CITY OF SOPCHOPPY, FLORIDA

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

CITY OF SOPCHOPPY, FLORIDA
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SEPTEMBER 30, 2025

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CITY OF SOPCHOPPY, FLORIDA
PRINCIPAL CITY OFFICIALS
SEPTEMBER 30, 2025

CITY COUNCIL

Leonard Tartt, Mayor
Lara Edwards, Vice Mayor
Mary Katherine Westmark
Nathan Lewis
Fred McClendon

CITY CLERK

Ashley Schilling

CITY ATTORNEY

Daniel Cox

JAMESMOORE

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Sopchoppy, Florida (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Unmodified Opinion on the General Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund for the City, as of September 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities, and Utility Fund, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, and Utility Fund of the City as of September 30, 2025, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Qualified Opinion on the Governmental Activities, Business-type Activities, and Utility Fund

As discussed in Note (10) to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in the governmental activities, business-type activities, and the Utility Fund. The amounts by which these departures would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses of the governmental activities, business-type activities, and Utility Fund has not been determined.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

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

Management has omitted the schedule of changes in the City's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes, *Florida Single Audit Act*, and Chapter 10.550, Rules of the Florida Auditor General, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2026, on our consideration of 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 City's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
June 29, 2026

As management of the City of Sopchoppy, Florida (the City), we offer readers of this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2025.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 – 37 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary and pension information. Required supplementary information can be found on pages 39 – 42 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by $19,627,839 at the close of the most recent fiscal year.

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

CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

Comparative Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets						
Current and other assets	$ 1,093,474	$ 1,044,625	$ 10,909,346	$ 7,258,245	$ 12,002,820	$ 8,302,870
Capital assets	1,845,466	1,868,076	9,505,118	7,461,750	11,350,584	9,329,826
Total assets	$ 2,938,940	$ 2,912,701	$ 20,414,464	$ 14,719,995	$ 23,353,404	$ 17,632,696
Deferred outflows	$ 2,142	$ 2,746	$ 261,919	$ 329,189	$ 264,061	$ 331,935
Liabilities						
Current liabilities	$ 7,567	$ 18,208	$ 996,236	$ 593,284	$ 1,003,803	$ 1,448,146
Noncurrent liabilities	18,078	19,503	2,789,351	1,428,643	2,807,429	611,492
Total liabilities	$ 25,645	$ 37,711	$ 3,785,587	$ 2,021,927	$ 3,811,232	$ 2,059,638
Deferred inflows	$ 1,447	$ 998	$ 176,947	$ 119,707	$ 178,394	$ 120,705
Net position						
Net investment in capital assets	$ 1,839,520	$ 1,868,076	$ 7,622,604	$ 7,064,795	$ 9,462,124	$ 8,932,871
Unrestricted	1,074,470	1,008,662	9,091,245	5,842,755	10,165,715	6,851,417
Total net position	$ 2,913,990	$ 2,876,738	$ 16,713,849	$ 12,907,550	$ 19,627,839	$ 15,784,288

The City has a total balance of unrestricted net position of $10,165,715. At the end of the current fiscal year, the City is able to report a positive balance in net position for its governmental and business-type activities.

Comparative Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Property taxes	$ 72,895	$ 65,934	$ -	$ -	$ 72,895	$ 65,934
Other taxes	4,687	4,076	-	-	4,687	4,076
Charges for services	69,005	74,482	4,952,784	3,397,358	5,021,789	3,471,840
Intergovernmental and grants	103,966	395,033	1,321,479	178,521	1,425,445	573,554
Other revenues	93,749	59,341	127,189	34,709	220,938	94,050
Total revenues	344,302	598,866	6,401,452	3,610,588	6,745,754	4,209,454
Expenses:						
General government	146,836	112,384	-	-	146,836	112,384
Public safety	-	1,039	-	-	-	1,039
Transportation	32,416	22,689	-	-	32,416	22,689
Culture and recreation	127,798	421,406	-	-	127,798	421,406
Water	-	-	2,595,153	2,141,518	2,595,153	2,141,518
Total expenses	307,050	557,518	2,595,153	2,141,518	2,902,203	2,699,036
Change in net position	37,252	41,348	3,806,299	1,469,070	3,843,551	1,510,418
Net position, beginning of year	2,876,738	2,835,390	12,907,550	11,438,480	15,784,288	14,273,870
Net position, end of year	$ 2,913,990	$ 2,876,738	$ 16,713,849	12,907,550	$ 19,627,839	$ 15,784,288

Governmental activities Governmental activities increased the City's net position by $37,252.

Business-type activities Business-type activities increased the City's net position by $3,806,299.

Key element of this increase are as follows:

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

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental fund reported ending fund balance of $1,085,907, an increase of $59,490 in comparison with the prior year. Of this total amount, $820,321 constitutes unassigned fund balance, which is available for spending at the government's discretion. Various infrastructure and improvement projects constitute majority of the spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance of the general fund was $1,085,907. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures.

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

Unrestricted net position of the Utility fund at the end of the year amounted to $9,091,245. The total increase in net position for the fund was $3,806,299. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City had no amendments to the budget during the 2025 fiscal year. Variances in the budget and actual resulted mainly from not budgeting for potential grant expenses and revenues.

Capital Asset and Debt Administration

Capital assets The City's investment in capital assets for its governmental and business type activities as of September 30, 2025, amounts to $11,350,584 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads.

Additional information on the City's capital assets can be found in Note (6) on page 28 of this report.

Long-term debt - At the end of the current fiscal year, the City had debt consisting of notes payable outstanding of $1,882,514, compared to $396,955 in the prior year.

Additional information on the City's long-term debt can be found in Note (9) on page 30 of this report.

Economic Factors and Next Year's Budgets and Rates

Changes in state budgets and legislation may make financial forecasting difficult; however, past performance, expected growth or slowdowns, and expected tax decreases are all factors considered in preparing the City of Sopchoppy, Florida's budget for the 2026 fiscal year.

Requests for Information

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 980,736	$ 8,846,176	$ 9,826,912
Investments	-	260,404	260,404
Receivables, net	-	421,676	421,676
Due from other governments, net	52,504	1,325,000	1,377,504
Inventories	-	13,350	13,350
Prepaids	-	42,740	42,740
Restricted assets:			
Cash and cash equivalents	60,234	-	60,234
Capital assets:			
Capital assets, not being depreciated	496,526	952,870	1,449,396
Other capital assets, net of depreciation	1,348,940	8,552,248	9,901,188
Total assets	$ 2,938,940	$ 20,414,464	$ 23,353,404
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	$ 2,142	$ 261,919	$ 264,061
Total deferred outflows	$ 2,142	$ 261,919	$ 264,061
LIABILITIES			
Accounts payable and accrued liabilities	7,567	$ 385,908	$ 393,475
Customer deposits	-	610,328	610,328
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	-	186,389	186,389
Compensated absences	1,561	16,657	18,218
Due in more than one year:			
Bonds and notes payable	-	1,696,125	1,696,125
Compensated absences	10,256	124,536	134,792
Net pension liability	6,261	765,644	771,905
Total liabilities	$ 25,645	$ 3,785,587	$ 3,811,232
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	$ 1,447	$ 176,947	$ 178,394
Total deferred inflows of resources	$ 1,447	$ 176,947	$ 178,394
NET POSITION			
Net investment in capital assets	$ 1,839,520	$ 7,622,604	$ 9,462,124
Unrestricted	1,074,470	9,091,245	10,165,715
Total net position	$ 2,913,990	$ 16,713,849	$ 19,627,839

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:							
General government	$ 146,836	$ -	$ -	$ -	$ (146,836)	$ -	$ (146,836)
Public safety	-	229	-	-	229	-	229
Physical environment	-	-	-	38,986	38,986	-	38,986
Transportation	32,416	-	-	-	(32,416)	-	(32,416)
Culture and recreation	127,798	68,776	-	-	(59,022)	-	(59,022)
Total governmental activities	307,050	69,005	-	38,986	(199,059)	-	(199,059)
Business-type activities:							
Water	2,595,153	4,952,784	1,321,479	-	-	3,679,110	3,679,110
Total business-type activities	2,595,153	4,952,784	1,321,479	-	-	3,679,110	3,679,110
Total primary government	$ 2,902,203	$ 5,021,789	$ 1,321,479	$ 38,986	(199,059)	3,679,110	3,480,051

	Governmental Activities	Business-type Activities	Total
General revenues:			
Communications service tax	4,687	-	4,687
Public service taxes	33,417	-	33,417
Franchise fees	39,478	-	39,478
State revenue sharing	64,980	-	64,980
Investment earnings	8,303	209,505	217,808
Miscellaneous revenues	3,130	-	3,130
Transfers	82,316	(82,316)	-
Total general revenues and transfers	236,311	127,189	363,500
Change in net position	37,252	3,806,299	3,843,551
Net position, beginning of year	2,876,738	12,907,550	15,784,288
Net position, ending of year	$ 2,913,990	$ 16,713,849	$ 19,627,839

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

CITY OF SOPCHOPPY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General
ASSETS	
Cash and cash equivalents	$ 1,040,970
Due from other governments, net	52,504
Total assets	$ 1,093,474
LIABILITIES	
Accounts payable and accrued liabilities	$ 7,567
Total liabilities	7,567
FUND BALANCES	
Assigned to:	
Fourth of July	59,801
Depot	383
Subsequent year's budget	205,402
Unassigned	820,321
Total fund balances	1,085,907
Total liabilities and fund balances	$ 1,093,474

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

CITY OF SOPCHOPPY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

Fund balances - total governmental funds		$ 1,085,907
Amounts reported for governmental activities in the statement of activities are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		
Total governmental capital assets	2,953,673	
Less: accumulated depreciation	(1,108,207)	1,845,466
On the governmental fund statements, a net pension liability is not recorded until an amount is due and payable and the pension plan's fiduciary net position is not sufficient for payment of those benefits (no such liability exists at the end of the current fiscal year). On the statement of net position, the City's net pension liability of the defined benefit pension plans is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(6,261)	
Deferred outflows related to pensions	2,142	
Deferred inflows related to pensions	(1,447)	(5,566)
Long-term liabilities, including bonds payable and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities, deferred outflows, and other debt-related deferred charges consist of the following:		
Compensated absences	(11,817)	(11,817)
Net position of governmental activities		$ 2,913,990

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General
Revenues	
Taxes	$ 38,104
Permits and fees	39,478
Intergovernmental	103,966
Charges for services	41,596
Fines and forfeitures	229
Investment income	8,303
Miscellaneous	30,310
Total revenues	261,986
Expenditures	
Current:	
General government	100,510
Transportation	26,272
Culture and recreation	100,615
Capital outlay	57,415
Total expenditures	284,812
Excess (deficiency) of revenues over expenditures	(22,826)
Other financing sources (uses)	
Transfers in	82,316
Total other financing sources (uses)	82,316
Net change in fund balances	59,490
Fund balances, beginning of year	1,026,417
Fund balances, end of year	$ 1,085,907

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

CITY OF SOPCHOPPY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds	$	59,490
Differences in amounts reported for governmental activities in the statement of activities are:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Capital outlay expenditures		57,415
Depreciation expense		(80,025)
Governmental funds report contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the statement of activities are amounts required to be amortized.		
Change in net pension liability and deferred inflows/outflows related to pensions		372
Change in net position of governmental activities	$	37,252

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2025

		Enterprise - Utility Fund
ASSETS		
Cash and cash equivalents	$	8,846,176
Investments		260,404
Accounts receivable, net		421,676
Due from other governments, net		1,325,000
Inventories		13,350
Prepaid items		42,740
Total current assets		10,909,346
Noncurrent assets:		
Capital assets, not being depreciated		952,870
Capital assets, net of accumulated depreciation		8,552,248
Total noncurrent assets		9,505,118
Total assets	$	20,414,464
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	$	261,919
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$	385,728
Deposits		610,328
Compensated absences		16,657
Current maturities on long-term debt		186,389
Accrued interest payable		180
Total current liabilities		1,199,282
Noncurrent liabilities:		
Bonds and notes payable, net		1,696,125
Compensated absences		124,536
Net pension liability		765,644
Total noncurrent liabilities		2,586,305
Total liabilities	$	3,785,587
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	$	176,947
NET POSITION		
Net investment in capital assets	$	7,622,604
Unrestricted		9,091,245
Total net position	$	16,713,849

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Utility Fund
Operating revenues	
Charges for services	$ 4,952,784
Total operating revenues	4,952,784
Operating expenses	
Personal services	915,051
Operating expenses	1,221,910
Depreciation	388,913
Total operating expenses	2,525,874
Operating income (loss)	2,426,910
Nonoperating revenues (expenses)	
Interest earnings	209,505
Intergovernmental grants	1,321,479
Interest expense	(69,279)
Total nonoperating revenues (expenses)	1,461,705
Income (loss) before contributions and transfers	3,888,615
Transfers out	(82,316)
Change in net position	3,806,299
Net position, beginning of year	12,907,550
Net position, end of year	$ 16,713,849

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Utility Fund
Cash flows from operating activities	
Cash received from customers	$ 3,709,301
Cash paid to employees	(915,392)
Cash paid to suppliers	(809,470)
Net cash provided by (used in) operating activities	1,984,439
Cash flows from noncapital financing activities	
Transfers to other funds	(82,316)
Intergovernmental grant proceeds	1,321,479
Net cash provided by (used in) noncapital financing activities	1,239,163
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(2,432,281)
Proceeds from debt	1,700,209
Principal payments on long-term debts	(214,650)
Interest paid	(69,279)
Net cash provided by (used in) capital and related financing activities	(1,016,001)
Cash flows from investing activities	
Interest received	209,505
Purchases of investments	(8,327)
Net cash provided by (used in) investing activities	201,178
Net change in cash and cash equivalents	2,408,779
Cash and cash equivalents, beginning of year	6,437,397
Cash and cash equivalents, end of year	$ 8,846,176
Cash and cash equivalents classified as:	
Unrestricted	$ 8,846,176
Restricted	-
Total cash and cash equivalents	$ 8,846,176
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	$ 2,426,910
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	388,913
Changes in assets and liabilities:	
Accounts receivable	(97,004)
Due from other governments	(1,146,479)
Inventories	11,450
Prepaid items	(1,962)
Accounts payable and accrued liabilities	340,449
Deposits	62,503
Compensated absences	31,032
Net pension liability	(155,883)
Deferred outflows	67,270
Deferred inflows	57,240
Net cash provided by (used in) operating activities	$ 1,984,439

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

(1) Summary of Significant Accounting Policies:

The financial statements of the City of Sopchoppy, Florida (the City), have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles and the City has adopted the GASB Codification. The following is a summary of the City's significant accounting policies:

(a) **Reporting entity**—The City of Sopchoppy, Florida is a municipal corporation formed under the laws of Florida, House Bill No. 1523, June 23, 1955, and is governed by an elected mayor and a four-member council. The City Council is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the City Clerk**.**

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government: (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Management has determined that there are no component units to be included within the reporting entity.

(b) **Government-wide and fund financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report aggregated information for the overall government for all of the activities of the primary government. The effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange revenues, are reported separately from business-type activities, which are financed wholly or partially by fees charged to external parties for goods or services and are reported in enterprise funds.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are included in the program expense reported for individual functions and activities.

(1) **Summary of Significant Accounting Policies:** (Continued)

Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

(c) **Measurement focus, basis of accounting, and financial statement presentation**—The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and financial reporting treatment is determined by the applicable measurement focus and the basis of accounting. The basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Measurement focus indicates the type of resources being measured such as current financial resources (current assets less current liabilities) or economic resources (all assets and liabilities).

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend).

(1) **Summary of Significant Accounting Policies:** (Continued)

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, certain expenditures relating to future periods, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund—The General Fund is the principal fund of the City which accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the General Fund.

The City reports the following major proprietary funds:

Enterprise - Utility Fund—The Enterprise - Utility Fund accounts for the activities of the government's water collection operations.

As a general rule, the effect of the City's interfund activity has been eliminated from the government-wide financial statements, though interfund services provided and used are not eliminated in the process of consolidation.

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

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

(d) **Budgetary information**—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year-end, even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments).

(1) **Summary of Significant Accounting Policies:** (Continued)

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

The appropriated budget is adopted by fund, function, and department. The legal level of budgetary control is the fund level. The City's department heads may make transfers of appropriations within a department. The City cannot legally exceed the budget; however, at any time during the year, the council may, by Resolution, transfer part or all of any unencumbered appropriation balance between departments or funds. The council may also amend the adopted budget to provide supplemental appropriations or to revise budgeted estimates.

(e) **Deposits and investments**— The City's cash and cash equivalents include cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents and are reported at fair value.

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

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

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

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

All trade receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 30 days comprise the trade accounts receivable allowance for uncollectible accounts.

(1) **Summary of Significant Accounting Policies:** (Continued)

(h) **Inventories and prepaid items**—The cost of inventory is accounted for on the consumption basis wherein inventories are charged as expenditures when used, rather than when purchased. All inventories are valued at cost using first-in/first-out (FIFO).

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized, but charged to operating expense as incurred.

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

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

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

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

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

(1) **Summary of Significant Accounting Policies:** (Continued)

(l) **Deferred outflows/inflows of resources**—In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectively. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (11).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the items in this category are deferred inflows of resources related to pensions, as discussed further in Note (11).

(m) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

Nonspendable – amounts not available to be spent or not in spendable form, such as inventory and prepaid items.

Restricted – amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions or by enabling legislation.

Committed – amounts constrained to specific purposes based on actions taken by the City Council through ordinance.

Assigned – amounts the City intends to use for a specific purpose. Intent can be expressed by City Council or by an official or body which the City Council delegates authority.

Unassigned – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

Disbursements of fund balances will first be made from restricted amounts when both restricted and unrestricted fund balance is available. Additionally, the City will first use committed fund balance, following by assigned fund balance, and then unassigned fund balance when expenditures are incurred for purposes which amounts in any of the unrestricted fund balance classifications could be used.

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Net position**—The government-wide and business-type fund financial statements utilize a net position presentation. Net position is presented in three components – net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets consists of capital assets including leased assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any external bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets. This component does not include the portion of debt attributable to the unspent proceeds.

Restricted consists of amounts that have constraints placed on them either externally by third parties (e.g., creditors, grantors, and contributors) or by law through constitutional provisions or enabling legislation.

Unrestricted consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

(o) **Net position flow assumption**—In order to determine amounts reported as restricted and unrestricted net position, it is the City's policy to consider restricted net position to have been used before unrestricted net position is applied.

(p) **Property taxes**—Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

(q) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(2) **Reconciliation of Government-Wide and Fund Financial Statements:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balances, there is a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) <u>Deposits and Investments:</u>

At September 30, 2025, the City had a bank balance of $10,258,640 at fourteen bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The amounts in excess of FDIC coverage are fully collateralized in accordance with the Qualified Public Depository (QPD) program. According to Chapter 280, Florida Statutes, the City's deposits must be with financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida. In accordance with this statute, QPDs are required to pledge eligible collateral in varying percentages. Any losses to public depositories are covered by applicable deposit insurance, by the sale of pledged securities, and, if necessary, by assessments against other QPDs.

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

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

The investment policy is designed to address the following risk factors:

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

Credit Risk: The City's policies are designed to maximize investment earnings while protecting the security of the principal and providing adequate liquidity, in accordance with applicable state laws. At year end, the City's investment in U.S. Government & Agency Securities include Federal Home Loan Bank and Federal Farm Credit Bank, which were both rated AAA by Moody's Investor Services. The City invests only in certificate of deposits and local government investment pools with the highest credit quality ratings.

Concentration of Credit Risk: Concentration risk refers to the risk of loss resulting from over-exposure to a specific security or asset class. The City's investment policy addresses concentration risk by requiring maximum allocations to specific investment sectors and issuers.

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

(4) <u>Receivables:</u>

The City's accounts receivable consisted of $421,676 at September 30, 2025, which was net of a $(2,276) allowance for uncollectible amounts.

In addition to accounts receivable, the City also recorded $1,377,504 in due from other governments at September 30, 2025, of which $1,363,986 was related to grant receivables.

(5) <u>Interfund Loans and Transfers:</u>

Transfers are used to move revenues between funds to reflect operating activities of the fund with the primary government. For the year ended September 30, 2025, individual fund transfers to and from other funds for the primary government were comprised of a transfer from the utility fund to the general fund in the amount of $82,316 to cover allocated costs.

(6) **Capital Assets:**

Capital asset activity for the year ended September 30, 2025, was as follows:

Governmental activities:	**Balance 09/30/24**	**Increases**	**Decreases**	**Balance 09/30/25**
Capital assets not being depreciated:				
Land	$ 402,633	$ -	$ -	$ 402,633
Construction in progress	54,907	38,986	-	93,893
Total assets not being depreciated	457,540	38,986	-	496,526
Capital assets being depreciated and amortized:				
Buildings and improvements	894,885	-	-	894,885
Park improvements	1,507,327	-	-	1,507,327
Equipment, furniture, fixtures & Vehicles	36,506	18,429	-	54,935
Total assets being depreciated and amortized	2,438,718	18,429	-	2,457,147
Less accumulated depreciation and amortization for:				
Buildings and improvements	(520,775)	(27,183)	-	(547,958)
Park Improvements	(478,848)	(46,698)	-	(525,546)
Equipment, Furniture, Fixtures & Vehicles	(28,559)	(6,144)	-	(34,703)
Less: Accumulated depreciation	(1,028,182)	(80,025)	-	(1,108,207)
Total capital assets being depreciated and amortized, net	1,410,536	(61,596)	-	1,348,940
Governmental activities capital assets, net	$ 1,868,076	$ (22,610)	$ -	$ 1,845,466

Business-type activities:	**Balance 09/30/24**	**Increases**	**Decreases**	**Balance 09/30/25**
Capital assets not being depreciated:				
Land	$ 416,429	$ -	$ -	$ 416,429
Construction in progress	263,593	272,848	-	536,441
Total assets not being depreciated	680,022	272,848	-	952,870
Capital assets being depreciated and amortized:				
Buildings	1,214,281	-	-	1,214,281
System	9,703,783	1,998,083	-	11,701,866
Machinery and Equipment	623,409	161,350	-	784,759
Total assets being depreciated and amortized	11,541,473	2,159,433	-	13,700,906
Less accumulated depreciation and amortization for:				
Buildings	(496,445)	(32,402)	-	(528,847)
Improvements	(3,749,662)	(295,823)	-	(4,045,485)
Machinery and Equipment	(513,638)	(60,688)	-	(574,326)
Less: Accumulated depreciation	(4,759,745)	(388,913)	-	(5,148,658)
Total capital assets being depreciated and amortized, net	6,781,728	1,770,520	-	8,552,248
Business-type activities capital assets, net	$ 7,461,750	$ 2,043,368	$ -	$ 9,505,118

(6) **Capital Assets:** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	$	46,698
Transportation		6,144
Culture and recreation		27,183
Total depreciation and amortization - governmental activities	$	80,025
Business-type activities:		
Water	$	388,913

(7) **Commitments and Contingencies:**

The City may periodically be engaged in various liability claims incidental to the conduct of its general government operations at September 30, 2025. The outcomes of any established claims are included in these financial statements. In the opinion of the City's legal counsel, no legal proceedings are pending or threatened against the City which are not covered by applicable insurance which would inhibit its ability to perform its operations or materially affect its financial condition.

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

(8) **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, all of which is satisfactorily insured by limited risk, high deductible commercial general liability insurance.

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

(9) **Long-term Debt:**

Long-term liability activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences, net	$ 11,817	$ -	$ -	$ 11,817	$ 1,561
Total long-term liabilities	$ 11,817	$ -	$ -	$ 11,817	$ 1,561
Business-type activities:					
Long-term note payable	$ 396,955	$ 1,700,209	$ (214,650)	$ 1,882,514	$ 186,389
Compensated absences, net	110,161	31,032	-	141,193	16,657
Total long-term liabilities	$ 507,116	$ 1,731,241	$ (214,650)	$ 2,023,707	$ 203,046

The change in compensated absences is presented as a net change.

Notes payable at September 30, 2025, were comprised of the following:

Promissory note to bank, payable in monthly installments through July 27, 2026, plus interest at 2.25%, collateralized by net revenues of the City's water system.	$ 182,305
Promissory note to bank, payable in monthly installments through August 11, 2046, plus interest at 5.35%, collateralized by assets and revenues of the City's water system.	$ 1,700,209
Total Notes Payable	1,882,514
Less current amount	186,389
Notes payable, less current portion	$ 1,696,125

Annual debt service requirements to maturity for the City's business-type activities bonds, and notes payable, are as follows:

	Business-type Activities		
Year Ending	Direct Placements		
September 30,	Principal	Interest	Total
2026	186,389	107,188	293,577
2027	26,489	169,050	195,539
2028	28,790	166,749	195,539
2029	32,300	163,239	195,539
2030	35,696	159,843	195,539
2031-2035	242,708	734,987	977,695
2036-2040	399,810	577,885	977,695
2041-2045	659,723	317,972	977,695
2046-2047	270,609	17,225	287,834
	$ 1,882,514	$ 2,414,138	$ 4,296,652

(10) **Other Postemployment Benefits:**

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

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

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

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

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

(11) Employees' Retirement Plans:

Florida Retirement System and Health Insurance Subsidy

Plan Description and Administration

The entity participates in the Florida Retirement System (FRS), a multiple-employer, cost-sharing defined public employee retirement system which covers all general employees hired before January 1, 1996, and all firefighters, regardless of date of hire. The System is administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs.

These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by $7.50. The minimum payment is $45 and the maximum payment is $225 per month, pursuant to section 112.363, Florida Statutes.

To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided and Employees Covered

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

(11) **Employees' Retirement Plans:** (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 96 months after electing to participate, except that certain instructional personnel may participate for up to 120 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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

Financial Statements

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

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

Contributions

The entity participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2025, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2025	After June 30, 2025
Regular Class	13.63%	14.03%
Senior Management	34.52%	33.24%
Special Risk	32.79%	35.19%
DROP – Applicable to members above	58.68%	54.57%

Current-year employer HIS contributions were made at a rate of 2.00% of covered payroll, which are included in the above rates.

(11) **Employees' Retirement Plans:** (Continued)

For the plan year ended June 30, 2025, actual contributions made for employees participating in FRS and HIS were as follows:

City Contributions – FRS	$ 113,129
City Contributions – HIS	12,821
Employee Contributions – FRS	19,232

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

At September 30, 2025, the City reported a liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	$ 588,035
HIS	183,870
Total	$ 771,905

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The entity's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2025 and June 30, 2024, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2025	2024
FRS	0.001894739%	0.001862242%
HIS	0.001434532%	0.001391976%

For the plan year ended June 30, 2025, pension expense was recognized related to the FRS and HIS plans as follows:

Plan	Pension Expense
FRS	$ 88,772
HIS	6,644
Total	$ 95,416

(11) **Employees' Retirement Plans:** (Continued)

Deferred outflows/inflows related to pensions:

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 62,808	$ -	$ 1,098	$ (292)
Changes of assumptions	68,286	-	1,627	(44,474)
Net difference between projected and actual investment earnings	-	(98,178)	-	(153)
Change in proportionate share	75,232	(19,630)	22,809	(15,667)
Contributions subsequent to measurement date	28,911	-	3,290	-
Total	$ 235,237	$ (117,808)	$ 28,824	$ (60,586)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	FRS	HIS	Total
2026	$ 122,926	$ (5,937)	$ 116,989
2027	6,947	(7,964)	(1,017)
2028	(21,011)	(7,392)	(28,403)
2029	(20,344)	(8,799)	(29,143)
2030	-	(4,960)	(4,960)
Thereafter	-	-	-
	$ 88,518	$ (35,052)	$ 53,466

Actuarial assumptions:

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2024 for the period July 1, 2018 through June 30, 2023. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.50%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate is consistent with the prior year rate of 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 5.20% was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.93%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2021.

(11) **Employees' Retirement Plans:** (Continued)

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2025, the FRS Actuarial Assumptions Conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption.

These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset Class	Target Allocation	Annual Arithmetic Expected Rate of Return
Cash	1.0%	3.2%
Fixed income	29.0%	5.5%
Global equities	45.0%	8.5%
Real estate	12.0%	8.4%
Private equity	11.0%	12.4%
Strategic investments	2.0%	6.5%
Total	100.0%	

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

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

Plan	Current Discount Rate	NPL with 1% Decrease	NPL at Current Discount Rate	NPL with 1% Increase
FRS	6.70%	$ 1,154,009	$ 588,035	$ 113,530
HIS	5.20%	207,343	183,870	164,184

(12) **Recent Accounting Pronouncements:**

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

(a) GASB issued Statement No. 103, *Financial Reporting Model Improvements*, in April 2024. The objective of GASB 103 improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The effective date for implementation is fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

(b) GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, in September 2024. GASB Statement No. 104 requires governments to disclose separate information about specific types of capital assets and establishes criteria for identifying and reporting capital assets held for sale. The objective of GASB 104 is to enhance transparency and improve the usefulness of financial statements for stakeholders by providing more detailed information on these assets. The provisions are effective for fiscal years beginning after June 15, 2025.

(c) GASB issued Statement No. 105, *Subsequent Events*, in December 2025. GASB Statement No. 105 clarifies the subsequent events time frame and establishes accounting and disclosure requirements for recognized and nonrecognized subsequent events. The provisions of GASB Statement No. 105 are effective for fiscal years beginning after June 15, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget**
Revenues				
Taxes	$ 71,136	$ 71,136	$ 38,104	$ (33,032)
Permits and fees	-	-	39,478	39,478
Intergovernmental	718,818	718,818	103,966	(614,852)
Charges for services	21,600	21,600	41,596	19,996
Fines and forfeitures	-	-	229	229
Investment income	500	500	8,303	7,803
Miscellaneous	13,500	13,500	30,310	16,810
Total revenues	825,554	825,554	261,986	(563,568)
Expenditures				
Current:				
General government	124,000	124,000	100,510	23,490
Transportation	38,200	38,200	26,272	11,928
Culture and recreation	852,519	852,519	100,615	751,904
Capital Outlay	-	-	57,415	(57,415)
Total expenditures	1,014,719	1,014,719	284,812	729,907
Excess (deficiency) of revenues over (under) expenditures	(189,165)	(189,165)	(22,826)	166,339
Other financing sources				
Transfers in	85,000	85,000	82,316	(2,684)
Total other financing sources	85,000	85,000	82,316	(2,684)
Net change in fund balance	(104,165)	(104,165)	59,490	163,655
Fund balance, beginning of year	1,026,417	1,026,417	1,026,417	-
Fund balance, end of year	$ 922,252	$ 922,252	$ 1,085,907	$ 163,655

CITY OF SOPCHOPPY, FLORIDA
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2025

A. **Budgetary Information:**

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

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

1. Prior to October 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to October 1, the budget is legally enacted through passage of an ordinance.

4. Revisions that alter the total expenditures of any fund must be approved by the City Council.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.

6. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY - FRS/HIS
LAST 10 FISCAL YEARS
(UNAUDITED)

	As of the Plan Year Ended June 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System (FRS)										
Proportion of the net pension liability (asset)	0.001894739%	0.001862242%	0.001961246%	0.001459940%	0.001430013%	0.001351672%	0.001333526%	0.001486093%	0.001382953%	0.001320436%
Proportionate share of the net pension liability (asset)	$ 588,035	$ 720,403	$ 781,494	$ 543,215	$ 108,021	$ 585,835	$ 459,248	$ 447,619	$ 409,068	$ 328,866
Covered payroll	641,065	589,244	605,682	481,459	435,057	417,311	399,619	409,698	360,387	363,403
Proportionate share of the net pension liability (asset) as a percentage	91.73%	122.26%	129.03%	112.83%	24.83%	140.38%	114.92%	109.26%	113.51%	90.50%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%
Health Insurance Subsidy Program (HIS)										
Proportion of the net pension liability (asset)	0.001434532%	0.001391976%	0.001528436%	0.001320845%	0.001228638%	0.001202387%	0.001194883%	0.001254360%	0.001130329%	0.001177187%
Proportionate share of the net pension liability (asset)	$ 183,870	$ 208,810	$ 242,736	$ 139,899	$ 150,711	$ 146,809	$ 133,695	$ 132,763	$ 120,860	$ 137,196
Covered payroll	641,065	589,244	605,682	481,459	435,057	417,311	399,619	409,698	360,387	363,403
Proportionate share of the net pension liability (asset) as a percentage	28.68%	35.44%	40.08%	29.06%	34.64%	35.18%	33.46%	32.41%	33.54%	37.75%
Plan fiduciary net position as a percentage of the total pension liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF CONTRIBUTIONS - FRS/HIS
LAST 10 FISCAL YEARS
(UNAUDITED)

	For the Fiscal Year Ended September 30,									
	2025	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**
Florida Retirement System (FRS)										
Contractually required contribution	$ 114,224	$ 107,734	$ 99,457	$ 62,298	$ 54,477	$ 44,910	$ 41,349	$ 42,352	$ 36,002	$ 31,762
Contributions in relation to the contractually required contribution	(114,224)	(107,734)	(99,457)	(62,298)	(54,477)	(44,910)	(41,349)	(42,352)	(36,002)	(31,762)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 646,952	$ 605,444	$ 604,166	$ 481,459	$ 435,057	$ 417,311	$ 399,619	$ 409,698	$ 360,387	$ 363,403
Contributions as a percentage of covered employee payroll	17.66%	17.79%	16.46%	12.94%	12.52%	10.76%	10.35%	10.34%	9.99%	8.74%
Health Insurance Subsidy Program (HIS)										
Contractually required contribution	$ 12,939	$ 12,109	$ 10,513	$ 7,992	$ 7,222	$ 6,929	$ 6,635	$ 6,802	$ 5,982	$ 6,034
Contributions in relation to the contractually required contribution	(12,939)	(12,109)	(10,513)	(7,992)	(7,222)	(6,929)	(6,635)	(6,802)	(5,982)	(6,034)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 646,952	$ 605,444	$ 604,166	$ 481,459	$ 435,057	$ 417,311	$ 399,619	$ 409,698	$ 360,387	$ 1,556,193
Contributions as a percentage of covered employee payroll	2.00%	2.00%	1.74%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

SUPPLEMENTARY INFORMATION

CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

State Agency / Pass-Through Entity / State Program	CSFA Number	Contract / Grant Number
STATE FINANCIAL ASSISTANCE		
Florida Department of Environmental Protection		
Direct:		
Statewide Water Restoration and Wastewater Projects	37.039	LPA0681
Total Department of Environmental Protection		
Total State Financial Assistance		

The accompanying notes to the schedule of expenditures of state financial assistance are an integral part of this statement

CITY OF SOPCHOPPY, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

(1) **Basis of Presentation:**

The accompanying Schedule of Expenditures of State Financial Assistance (the Schedule) includes the State grant awards activity of City of Sopchoppy, Florida (the City) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Section 215.97, Florida Statutes. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

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

Expenditures reported on the schedule are reported on the modified accrual basis of accounting.

(3) **Subrecipients:**

During the year ended September 30, 2025, the City provided no grant awards to subrecipients

(4) **Contingency:**

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

CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2025

A. **Summary of Auditors' Results:**

Financial Statements:

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

Internal control over financial reporting:

Material weakness(es) identified? __X__ yes _____ no

Significant deficiency(ies) identified? _____ yes __X__ none reported

Noncompliance material to financial statements noted? _____ yes __X__ no

State Financial Assistance:

Internal control over major state projects:

Material weakness(es) identified? _____ yes __X__ no

Significant deficiency(ies) identified? _____ yes __X__ none reported

Type of auditors' report issued on compliance for major State projects: *Unmodified*

Any audit findings disclosed that are required to be reported for state financial assistance projects in accordance with Chapter 10.550? _____ yes __X__ none reported

Dollar threshold used to distinguish between type A and type B programs: $396,444

Identification of major state project:

CSFA Number	Project Name
37.039	Statewide Water Quality Restoration Projects

B. **Financial Statement Findings:**

<u>2025-001 – Reconciliation of Account Balances and Audit Adjustments</u>

Criteria: Internal controls over financial reporting should include timely year-end reconciliations of all significant account balances, with such reconciliations to also include procedures related to the proper cutoff of significant revenue and receivable activities. These reconciliations should be performed on a timely and regular basis to help prevent misappropriation and ensure timely identification of errors or other issues.

Condition: All balances should be reconciled to supporting documentation and reconciled with the general ledger.

Cause: For the year ended September 30, 2025, certain adjustments were required to be made to accounts receivable and revenues subsequent to the start of the audit process related to year-end accrual entries. We noted this to be largely due to the structure and maintenance of the general ledger and chart of accounts.

Effect: Financial statements would be materially misstated if significant adjustments were not made. Errors or improper activity may not be detected and corrected on a timely basis if reconciliations are not performed timely.

Recommendation: We recommend management select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles. Reconciliations should be performed on a timely and regular basis and include procedures related to the proper cutoff of significant revenue and expense activities.

C. **State Financial Assistance Findings and Questioned Costs:**

No findings or questioned costs were noted.

D. **Summary Schedule of Prior Audit Findings:**

Not applicable as no prior year findings were reported as part of a single audit.

E. **Corrective Action Plan:**

See Management's Response to Findings, as listed in the table of contents.

JAMESMOORE

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited City of Sopchoppy, Florida's (the City) compliance with the types of compliance requirements described in the Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2025. The City's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each major state project for the year ended September 30, 2025.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and the Chapter 10.550, Rules of the Auditor General, are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550, Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

James Moore & Co., P.L.

Tallahassee, Florida
June 29, 2026

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 City Council,
City of Sopchoppy, Florida:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sopchoppy, Florida (the City) as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2026.

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

Report on 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City'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. We identified a certain deficiency in internal control, as described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City of Sopchoppy, Florida's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our engagement and described in the letter titled Management's Response to the Auditors' Comments, as listed in the table of contents. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Tallahassee, Florida
June 29, 2026

JAMESMOORE

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

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

Report on the Financial Statements

We have audited the financial statements of the City of Sopchoppy, Florida (the City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 29, 2026.

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

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report On Compliance for Each Major State Project and Report of Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 29, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding or second preceding annual financial audit reports.

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 legal authority for the primary government and component units of the reporting entity is disclosed in Note (1) of the basic financial statements.

Financial Condition and Management

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

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

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

Property Assessed Clean Energy (PACE) Programs

The following items have been provided to us to comply with state reporting requirements and have not been audited by us. We did not audit the following information within this section, nor were we required to perform any procedures to verify the accuracy, or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on this data.

As required by Section 10.554(1)(i)6.a., Rules of the Auditor General, the City did not have a property assessed clean energy (PACE) program that finances qualifying improvements authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the City's geographical boundaries during the fiscal year under audit.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to address noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred, or is 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 note any such findings.

Purpose of this Letter

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

James Moore & Co., P.L.

Tallahassee, Florida
June 29, 2026

JAMESMOORE

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

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

We have examined the City of Sopchoppy, Florida's (the City) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* (the Statute), for the year ended September 30, 2025. Management is responsible for the City's compliance with those requirements. Our responsibility is to obtain reasonable assurance by evaluating the City's compliance with the Statute and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with attestation standards for a direct examination engagement established by the American Institute of Certified Public Accountants (AICPA). Those standards require that we obtain reasonable assurance for evaluating against the aforementioned statute during the year ended September 30, 2025 and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation of the City's compliance with the Statute during the year ended September 30, 2025. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks that the City was not in compliance with the Statute in all material respects, 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.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

In our opinion, the City complied with the aforementioned requirements, in all material respects, for the year ended September 30, 2025.

James Moore & Co., P.L.

Tallahassee, Florida
June 29, 2026

June 29, 2026

Management's Response to Findings

2025-001 – Reconciliation of Account Balances and Audit Adjustments:

Management will strengthen year-end close procedures to ensure revenue is recorded in the proper period and receivable balances are reconciled and supported prior to audit. These corrective actions will be implemented for the next fiscal year-end close and are expected to reduce the need for audit adjustments and improve internal control over financial reporting.

Ashley Schilling

Ashley Schilling
City Clerk
City of Sopchoppy