(s) and/or expenditure(s) must exceed \$5,000 before the amendment will be considered. All budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments.

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services, other services and charges, supplies, capital outlay, transfers, and debt service. Expenditures are not to exceed appropriations at the fund level.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

3. CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – It is the City's policy to maintain its deposits only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All qualified public depositories must place with or in the name of the Chief Financial Officer of the State of Florida, collateral in the amount of the average daily balance of public deposits multiplied by the average monthly balance of public deposits or 125 percent of the average daily balance of public deposits greater than capital. In the event of default by a qualified public depository, excess losses over insurance and collateral will be recovered through assessments to all qualified public depositories of the same type as the depository in default. Under this method, all City deposits, including certificates of deposit, are considered fully insured.

At year-end, the value of the City's deposits was \$7,006,372, all of which was held by qualified public depositories under Chapter 280, Florida Statutes.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 – directly observable, quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3 – unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The following table presents the investments carried at fair value on September 30, 2021:

Investment Type	Fair Value	Level 1	Level 2	Level 3
Florida Municipal Investment Trust				
High quality bond funds	\$ 731,054	\$ -	\$ 731,054	\$ -
High yield bond funds	67,681	-	-	67,681
Core plus fixed income funds	626,475	-	-	626,475
Large cap equity funds	1,332,098	-	1,332,098	-
Small to mid cap equity funds	551,139	-	551,139	-
International equity funds	808,866	-	808,866	-
Real estate funds	333,062	-	-	333,062
Total investments measured at fair value	\$4,450,375	\$ -	\$ 3,423,157	\$ 1,027,218

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

3. CASH AND INVESTMENTS – CONTINUED

Investments

As of September 30, 2021, the City's investments consist of those held in the General Fund as well as the pension trust funds. The types of investments, which can be made by the City, are restricted by state statutes, retirement fund plan documents, and other contractual agreements.

Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to meet its obligations. The City is required to disclose the credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed-income securities. Investments may be aggregated by rating categories within the disclosure. State law limits investments in money market funds and mutual bond funds to funds with the highest credit quality rating from nationally recognized statistical rating organizations (i.e., Fitch, S&P). As of September 30, 2021, the City's investments were rated as follows:

Credit Risk for Investment Pool	
Fixed Income Funds	Fitch Rating
FMIvT Broad Market HQ Bond Fund	AAf / S4
FMIvT Intermediate HQ Bond Fund	AAAf / S3
FMIvT Expanded High Yield Bond Fund	Not Rated
FMIvT Core Plus Fixed Income Fund	Not Rated
Equity Portfolios	
FMIvT Large Cap Diversified Equity Fund	Not Rated
FMIvT Diversified Small to Mid Cap Equity Fund	Not Rated
FMIvT International Blended Equity Fund	Not Rated
FMIvT Core Real Estate Fund	Not Rated

Custodial Credit Risk – For an investment, custodial credit risk is the risk that the City will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investment in money market, open-end mutual funds, and external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

The City is required to disclose if investments are uninsured, unregistered and held by either the counterparty or the counterparty's trust department or agent but not in the City's name. The City's investment in FMIvT is with the investment pool, not the securities that make up the pool; therefore, no disclosure is required. The City may make redemptions of its investments in the FMIvT twice a month with five business days of notice.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

3. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

Concentration Risk

The City is required to disclose the concentration of credit risk when five percent or more of the total assets of the portfolio are invested with a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investments pools, and other pooled investments are excluded from the concentration of credit risk disclosure requirements. The City has no limit on the amount it may invest in any one issuer. The FMIvT is an external investment pool; therefore, no additional disclosure is required.

Interest Rate Risk – Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment’s fair value. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk disclosures are required for all debt investments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

GASB requires that interest rate risk be disclosed using one of the five approved methods. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation mode. The City’s investment policy is limited to complying with statutory regulations. The state statutes have not addressed interest rate risk and therefore, the City has not adopted an investment policy on that point. It is the City’s intention for its investments to provide sufficient liquidity to pay obligations as they become due. The City’s WAM and duration for its investment in the FMIvT were as follows:

Fixed Income Funds	Interest Rate Risk Information	
	Duration (Effective)	WAM
FMIvT Intermediate HQ Bond Fund	3.60 Years	3.90 Years
FMIvT Broad Market HQ Bond Fund	5.39 Years	6.30 Years
FMIvT Expanded High Yield Bond Fund	3.90 Years	6.24 Years
FMIvT Core Plus Fixed Income Fund	3.98 Years	8.21 Years

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

3. CASH AND INVESTMENTS – CONTINUED

Investments – Continued

A reconciliation of cash and investments as shown on the balance sheet and statement of net position is as follows:

Deposits	\$ 6,884,345
Investments	<u>4,450,375</u>
Total	<u><u>\$ 11,334,720</u></u>
Cash and cash equivalents, primary government	\$ 4,894,404
Restricted cash and cash equivalents, primary government	1,962,186
Investments, primary government	<u>513,102</u>
Total primary government	7,369,692
Cash and cash equivalents, fiduciary funds	27,755
Investments, fiduciary funds	<u>3,937,273</u>
Total fiduciary funds	<u><u>3,965,028</u></u>
Grand total	<u><u>\$ 11,334,720</u></u>

CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 455,209	\$ -	\$ -	\$ 455,209
Construction WIP	6,156	-	-	6,156
Total capital assets not being depreciated	<u>461,365</u>	<u>-</u>	<u>-</u>	<u>461,365</u>
Capital assets being depreciated				
Buildings and improvements	2,319,312	28,263	(3,900)	2,343,675
Infrastructure	4,012,536	-	-	4,012,536
Machinery, equipment, and vehicles	2,525,714	116,892	(179,468)	2,463,138
Total capital assets being depreciated	<u>8,857,562</u>	<u>145,155</u>	<u>(183,368)</u>	<u>8,819,349</u>
Less accumulated depreciation				
Buildings and improvements	(1,429,639)	(85,678)	3,900	(1,511,417)
Infrastructure	(2,547,449)	(165,107)	-	(2,712,556)
Machinery, equipment, and vehicles	(1,641,848)	(181,130)	179,468	(1,643,510)
Total accumulated depreciation	<u>(5,618,936)</u>	<u>(431,915)</u>	<u>183,368</u>	<u>(5,867,483)</u>
Total capital assets being depreciated, net	<u>3,238,626</u>	<u>(286,760)</u>	<u>-</u>	<u>2,951,866</u>
Governmental activities, net	<u>\$ 3,699,991</u>	<u>\$ (286,760)</u>	<u>\$ -</u>	<u>\$ 3,413,231</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 90,603	\$ -	\$ -	\$ 90,603
Total capital assets not being depreciated	<u>90,603</u>	<u>-</u>	<u>-</u>	<u>90,603</u>
Capital assets being depreciated				
Buildings and improvements	8,820,596	367,711	-	9,188,307
Machinery, equipment, and vehicles	4,795,106	399,452	(57,952)	5,136,606
Total capital assets being depreciated	<u>13,615,702</u>	<u>767,163</u>	<u>(57,952)</u>	<u>14,324,913</u>
Less accumulated depreciation				
Buildings and improvements	(5,100,336)	(274,176)	-	(5,374,512)
Machinery, equipment, and vehicles	(3,407,232)	(339,039)	57,952	(3,688,319)
Total accumulated depreciation	<u>(8,507,568)</u>	<u>(613,215)</u>	<u>57,952</u>	<u>(9,062,831)</u>
Total capital assets being depreciated, net	<u>5,108,134</u>	<u>153,948</u>	<u>-</u>	<u>5,262,082</u>
Business-type activities, net	<u>\$ 5,198,737</u>	<u>\$ 153,948</u>	<u>\$ -</u>	<u>\$ 5,352,685</u>

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

4. CAPITAL ASSETS – CONTINUED

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

Governmental activities

General government	\$ 40,204
Public safety	129,535
Physical environment	18,366
Transportation	173,340
Culture and recreation	70,470
	<u>431,915</u>
Total depreciation/amortization expense – governmental activities	<u>\$ 431,915</u>

Business-type activities

Utility	\$ 349,183
Communication	175,952
Sanitation	88,080
	<u>613,215</u>
Total depreciation/amortization expense – business-type activities	<u>\$ 613,215</u>

5. JOINT VENTURE

A regional sanitary sewer system designed to provide service to residents of Valparaiso, Niceville, and Okaloosa County was completed and placed in service during 1982. During 2012, Okaloosa County transferred its ownership to the City of Niceville, as described in the subsequent paragraph. The project was funded 75% by U.S. Environmental Protection Agency (EPA) grants and 25% by the local government applicants. The in-service cost of the property, plant and equipment paid for through the initial combined funding of the participants and the EPA was recorded pro-rata on the accounting records of the individual participants. The City's initial portion of property, plant and equipment were accounted for in its Utility Fund; however, all subsequent additions related to the regional sanitary sewer system obtained by the City are recorded to the investment in joint venture.

In 2012, the City of Niceville, Florida (Niceville) and Okaloosa County, Florida (the County) executed an amendment to the operational agreement which resulted in the transfer of the County's share of wastewater treatment capacity at the plant to Niceville. As a result of the transfer of capacity, the County is no longer a member of the Board and Niceville and Valparaiso are now 80% and 20% owners, respectively. In 2012, the Board of Directors approved the change of the Board's name from Niceville, Valparaiso, Okaloosa County Regional Sewer Board to Niceville-Valparaiso Regional Sewer Board, Inc. In 2012, Niceville and the City entered into a memorandum of understanding. As part of this understanding, Niceville agreed that the cost for treatment of non-flow proportional related expenses of the City would remain the same as if the County's wastewater was still being treated at the Board's facility. Niceville assumes responsibility for these additional costs until such time as Niceville's annual flow is equal to the sum of its flow and the County's flow for the immediately preceding 12 months (subsequent to the County diverting its flow from the Board's facility).

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

5. JOINT VENTURE – CONTINUED

The net operating results of the system are accounted for as a joint venture and accounted for under the equity method. The Board reported a restatement of beginning net position in its 2021 financial statements. The effects of the restatement have been included in the City's equity earnings from the joint venture in fiscal year 2021. The City's investment in joint venture increased \$212,546 for the year ended September 30, 2021. The City's portion of the equity in the joint venture is \$2,027,158 at September 30, 2021.

The system is managed and operated by a separate governing body (Niceville-Valparaiso Regional Sewer Board, Inc.) consisting of four members; two appointed by each of the two participants. The Board is responsible for preparing and approving its own budget. The cost of operations, including additional equipment, inventory purchases, etc. is accounted for, in total, on the books and financial statements of the Board.

The following is a condensed summary of the assets, liabilities and equity, and operating results of the Board's fiscal year ended June 30, 2021. The Regional Sewer Board's audited financial statements can be obtained from the City Clerk's office.

**Summary of Assets, Liabilities, and Net Position
June 30, 2021**

Assets	
Current assets	\$ 3,531,041
Capital assets, net of accumulated depreciation	<u>6,740,666</u>
Total assets	<u><u>\$ 10,271,707</u></u>
Liabilities and net position	
Liabilities	\$ 135,916
Net position	<u>10,135,791</u>
Total liabilities and net position	<u><u>\$ 10,271,707</u></u>

**Summary of Operating Results
For the Year Ended June 30, 2021**

Sewer operating revenues	\$ 3,113,470
Operating expenses	<u>2,083,420</u>
Operating income	<u>1,030,050</u>
Non-operating revenues (expenses), net	<u>32,681</u>
Change in net position	<u><u>\$ 1,062,731</u></u>

CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

6. LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

Long-term debt activity for the year ended September 30, 2021, is summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
<i>Direct borrowings</i>					
FMLC Revenue Bonds, Series 2016	\$ 378,140	\$ -	\$ (78,883)	\$ 299,257	\$ 46,329
FMLC Revenue Bonds, Series 2017B	466,556	-	(16,722)	449,834	18,395
Bond premium	23,888	-	(1,327)	22,561	-
Capital lease payable	144,635	-	(71,715)	72,920	72,920
Compensated absences	191,532	71,678	(102,647)	160,563	160,563
Total governmental activities	<u>\$ 1,204,751</u>	<u>\$ 71,678</u>	<u>\$ (271,294)</u>	<u>\$ 1,005,135</u>	<u>\$ 298,207</u>
Business-type activities					
<i>Direct borrowings</i>					
FMLC Revenue Bonds, Series 2016	\$ 1,131,859	\$ -	\$ (236,116)	\$ 895,743	\$ 138,671
FMLC Revenue Bonds, Series 2017B	928,444	-	(33,278)	895,166	36,605
Bond premium	47,535	-	(2,641)	44,894	-
Capital lease payable	33,762	150,500	(33,762)	150,500	36,728
<i>Other debt</i>					
Refunding Revenue Note, Series 2020	1,097,103	-	(34,346)	1,062,757	-
Compensated absences	46,645	13,415	(24,162)	35,898	35,898
Total business-type activities	<u>\$ 3,285,348</u>	<u>\$ 163,915</u>	<u>\$ (364,305)</u>	<u>\$ 3,084,958</u>	<u>\$ 247,902</u>

Description of Long-Term Debt Outstanding

Governmental Activities – Direct Borrowings

\$2,405,000 Florida Municipal Loan Council Revenue Bonds, Series 2016, due in annual installments of \$185,000 to \$315,000 through October 2026; interest at 2% to 4%. Issue is prorated between General Fund, Streets Fund, Communication Fund and Utility Fund. Available non-ad valorem revenues from the Communication and Utility Funds are pledged for payment of the bonds. This note was issued to refund two prior bond issues. The original proceeds were used for renovations to the City Hall complex as well as rebuilding a Valparaiso Cable Authority distribution plant and updating technology fiber to the plant.

\$1,495,000 Florida Municipal Loan Council Revenue Bonds, Series 2017B, due in annual installments of \$50,000 to \$105,000 through October 2037; interest at 3% to 5%. Issue is prorated between General Fund, Streets Fund, and Utility Fund. Available non-ad valorem revenues from the Utility Fund are pledged for payment of the bonds. Proceeds from this bond were used for repaving projects and park improvements in the governmental funds.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

Governmental Activities – Direct Borrowings – Continued

For both direct borrowing issuances discussed on the previous page, the lender may declare all unpaid principal and accrued interest to be immediately due and payable in the event of default (non-payment). These issuances do not contain any subjective acceleration clauses.

\$352,750 capital lease payable, due in annual installments of \$74,145 through December 2021, bearing interest at 1.68%, collateralized by a fire truck. In the event of default (non-payment), the lender may terminate the lease and repossess the leased equipment or declare all unpaid rental payments remaining under the lease to be immediately due and payable. The lease does not contain any subjective acceleration clauses.

Business-Type Activities – Direct Borrowings

\$2,405,000 Florida Municipal Loan Council Revenue Bonds, Series 2016, due in annual installments of \$185,000 to \$315,000 through October 2026; interest at 2% to 4%. Issue is prorated between General Fund, Streets Fund, Communication Fund and Utility Fund. Available non-ad valorem revenues from the Communication and Utility Funds are pledged for payment of the bonds. This note was issued to refund two prior bond issues. The original proceeds were used for renovations to the City Hall complex as well as rebuilding a Valparaiso Cable Authority distribution plant and updating technology fiber to the plant.

\$1,495,000 Florida Municipal Loan Council Revenue Bonds, Series 2017B, due in annual installments of \$50,000 to \$105,000 through October 2037; interest at 3% to 5%. Issue is prorated between General Fund, Streets Fund, and Utility Fund. Available non-ad valorem revenues from the Utility Fund are pledged for payment of the bonds. Proceeds from this bond were used to upgrade water meters and to relocate existing utilities along Tom’s Bayou Bridge.

For the direct borrowing issuances discussed above, the lender may declare all unpaid principal and accrued interest to be immediately due and payable in the event of default (non-payment). These issuances do not contain any subjective acceleration clauses.

\$150,500 capital lease payable, due in annual installments of \$39,152 through November 2024, bearing interest at 1.61%, collateralized by a grapple boom loader. In the event of default (non-payment), the lender may terminate the lease and repossess the leased equipment or declare all unpaid rental payments remaining under the lease to be immediately due and payable. The lease does not contain any subjective acceleration clauses.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT – CONTINUED

Description of Long-Term Debt Outstanding – Continued

Business-Type Activities – Other Debt

\$1,097,103 Refunding Revenue Note, Series 2020, due in annual installments of \$34,347 to \$69,453 through October 2040; interest at 2.73%. Available non-ad valorem revenues from the Utility Fund are pledged for payment of the note. Proceeds from this note were used to fully refund the Series 2010C Revenue Bonds described above. The original proceeds were used for the construction and renovation of the Niceville-Valparaiso Regional Sewer Board, Inc. (portion of costs allocated to the City as a member) and other capital improvements to the City's sewer system. The lender may declare all unpaid principal and accrued interest to be immediately due and payable in the event of default (non-payment). This note does not contain any subjective acceleration clauses.

The City is required to comply with certain debt covenants under bond agreements. As of September 30, 2021, the City is not aware of any material noncompliance.

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave as of September 30, 2021, are as follows:

Governmental Activities

Year Ending September 30	Capital Lease			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 72,920	\$ 1,225	\$ 74,145	\$ 64,724	\$ 24,213	\$ 88,937
2023	-	-	-	65,976	21,647	87,623
2024	-	-	-	70,152	19,233	89,385
2025	-	-	-	71,824	17,186	89,010
2026	-	-	-	73,076	15,020	88,096
2027-2031	-	-	-	182,603	49,622	232,225
2032-2036	-	-	-	152,174	24,917	177,091
2037-2041	-	-	-	68,562	2,430	70,992
Total	\$ 72,920	\$ 1,225	\$ 74,145	\$ 749,091	\$ 174,268	\$ 923,359

Business-Type Activities

Year Ending September 30	Capital Lease			Revenue Bonds and Notes		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 36,728	\$ 2,423	\$ 39,151	\$ 175,276	\$ 55,174	\$ 230,450
2023	37,320	1,832	39,152	223,960	76,816	300,776
2024	37,921	1,231	39,152	234,570	69,331	303,901
2025	38,531	620	39,151	237,679	63,034	300,713
2026	-	-	-	245,802	56,369	302,171
2027-2031	-	-	-	670,062	202,650	872,712
2032-2036	-	-	-	595,098	115,857	710,955
2037-2041	-	-	-	471,219	28,106	499,325
Total	\$ 150,500	\$ 6,106	\$ 156,606	\$ 2,853,666	\$ 667,337	\$ 3,521,003

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

6. LONG-TERM DEBT – CONTINUED

Capital Leases

The cost and accumulated depreciation for equipment under capital leases is as follows:

<u>Assets</u>	<u>Governmental Activities</u>
	<u>General Fund</u>
Pumper fire truck	\$ 426,000
Accumulated depreciation	(202,350)
Assets acquired by lease, net	<u>\$ 223,650</u>

<u>Assets</u>	<u>Business-Type Activities</u>
	<u>Utility Fund</u>
Grapple boom loader	\$ 144,921
Accumulated depreciation	(14,492)
Assets acquired by lease, net	<u>\$ 130,429</u>

7. FLORIDA RETIREMENT SYSTEM

Certain City employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Research and Education Section, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit. Regular Class members enrolled before July 1, 2011, who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.60% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits.

Special Risk class members (police and firefighters) enrolled before July 1, 2011, who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

Elected Officers’ class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For pension plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for *Regular*, *Senior Management Service*, and *Elected Officers’* class members, and to age 60 or 30 years of service regardless of age for *Special Risk* class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Benefits Provided – Continued

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

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for each of the prior three years are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Regular Class:	10.82%	10.00%	8.47%
Special Risk Class:	25.89%	24.45%	25.48%
Senior Management Class:	29.01%	27.29%	25.41%
DROP:	18.34%	16.98%	14.60%

These employer contribution rates include 1.66% for HIS Plan subsidies for the periods October 1, 2018 through September 30, 2021. The City's contributions, including employee contributions, to the pension plan totaled \$10,755, \$12,553, and \$12,259 for the fiscal years ended September 30, 2021, 2020, and 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources

At September 30, 2021, the City reported a liability of \$24,498 for its proportionate share of the pension plan's net pension liability. The City's proportionate share of the net pension liability was based on the City's share of contributions to the FRS relative to the contributions of all participating members. At June 30, 2021, the City's proportionate share was 0.000324310%.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources – Continued

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 July 1, 2021.

For the fiscal year ended September 30, 2021, the City recognized a reduction in pension expense of \$2,822. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 4,199	\$ -
Changes of assumptions	16,763	-
Net difference between projected and actual earnings on pension plan investments	-	85,467
Changes in proportion and differences between City pension plan contributions and proportionate share of contributions	4,864	14,893
City pension plan contributions subsequent to the measurement date	1,889	-
	\$ 27,715	\$ 100,360

A component of deferred outflows of resources related to the pension plan of \$1,889, resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other components reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2022	\$ (12,510)
2023	(15,116)
2024	(20,088)
2025	(25,496)
2026	(1,324)
	\$ (74,534)

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the July 1, 2021, valuation were based on the results of a 2019 actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Real estate (property)	<u>10.3%</u>	7.1%	6.2%	13.8%
Total	<u>100.0%</u>			
Assumed inflation – mean			2.4%	1.2%

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

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Plan – Continued

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. The pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's proportionate share of the net pension liability (asset)	\$ 109,556	\$ 24,498	\$ (46,601)

Pension Plan Fiduciary Net Position

Detailed information regarding the pension plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

HIS Plan

Plan Description

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

Benefits Provided

For the fiscal year ended September 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2021, the HIS contribution for the plan was 1.66%. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$1,747, \$2,127, and \$2,228 for the fiscal years ended September 30, 2021, 2020, and 2019, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources

At September 30, 2021, the City reported a liability of \$39,964 for its proportionate share of the HIS Plan's net pension liability. The City's proportionate share of the net pension liability was based on the City's share of contributions to the HIS plan relative to the contributions of all participating members. At June 30, 2021, the City's proportionate share was 0.000325802%.

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 July 1, 2020.

For the fiscal year ended September 30, 2021, the City recognized a reduction in pension expense of \$1,560. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$ 1,337	\$ 17
Changes of assumptions	3,140	1,647
Net difference between projected and actual earnings on pension plan investments	42	-
Changes in proportion and differences between City pension plan contributions and proportionate share of contributions	2,197	8,078
City pension plan contributions subsequent to the measurement date	345	-
	\$ 7,061	\$ 9,742

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources – Continued

A component of deferred outflows of resources related to the HIS Plan of \$345, resulting from City contributions to the plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2022. Other components reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense (income) as follows:

Fiscal Year Ending September 30:	<u>Amount</u>
2022	\$ (676)
2023	(881)
2024	(251)
2025	(238)
2026	(674)
Thereafter	<u>(306)</u>
	<u>\$ (3,026)</u>

Actuarial Assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation		2.40%
Salary increases	3.25%, average, including inflation	
Investment rate of return		2.16%

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

Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that plan. The actuarial assumptions used in the July 1, 2020, valuation were based on certain results of the most recent experience study for the FRS Pension Plan.

Discount Rate

The discount rate used to measure the total pension liability was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

7. FLORIDA RETIREMENT SYSTEM – CONTINUED

HIS Plan – Continued

Sensitivity of the Net Position Liability to Changes in the Discount Rate

The following represents the City’s proportionate share of the net pension liability calculated using the discount rate of 2.16%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
City's proportionate share of the net pension liability	\$ 46,203	\$ 39,964	\$ 34,854

Pension Plan Fiduciary Net Position

Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report.

8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN

Plan Description

Plan Administration

The Police Officers and Firefighters Retirement Plan (the Public Safety Pension Plan) is a single-employer defined benefit plan, established under Chapters 185 and 175 of the Florida Statutes, which covers all police officers and firefighters hired on or after January 1, 1996. The City of Valparaiso Board of Trustees assigns the authority to establish and amend benefit provisions to this plan. The City’s payroll for employees covered by this plan applicable to the October 1, 2020 actuarial valuation was approximately \$429,503. As of October 1, 2020, employee membership data related to the Public Safety Pension Plan as follows:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	12
	19

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

Plan Description – Continued

Benefits Provided

The Public Safety Pension Plan provides retirement, disability, and death benefits to plan members and beneficiaries. Employees who retire with 6 years of service and are age 55 or who retire with 25 years of service and are age 52 are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3% of average final compensation (average of the highest five years of compensation out of the last 10 years of employment) multiplied by credited service. Employees with ten years of service may retire at or after age 50 and receive reduced retirement benefits. The normal form of benefit is a ten-year certain and life annuity.

Funding Policy

The City's Public Safety Pension Plan is funded by employer contributions at actuarially determined rates, which is expressed as a percentage of annual covered payroll, that are sufficient to accumulate sufficient assets to pay benefits when due. The employees of the plan contribute at a rate of 2% of their annual salary. For 2021, the City contributed \$34,895 to the plan. \$73,660 was contributed by the State of Florida. The employees' contributions to the plan for the current year totaled \$11,486. The contributions are deposited with the Florida Municipal Pension Trust Fund where they are invested in mutual funds. Administration costs of the Public Safety Pension Plan are financed through investment earnings.

Net Pension Liability

The employer's reporting date is September 30, 2021. The actuary's measurement date is September 30, 2021. The actuarial valuation date is October 1, 2020.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020, using the following actuarial assumptions:

Inflation	2.62%
Salary increases	4.50%
Discount rate	7.00%
Investment rate of return	7.00%

Mortality rates are obtained from the PUB-2010 Headcount-Weighted Mortality Table for public safety employees, with full generational improvements in mortality using Scale MP-2018. Based upon other studies of municipal police officers and firefighters, the City feels that this assumption sufficiently accommodates future mortality improvements.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

Net Pension Liability – Continued

Actuarial Assumptions – Continued

The long-term expected rate of return on the Public Safety Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Public Safety Pension Plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Core bonds	15.00%	1.60%
Core plus	15.00%	2.10%
U.S. large cap equity	25.00%	4.80%
U.S. small cap equity	14.00%	5.50%
Non-U.S. equity	21.00%	6.70%
Core real estate	10.00%	5.00%
Total	<u>100.00%</u>	4.38%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Public Safety Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balances at September 30, 2020	\$ 2,296,223	\$ 3,290,754	\$ (994,531)
Changes:			
Service cost	136,198	-	136,198
Interest	166,819	231,990	(65,171)
Investment income	-	402,312	(402,312)
Demographic experience	25,265	-	25,265
Contributions – employer	-	108,555	(108,555)
Contributions – employee	-	11,486	(11,486)
Benefit payments, including refunds of employee contributions	(59,578)	(59,578)	-
Assumption changes	(75,001)	-	(75,001)
Administrative expenses	-	(12,883)	12,883
Net changes during year	<u>193,703</u>	<u>681,882</u>	<u>(488,179)</u>
Balances at September 30, 2021	<u>\$ 2,489,926</u>	<u>\$ 3,972,636</u>	<u>\$ (1,482,710)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following represents the City's net pension liability calculated using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower and one percentage point higher than the current rate:

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's net pension liability (asset)	\$ (1,096,545)	\$ (1,482,710)	\$ (1,795,931)

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

8. DEFINED BENEFIT PENSION PLAN – PUBLIC SAFETY PENSION PLAN – CONTINUED

Changes in Net Pension Liability (Asset) – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources

For the year ended September 30, 2021, the City recognized a reduction in pension expense of \$59,908 related to the Public Safety Pension Plan. On September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension on the Public Safety Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on pension plan investments	\$ -	\$ 295,315
Differences between actual and expected experience	44,695	217,861
Changes of assumptions	50,104	60,381
City pension plan contributions subsequent to the measurement date	108,555	-
Total	\$ 203,354	\$ 573,557

A component of deferred outflows of resources related to the Public Safety Pension Plan totaling \$108,555 resulting from City contributions to the plan subsequent to the measurement date, will be recognized as reduction in the net pension liability in the fiscal year ended September 30, 2022. Other components reported as deferred outflows of resources and deferred inflows of resources related to the Public Safety Pension Plan will be recognized in pension expense (income) as follows:

Year ended September 30:

2022		\$ (103,841)
2023		(101,644)
2024		(111,409)
2025		(114,477)
2026		(25,580)
Thereafter		(21,807)
		\$ (478,758)

Pension Plan Fiduciary Net Position

The plan issues a stand-alone financial report each year, which contains information about the plan's fiduciary net position. The plan's fiduciary net position has been determined on the same basis used by the pension plan and is equal to the market value of assets calculated under the accrual basis of accounting. This reported is available to the public at the plan's administrative office: Retirement Department, Florida League of Cities, Inc., P.O. Box 1757, Tallahassee, FL 32302.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

9. SUPPLEMENTAL RETIREMENT PLANS

Defined Contribution Retirement Plan

In 2004, the City adopted the Florida Municipal Pension Trust Fund's Section 401(a) Defined Contribution Retirement Plan (the Plan). The Plan is administered by the Florida Municipal Pension Trust Fund. The Plan's eligibility provisions are the same as the defined benefit pension plan, except that the minimum age requirement was removed. The Plan provides retirement benefits to substantially all City employees. All benefits vest after ten years of credited service. To be eligible for the Plan, employees must have completed ninety (90) days of service. Contributions to the Plan are discretionary but are currently funded by the City at 9% of each eligible employee's compensation. For the year ended September 30, 2021, the City's contributions to the Plan totaled \$119,850. The City Commission has the authority to establish and amend the provisions of the Plan.

Deferred Compensation Plan

In 1996, the City adopted the Florida Municipal Pension Trust Fund's Deferred Compensation Plan (Plan) under Internal Revenue Code Section 457(b). The Plan allows substantially all City employees to make pretax contributions, in accordance with the Plan. The City does not make contributions to the Plan. The City's fiduciary responsibility is to administer the Plan properly and to assure the investment alternatives made available are reasonable. Contributions made by Plan members during the year ended September 30, 2021, were \$80,073.

10. INTERFUND BALANCES AND TRANSFERS

The following is a summary of interfund balances reported in the fund financial statements:

Due to Fund	Due from Fund				Total
	Governmental Funds		Enterprise Funds		
	General Fund	Streets Fund	Utility Fund	Communication Fund	
Governmental funds					
General Fund	\$ -	\$ 13,722	\$ 231,313	\$ 413,340	\$ 658,375
Stormwater Fund	26,198	-	-	-	26,198
Enterprise funds					
Sanitation Fund	118,355	-	-	-	118,355
Total	\$ 144,553	\$ 13,722	\$ 231,313	\$ 413,340	\$ 802,928

Interfund balances due to the General Fund represent expenses paid by the General Fund on behalf of the underlying funds. The interfund balances due from the General Fund represent revenues collected for the benefit of those funds that have not been transferred from the General Fund.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

10. INTERFUND BALANCES AND TRANSFERS – CONTINUED

During the fiscal year ended September 30, 2021, the General Fund transferred \$398,708 to the Utility Fund. The amount transferred was used to apply restricted discretionary sales tax proceeds to capital lift station rehabilitation projects in the Utility Fund.

11. LEASE REVENUE

The City leases certain property predominantly to wireless telecommunications companies. These are non-cancelable operating leases. Minimum rentals on non-cancelable leases for the remaining terms are as follows:

	General Fund	Utility Fund
2022	\$ 22,952	\$ 29,751
2023	7,189	30,644
2024	2,777	31,563
Total	\$ 32,918	\$ 91,958

The Utility Fund lease had original terms of five years and can be renewed for four successive five-year periods on similar terms and conditions. The annual rent on these leases will increase by 3-4% per year. There was no unearned rent at September 30, 2021.

The General Fund's lease with two telecommunication companies is for five years with the option of renewing for four additional terms of five years each on the same terms and conditions. The annual rent increases by two percent (2-3%) per year.

The General Fund also has a commercial property lease that is renewed each month until cancelled by either party or a new lease agreement is executed.

The General Fund and Utility Fund reported a total of \$52,238 and \$26,478, respectively, from operating lease revenues during fiscal year 2021.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

12. GOVERNMENTAL FUND BALANCES

At September 30, 2021, the City's governmental fund balances were classified as follows:

	General Fund	Streets Fund	Stormwater Fund	Total Governmental Funds
Nonspendable				
Prepaid items	\$ 88,866	\$ -	\$ -	\$ 88,866
Restricted for				
Discretionary sales taxes	596,354	-	-	596,354
Capital improvements - fire	94,187	-	-	94,187
Library	12,573	-	-	12,573
Law enforcement	8,963	-	-	8,963
Total restricted	<u>712,077</u>	<u>-</u>	<u>-</u>	<u>712,077</u>
Committed				
Perpetual maintenance	126,763	-	-	126,763
Stormwater system	-	-	300,313	300,313
Total committed	<u>126,763</u>	<u>-</u>	<u>300,313</u>	<u>427,076</u>
Assigned for				
Parks and recreation	301,946	-	-	301,946
Library	6,982	-	-	6,982
Transportation	-	389,613	-	389,613
FY22 appropriations	606,435	-	-	606,435
Total assigned	<u>915,363</u>	<u>389,613</u>	<u>-</u>	<u>1,304,976</u>
Unassigned	<u>2,454,084</u>	<u>-</u>	<u>-</u>	<u>2,454,084</u>
Total Fund Balance	<u>\$ 4,297,153</u>	<u>\$ 389,613</u>	<u>\$ 300,313</u>	<u>\$ 4,987,079</u>

13. 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; injuries to employees; and natural disasters. The City carries commercial insurance for all other risks of loss, including fidelity bond, accidental death and dismemberment and employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

14. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, for the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability, if any, for reimbursement which may arise as the result of these audits is not believed to be material.

15. COMMITMENTS AND CONTINGENCIES

Litigation

The City is a party to various claims and assessments arising from its actions in the course of carrying out its public services. The City carries general liability coverage and management believes its coverage is sufficient to cover all significant losses arising from the unsuccessful outcome of any pending and/or threatened litigation.

Fire Protection Services Agreement

In 2019, the City executed an interlocal agreement with the City of Niceville to enhance fire protection services in both jurisdictions. The agreement allows for the sharing of personnel and facilities to provide mutual aid for fire protection and emergency services to residents of both municipalities. The agreement has no end date but may be amended from time to time upon the mutual agreement of both municipalities.

16. RELATED PARTY TRANSACTIONS

In 2019, the City Commission approved a scanning service contract with Pak Mail of Bluewater Bay (Pak Mail) to convert the City's existing paper records to an electronic format. The City Clerk holds a 50% ownership interest in Pak Mail. As of September 30, 2021, the City had no balance due to Pak Mail, and the City incurred expenditures of \$389 for services rendered during fiscal year 2021.

17. SUBSEQUENT EVENTS

Federal Grant Funding

In October 2021, the City received \$1,352,555 for its first installment of grant funds under the American Rescue Plan Act (ARPA). This installment represents 50% of the total grant award allocated to the City, which totals \$2,705,111. The terms of the grant agreement require the funds to be expended for qualified purposes, as outlined in the grant agreement, before December 31, 2024. Any balances of unobligated cash that have been advanced but not expended before that date are to be refunded to the U.S. Department of the Treasury.

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

17. SUBSEQUENT EVENTS – CONTINUED

Commercial Building Lease

In December 2021, the City entered into a lease for a commercial building that will serve as the new City Hall. The 30-year lease term requires monthly payments of \$10,000 through expiration in November 2051. The building contains over 14,000 square feet of space for conducting the business of the City. The City's management plans to relocate the City Library and municipal office space for administrative staff to the leased building after certain leasehold improvements are completed in fiscal year 2022. Under the lease terms, the City has an exclusive one-time option to purchase the property from the lessor after 10 years for a stated price of \$1,818,157. In the event that the City does not exercise the purchase option, the lessor shall donate the building and property to the City at the end of the lease term.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VALPARAISO, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,823,175	\$ 1,823,175	\$ 1,837,257	\$ 14,082
Permits and fees	407,500	407,500	587,635	180,135
Intergovernmental	1,195,940	1,195,940	1,668,044	472,104
Charges for services	334,880	334,880	332,889	(1,991)
Fines and forfeitures	12,500	12,500	25,448	12,948
Miscellaneous	91,000	91,000	195,559	104,559
Total revenues	<u>3,864,995</u>	<u>3,864,995</u>	<u>4,646,832</u>	<u>781,837</u>
EXPENDITURES				
Current				
General government	925,865	925,865	877,144	48,721
Public safety	1,650,905	1,650,905	1,391,742	259,163
Physical environment	251,865	251,865	203,685	48,180
Culture and recreation	585,635	585,635	410,483	175,152
Capital outlay	577,500	577,500	145,155	432,345
Debt service				
Principal and interest	81,595	81,595	96,518	(14,923)
Total expenditures	<u>4,073,365</u>	<u>4,073,365</u>	<u>3,124,727</u>	<u>948,638</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(208,370)</u>	<u>(208,370)</u>	<u>1,522,105</u>	<u>1,730,475</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(398,708)	(398,708)
NET CHANGE IN FUND BALANCE	<u>(208,370)</u>	<u>(208,370)</u>	<u>1,123,397</u>	<u>1,331,767</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>208,370</u>	<u>208,370</u>	<u>3,173,756</u>	<u>2,965,386</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,297,153</u>	<u>\$ 4,297,153</u>

CITY OF VALPARAISO, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
STREETS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 225,000	\$ 225,000	\$ 272,618	\$ 47,618
Intergovernmental	117,895	117,895	114,857	(3,038)
Miscellaneous	1,000	1,000	281	(719)
Total revenues	<u>343,895</u>	<u>343,895</u>	<u>387,756</u>	<u>43,861</u>
EXPENDITURES				
Current				
Transportation	302,610	302,610	263,775	38,835
Debt service				
Principal and interest	82,250	82,250	100,179	(17,929)
Total expenditures	<u>384,860</u>	<u>384,860</u>	<u>363,954</u>	<u>20,906</u>
NET CHANGE IN FUND BALANCE	(40,965)	(40,965)	23,802	22,955
FUND BALANCE AT BEGINNING OF YEAR	<u>40,965</u>	<u>40,965</u>	<u>365,811</u>	<u>324,846</u>
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 389,613</u>	<u>\$ 389,613</u>

**CITY OF VALPARAISO, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
STORMWATER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 48,000	\$ 48,000	\$ 49,132	\$ 1,132
Miscellaneous	500	500	177	(323)
Total revenues	<u>48,500</u>	<u>48,500</u>	<u>49,309</u>	<u>809</u>
EXPENDITURES				
Current				
Physical environment	<u>44,850</u>	<u>44,850</u>	<u>17,848</u>	<u>27,002</u>
Total expenditures	<u>44,850</u>	<u>44,850</u>	<u>17,848</u>	<u>27,002</u>
NET CHANGE IN FUND BALANCE	3,650	3,650	31,461	27,811
FUND BALANCE AT BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>268,852</u>	<u>268,852</u>
FUND BALANCE AT END OF YEAR	<u>\$ 3,650</u>	<u>\$ 3,650</u>	<u>\$ 300,313</u>	<u>\$ 296,663</u>

CITY OF VALPARAISO, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)
FLORIDA RETIREMENT SYSTEM
LAST EIGHT YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.000324310%	0.000362415%	0.000392533%	0.000372639%	0.000352555%	0.000317841%	0.000293381%	0.000561073%
City's proportionate share of the net pension liability	\$ 24,498	\$ 157,076	\$ 135,183	\$ 112,241	\$ 104,284	\$ 80,255	\$ 37,894	\$ 34,234
City's covered payroll	\$ 1,367,539	\$ 1,434,388	\$ 1,444,155	\$ 1,448,593	\$ 1,353,312	\$ 1,356,940	\$ 1,324,519	\$ 1,244,776
City's proportionate share of the net pension liability as a percentage of its covered payroll	1.79%	10.95%	9.36%	7.75%	7.71%	5.91%	2.86%	2.75%
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%

NOTES:

- The amounts presented for each fiscal year were determined as of June 30th.
- This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

**CITY OF VALPARAISO, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (UNAUDITED)
HEALTH INSURANCE SUBSIDY
LAST EIGHT YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset)	0.000325802%	0.000372103%	0.000401405%	0.000383910%	0.000361564%	0.000396859%	0.000388411%	0.000555127%
City's proportionate share of the net pension liability	\$ 39,964	\$ 45,433	\$ 44,913	\$ 40,633	\$ 38,660	\$ 46,252	\$ 39,612	\$ 51,906
City's covered payroll	\$ 1,367,539	\$ 1,434,388	\$ 1,444,155	\$ 1,448,593	\$ 1,353,312	\$ 1,356,940	\$ 1,324,519	\$ 1,244,776
City's proportionate share of the net pension liability as a percentage of its covered payroll	2.92%	3.17%	3.11%	2.80%	2.86%	3.41%	2.99%	4.17%
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%

NOTES:

- The amounts presented for each fiscal year were determined as of June 30th.
- This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

**CITY OF VALPARAISO, FLORIDA
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
FLORIDA RETIREMENT SYSTEM
LAST EIGHT YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 10,755	\$ 12,553	\$ 12,259	\$ 10,967	\$ 10,722	\$ 7,056	\$ 7,153	\$ 12,290
Contributions in relation to the contractually required contribution	<u>(10,755)</u>	<u>(12,553)</u>	<u>(12,259)</u>	<u>(10,967)</u>	<u>(10,722)</u>	<u>(7,056)</u>	<u>(7,153)</u>	<u>(12,290)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,367,539	\$ 1,434,388	\$ 1,444,155	\$ 1,448,593	\$ 1,353,312	\$ 1,356,940	\$ 1,324,519	\$ 1,244,776
Contributions as a percentage of covered-employee payroll	0.79%	0.88%	0.85%	0.76%	0.79%	0.52%	0.54%	0.99%

NOTES:

- The amounts presented for each fiscal year were determined as of September 30th.
- This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

**CITY OF VALPARAISO, FLORIDA
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
HEALTH INSURANCE SUBSIDY
LAST EIGHT YEARS**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,747	\$ 2,127	\$ 2,228	\$ 2,114	\$ 2,127	\$ 1,814	\$ 1,485	\$ 1,902
Contributions in relation to the contractually required contribution	(1,747)	(2,127)	(2,228)	(2,114)	(2,127)	(1,814)	(1,485)	(1,902)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,367,539	\$ 1,434,388	\$ 1,444,155	\$ 1,448,593	\$ 1,353,312	\$ 1,356,940	\$ 1,324,519	\$ 1,244,776
Contributions as a percentage of covered-employee payroll	0.13%	0.15%	0.15%	0.15%	0.16%	0.13%	0.11%	0.15%

NOTES:

- The amounts presented for each fiscal year were determined as of September 30th.
- This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

CITY OF VALPARAISO, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS (UNAUDITED)
PUBLIC SAFETY PENSION PLAN

Measurement Date	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	\$ 136,198	\$ 124,018	\$ 141,025	\$ 140,605	\$ 134,635	\$ 123,530	\$ 99,473
Interest	166,819	160,272	146,089	137,846	117,428	100,326	89,976
Differences between expected and actual experience	25,265	(147,982)	523	(127,361)	(24,617)	42,204	(34,250)
Changes of assumptions	(75,001)	-	-	-	90,444	-	-
Benefit payments, including refunds of employee contributions	(59,578)	(52,468)	(62,891)	(30,466)	(30,016)	(30,039)	(29,141)
Net change in total pension liability	193,703	83,840	224,746	120,624	287,874	236,021	126,058
Total pension liability – beginning	2,296,223	2,212,383	1,987,637	1,867,013	1,579,139	1,343,118	1,217,060
Total pension liability – ending (a)	\$ 2,489,926	\$ 2,296,223	\$ 2,212,383	\$ 1,987,637	\$ 1,867,013	\$ 1,579,139	\$ 1,343,118
Plan Fiduciary Net Position							
Contributions – employer	\$ 108,555	\$ 106,773	\$ 97,787	\$ 84,921	\$ 99,862	\$ 166,749	\$ 153,593
Contributions – employee	11,486	10,392	9,980	11,218	10,283	10,430	10,255
Interest	231,990	214,506	200,835	184,080	158,634	140,129	131,153
Net investment income	402,312	(15,332)	(48,826)	10,972	142,461	19,983	(133,786)
Benefit payments, including refunds of employee contributions	(59,578)	(52,468)	(62,891)	(30,466)	(30,016)	(30,039)	(29,141)
Administrative expenses	(12,883)	(11,178)	(11,467)	(10,838)	(10,394)	(9,521)	(10,374)
Net change in plan fiduciary net position	681,882	252,693	185,418	249,887	370,830	297,731	121,700
Plan fiduciary net position – beginning	3,290,754	3,038,061	2,852,643	2,602,756	2,231,926	1,934,195	1,812,495
Plan fiduciary net position – ending (b)	\$ 3,972,636	\$ 3,290,754	\$ 3,038,061	\$ 2,852,643	\$ 2,602,756	\$ 2,231,926	\$ 1,934,195
Net pension liability (asset) – ending (a) – (b)	\$ (1,482,710)	\$ (994,531)	\$ (825,678)	\$ (865,006)	\$ (735,743)	\$ (652,787)	\$ (591,077)
Plan fiduciary net position as a percentage of the total pension liability (asset)	159.55%	143.31%	137.32%	143.52%	139.41%	141.34%	144.01%
Covered payroll	\$ 429,503	\$ 376,973	\$ 431,944	\$ 430,057	\$ 417,258	\$ 405,994	\$ 339,428
Net pension liability (asset) as a percentage of covered payroll	-345.22%	-263.82%	-191.15%	-201.14%	-176.33%	-160.79%	-174.14%

NOTES:

- For the 2021 measurement date, the City began using the PUB-2010 based mortality tables using Scale MP-2018, as mandated by State law.
- This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years which information is available.

**CITY OF VALPARAISO, FLORIDA
SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
PUBLIC SAFETY PENSION PLAN
LAST TEN FISCAL YEARS**

	<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>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 82,823	\$ 82,455	\$ 86,629	\$ 110,221	\$ 100,519	\$ 94,181	\$ 65,067	\$ 226,641	\$ 191,687	\$ 105,205
Contributions in relation to the actuarially determined contributions	<u>108,555</u>	<u>106,773</u>	<u>97,787</u>	<u>84,921</u>	<u>99,862</u>	<u>166,749</u>	<u>153,593</u>	<u>146,466</u>	<u>131,683</u>	<u>122,951</u>
Contribution deficiency (excess)	<u>\$ (25,732)</u>	<u>\$ (24,318)</u>	<u>\$ (11,158)</u>	<u>\$ 25,300</u>	<u>\$ 657</u>	<u>\$ (72,568)</u>	<u>\$ (88,526)</u>	<u>\$ 80,175</u>	<u>\$ 60,004</u>	<u>\$ (17,746)</u>
Covered payroll	\$ 429,503	\$ 376,973	\$ 431,944	\$ 430,057	\$ 417,258	\$ 405,994	\$ 339,428	Not available	\$ 297,343	\$ 337,623
Contributions as a percentage of covered payroll	25.27%	28.32%	22.64%	19.75%	23.93%	41.07%	45.25%	Not available	44.29%	36.42%

See notes to schedule of contributions

**CITY OF VALPARAISO, FLORIDA
NOTES TO THE SCHEDULE OF CONTRIBUTIONS (UNAUDITED)
PUBLIC SAFETY PENSION PLAN**

Valuation Date: October 1, 2020

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method: Aggregate Cost Method

Financing of unfunded

actuarial accrued
liabilities:

Under this actuarial cost method, a funding cost is developed for the plan as a level percentage of payroll. The level funding percentage is calculated as the excess of the total future benefit liability over accumulated assets and future employee contributions, with this excess spread over the expected future payroll for current active participants. The normal cost is equal to the level funding percentage multiplied by the expected payroll for the year immediately following the valuation date. The actuarial accrued liability is equal to the accumulated assets. Therefore, under the aggregate cost method, no unfunded accrued liability is developed.

Discount rate: 7.00% per year

Wage Inflation Rate: 2.62% per year

Salary increases: 4.50% per year

Mortality:

For non-retired participants, PUB-2010 Headcount-Weighted Employee Mortality Table for public safety employees, with full generational improvements in mortality using Scale MP-2018 and with ages set forward one year

For retirees, PUB-2010 Headcount-Weighted Retiree Mortality Tables with sex distinct rates with full generational improvements in mortality using Scale MP-2018 and with ages set forward one year

Retirement:

Retirement is assumed to occur at normal retirement age

Non-investment
expenses:

2.25% of covered payroll

Future contributions:

Contributions from the employer and employees are assumed to be made as legally required

**CITY OF VALPARAISO, FLORIDA
SCHEDULE OF INVESTMENT RETURNS
LAST SEVEN YEARS**

	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Public Safety Pension Plan							
Annual Money-Weighted Rate of Return							
Net of Investment Expense	2.30%	0.91%	0.72%	1.08%	2.51%	1.21%	-2.44%

Note: This information is not available for previous years.

**INDEPENDENT ACCOUNTANTS' REPORT ON AN EXAMINATION OF
COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL**

To the Honorable Mayor and
Members of the City Commission
City of Valparaiso, Florida

We have examined the City of Valparaiso, Florida's (the City) compliance with Section 218.415, Florida Statutes, with regards to the investments for the year ended September 30, 2021.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

Warren Averett, LLC

Fort Walton Beach, Florida
June 8, 2022

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 the City Commission
City of Valparaiso, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Valparaiso, Florida (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 June 8, 2022.

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 and correct 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 that we consider to be material weaknesses. We did identify a deficiency in internal control shown in the accompanying schedule of findings and responses (#2021-001) that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Valparaiso, Florida's Response to Findings

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

Purpose of this Report

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

Warren Averett, LLC

Fort Walton Beach, Florida

June 8, 2022

**CITY OF VALPARAISO, FLORIDA
SCHEDULE OF FINDINGS AND RESPONSES
SEPTEMBER 30, 2021**

2021-001 Timeliness and Review of Bank Reconciliations

Criteria

Internal control is defined as a process affected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the City's objectives with regards to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Condition

Bank reconciliations were not performed on a timely basis at the end of each month throughout fiscal year 2021. In addition, bank reconciliations examined by auditors did not provide clear evidence as to who prepared the reconciliation or whether the reconciliation was reviewed by appropriate City personnel.

Cause

Due to staff turnover and employee training, the City experienced delays in completing the bank reconciliations for multiple months throughout fiscal year 2021.

Effect

The internal controls over cash did not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct a material misstatement on a timely basis. As bank reconciliations are a key control, and the delay in preparing bank reconciliations was present for a portion of the period under audit, the finding is required to be reported.

Recommendation

We recommend management adopt a written policy that: 1) requires bank reconciliations to be prepared within a specified number of days after the end of the month, 2) identifies who is responsible for preparing monthly account reconciliations, and 3) specifies who is responsible for reviewing and approving the bank reconciliations.

Management's Response

The City will improve the timeliness of completing monthly bank reconciliations, and management will draft and present a written policy for bank reconciliations to the City Commission for approval.

MANAGEMENT LETTER

To the Honorable Mayor and
 Members of the City Commission
 City of Valparaiso, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Valparaiso, Florida (the City), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated June 8, 2022.

Auditors' Responsibility

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 and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with *Government Auditing Standards*; and Independent Accountants' Report on an Examination of Compliance Requirements in Accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in these reports, which are dated June 8, 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 report. The table below summarizes the uncorrected audit findings over the preceding three-year period.

Tabulation of Uncorrected Audit Findings			
Description	Current Year Finding #	2019-20 FY Finding #	2018-19 FY Finding #
Interfund Balances ¹	N/A	2020-001	2019-001
IT Risk Assessment ¹	N/A	2020-002	2019-002
Bank Reconciliations ¹	2021-001	2020-003	N/A

¹ - significant deficiency

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. The official title and legal authority for the City and the Valparaiso Cable Authority has been disclosed in Note 1 to the financial statements.

Financial Condition and Management

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

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

Section 10.554(1)(i)2., *Rules of Auditor General*, requires that we communicate any recommendations to improve financial management. In connection with our audit, please see the schedule of findings and responses.

Additional Matters

Section 10.554(1)(i)3., *Rules of 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 mayor and members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We sincerely hope this comment and recommendation will be of assistance in the administration and operation of the City. Please feel free to contact us regarding the preceding or any other aspect of the audit of your financial statements.

We greatly appreciate the assistance and cooperation extended to us during our audit.

Warren Averett, LLC

Fort Walton Beach, Florida
June 8, 2022