

**City of Chipley**

**FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2015**



**CRI** CARR  
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## **INDEPENDENT AUDITORS' REPORT**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chipley, Florida (the "City"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the non-major Natural Gas proprietary fund of the City as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Chipley Redevelopment Agency for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment to GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statements No. 68*, during the year ended September 30, 2015. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, Post-employment Benefits Plan Schedule of Funding Progress on page 54, and required supplementary information for the Florida Retirement System Pension Plan and the Health Insurance Subsidy Program on page 55 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by *Rules of the Florida Auditor General 10.550*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance are 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 27, 2016, on our consideration of the City of Chipley, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Chipley, Florida's internal control over financial reporting and compliance.

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

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

Certified Public Accountants

June 27, 2016

## City of Chipley Management's Discussion and Analysis

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

Since the Management Discussion and Analysis is designed to present an overview of the City's current year's activities, resulting changes and currently known facts as well as the financial activities for the two fiscal years ended September 30, 2014 and September 30, 2015 please read in conjunction with the City's financial statements (beginning on page 11).

### City Highlights

- The City was awarded a \$1,500,000 Statewide Surface Water Restoration and Wastewater Project Grant by the Florida Department of Environmental Protection. The funds are being used toward the construction of a drinking water well, drinking water elevated tank, drinking water line extension, wastewater line extension, and wastewater lift station. This project continued during this fiscal year.
- The City was awarded a \$440,000 Water Supply Development Community Assistance Grant during a prior fiscal year by the Northwest Florida Water Management District. The funds are being used toward the construction of a drinking water well. This project continued during this fiscal year.
- The City was awarded a \$259,954 Local Agency Program Grant during a prior fiscal year by the Florida Department of Transportation. The funds were used to construct .888 miles of sidewalks on 7<sup>th</sup> Street from South Boulevard to U.S. Highway 90, Sinclair Street from South Boulevard to Forrest Drive and Third Street from Pine Avenue to South Boulevard, which was completed during this fiscal year.

### Overview of the Financial Statements

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

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

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

### Government-Wide Financial Statements

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

## City of Chipley Management's Discussion and Analysis

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants.

### **Fund Financial Statements**

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

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the 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 the City's near-term requirements.

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

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

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for this fund to demonstrate compliance with the budget and are presented as part of the fund financial statements on pages 17 and 18. The governmental fund financial statements can be found on pages 13 – 16 of this report.

### **Proprietary Funds**

The City maintains three major enterprise funds which are proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and sanitation. The proprietary fund statement provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements can be found on pages 19 – 22 of this report.

**City of Chipley**  
**Management's Discussion and Analysis**

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 23 – 53 of this report.

**Government-Wide Financial Analysis**

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

**Statement of Net Position**

The following schedule reflects the condensed Statement of Net Position as of September 30, 2015 and 2014:

	<b>Governmental Activities</b>		
	<b>2015</b>	2014	Change
<b>Assets</b>			
Current and other assets	\$ 3,103,916	\$ 2,938,271	\$ 165,645
Capital assets, net	5,071,309	5,194,613	(123,304)
<b>Total assets</b>	<b>8,175,225</b>	8,132,884	42,341
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension liability	522,552	-	522,552
<b>Liabilities</b>			
Current liabilities	297,189	247,841	49,348
Noncurrent liabilities	2,353,430	1,204,309	1,149,121
<b>Total liabilities</b>	<b>2,650,619</b>	1,452,150	1,198,469
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - occupational licenses	41,387	32,726	8,661
Deferred inflows related to pensions	464,864	-	464,864
<b>Total deferred inflows of resources</b>	<b>506,251</b>	32,726	473,525
<b>Net Position</b>			
Net investment in capital assets	4,271,488	4,343,674	(72,186)
Restricted	1,428,142	1,130,021	298,121
Unrestricted	(158,723)	1,174,313	(1,333,036)
<b>Total net position</b>	<b>\$ 5,540,907</b>	\$ 6,648,008	\$ (1,107,101)

**City of Chipley**  
**Management's Discussion and Analysis**

	<b>Business-type Activities</b>		
	<b>2015</b>	2014	Change
<b>Assets</b>			
Current and other assets	\$ 1,557,328	\$ 2,467,879	\$ (910,551)
Capital assets, net	<b>37,736,732</b>	38,757,733	(1,021,001)
<b>Total assets</b>	<b>39,294,060</b>	41,225,612	(1,931,552)
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension liability	<b>254,230</b>	-	254,230
<b>Liabilities</b>			
Current liabilities	<b>354,227</b>	400,017	(45,790)
Noncurrent liabilities	<b>3,622,100</b>	8,867,205	(5,245,105)
<b>Total liabilities</b>	<b>3,976,327</b>	9,267,222	(5,290,895)
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	<b>226,164</b>	-	226,164
<b>Total deferred inflows of resources</b>	<b>226,164</b>	-	226,164
<b>Net Position</b>			
Net investment in capital assets	<b>34,887,723</b>	30,094,026	4,793,697
Restricted	<b>395,612</b>	1,021,768	(626,156)
Unrestricted	<b>62,464</b>	842,596	(780,132)
<b>Total net position</b>	<b>\$ 35,345,799</b>	\$ 31,958,390	\$ 3,387,409

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities at the close of the fiscal year by \$5.5 million for governmental activities and \$35.3 million for business-type activities.

The largest component (\$39.2 million) of the City's net assets as of September 30, 2015, reflects its investment in capital assets (i.e. land, infrastructure, buildings, equipment and others), less any related debt outstanding to acquire or construct the assets. The city uses these capital assets to provide services to the citizens and businesses in the City. Restricted net assets are the next largest component, totaling \$1.8 million as of September 30, 2015. Restricted net assets represent resources that are subject to external restrictions.

**Statement of Activities**

The following schedule summarizes revenues and expenses comparing the current year to the prior year, as derived from the government-wide Statement of Activities. Increases and decreases in net assets measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased \$47 thousand, or less than 1.0 percent, and the net assets of the business-type activities increased by \$3.9 million or greater than 12.6 percent. The

**City of Chipley**  
**Management's Discussion and Analysis**

business-type activities increase was due primarily to non-reoccurring state capital grants of \$4,251,152.

For the years ended September 30,	<b>Governmental Activities</b>		
	<b>2015</b>	2014	Change
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 120,133	\$ 121,348	\$ (1,215)
Operating grants and contributions	978,049	773,223	204,826
Capital grants and contributions	79,247	189,824	(110,577)
General revenues			
Taxes	1,742,273	1,593,305	148,968
Investment Earnings	6,236	3,132	3,104
Other	128,832	71,951	56,881
<b>Total revenues</b>	<b>3,054,770</b>	<b>2,752,783</b>	<b>301,987</b>
<b>Expenses</b>			
Governmental Activities			
General Government	992,734	815,554	177,180
Public Safety	1,106,925	1,108,607	(1,682)
Public Works	496,148	506,147	(9,999)
Cemetery and Grounds	176,974	208,444	(31,470)
Culture and Recreation	195,633	203,480	(7,847)
Interest	39,252	41,785	(2,533)
<b>Total expenses</b>	<b>3,007,666</b>	<b>2,884,017</b>	<b>123,649</b>
<b>Change in Net Position</b>	<b>47,104</b>	<b>(131,234)</b>	<b>(84,130)</b>
<b>Net Position - beginning</b>	<b>6,648,008</b>	<b>6,779,242</b>	<b>(131,234)</b>
<b>Restatement of net position (Note 16)</b>	<b>(1,154,205)</b>	-	<b>(1,154,205)</b>
<b>Net Position - beginning, as restated</b>	<b>5,493,803</b>	<b>6,779,242</b>	<b>(1,285,439)</b>
<b>Net Position - ending</b>	<b>\$ 5,540,907</b>	<b>\$ 6,648,008</b>	<b>\$ (1,107,101)</b>

For the years ended September 30,	<b>Business-type Activities</b>		
	<b>2015</b>	2014	Change
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 2,754,823	\$ 2,841,532	\$ (86,709)
Capital grants and contributions	4,251,152	5,795,167	(1,544,015)
General revenues			
Investment Earnings	3,449	5,251	(1,802)
Other	885,952	196,293	689,659
<b>Total revenues</b>	<b>7,895,376</b>	<b>8,838,243</b>	<b>(942,867)</b>

**City of Chipley**  
**Management's Discussion and Analysis**

For the years ended September 30,	<b>Business-type Activities</b>		
	<b>2015</b>	2014	Change
<b>Expenses</b>			
Business-type activities			
Water	<b>699,980</b>	738,114	(38,134)
Sewer	<b>2,172,807</b>	2,240,443	(67,636)
Sanitation	<b>675,308</b>	705,885	(30,577)
Natural Gas	<b>398,333</b>	447,750	(49,417)
Total expenses	<b>3,946,428</b>	4,132,192	(185,764)
Change in Net Position	<b>3,948,948</b>	4,706,051	(757,103)
<b>Net Position</b> - beginning	<b>31,958,390</b>	27,252,339	4,706,051
<b>Restatement of net position (note 16)</b>	<b>(561,539)</b>	-	(561,539)
<b>Net Position</b> - beginning, as restated	<b>31,396,851</b>	31,958,390	(561,539)
<b>Net Position</b> - ending	<b>\$ 35,345,799</b>	\$ 31,958,390	\$ 3,387,409

### Individual Fund Analysis

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

The general fund is reported as a major governmental fund. The general fund is the general operating fund of the City. All general tax revenue and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund. As of the end of the fiscal year 2015, the City's general fund reported a fund balance of \$2,047,545. The restricted portion of this fund balance is \$941,494, the committed portion is \$54,678, the assigned portion is \$5,163 and the unassigned portion is \$1,046,210.

The community redevelopment agency fund is reported as a major governmental fund. The community redevelopment agency is a separate legal entity, but it is required to be included in the City's reporting because of the significance of the financial relationships with the City. As of the end of the fiscal year 2015, the community redevelopment agency fund reported a nonspendable balance of \$67,120 and a restricted fund balance of \$309,478.

As of the end of the fiscal year 2015, the City's other governmental funds (non-major funds) reported a restricted fund balance of \$110,050 and a committed fund balance of \$8,878.

### General Fund Budgetary Variances

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



## City of Chipley Management's Discussion and Analysis

### **Capital Asset and Long-Term Debt**

During fiscal year 2015, the City invested \$377,007 in capital assets. Approximately \$230,493 of these capital expenditures was funded with federal and state government grants.

Additional information about the City's capital assets can be obtained in Note 6 of the City's notes to the financial statements.

### **Next Year's Budgets and Rates**

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

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

### **Contacting the City's Financial Management**

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

**City of Chipley**  
**Statement of Net Position**  
**September 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,686,458	\$ 624,309	\$ 2,310,767
Investments	54,678	-	54,678
Receivables, net	256,127	311,019	567,146
Due from other governments	68,558	127,095	195,653
Internal balances	139,250	(139,250)	-
Restricted cash	671,023	406,247	1,077,270
Restricted investments	2,585	227,908	230,493
Land held for resale	225,237	-	225,237
Capital assets, not being depreciated	1,142,178	763,949	1,906,127
Capital assets being depreciated, net	3,929,131	36,972,783	40,901,914
<b>Total assets</b>	<b>8,175,225</b>	<b>39,294,060</b>	<b>47,469,285</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pension liability	522,552	254,230	776,782
<b>Liabilities</b>			
Accounts payable	107,741	74,229	181,970
Accrued payroll liabilities	186,480	50,319	236,799
Other liabilities	-	1,643	1,643
Payable from restricted assets			
Accrued interest	2,968	9,593	12,561
Customer deposits	-	218,443	218,443
Long-term liabilities			
Net pension liability	1,149,761	559,376	1,709,137
Other post-employment benefit liability	13,927	-	13,927
Portion due or payable within one year			
Notes payable	7,589	40,436	48,025
Bonds payable	16,720	98,300	115,020
Portion due or payable after one year			
Compensated absences	389,921	213,715	603,636
Notes payable	-	555,973	555,973
Bonds payable	775,512	2,154,300	2,929,812
<b>Total liabilities</b>	<b>2,650,619</b>	<b>3,976,327</b>	<b>6,626,946</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - occupational licenses	41,387	-	41,387
Deferred inflows related to pensions	464,864	226,164	691,028
<b>Total deferred inflows of resources</b>	<b>506,251</b>	<b>226,164</b>	<b>732,415</b>
<b>Net Position</b>			
Net investment in capital assets	4,271,488	34,887,723	39,159,211
Restricted	1,428,142	395,612	1,823,754
Unrestricted	(158,723)	62,464	(96,259)
<b>Total net position</b>	<b>\$ 5,540,907</b>	<b>\$ 35,345,799</b>	<b>\$ 40,886,706</b>

*See accompanying notes to the financial statements.*

**City of Chipley**  
**Statement of Activities**  
**For the Year Ended September 30, 2015**

Functions/Programs	Expenses	Program	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government</b>			
<b>Governmental Activities:</b>			
General government	\$ 992,734	\$ 45,464	\$ 594,583
Public safety	1,106,925	41,606	257,556
Public works	496,148	-	121,773
Cemetery and grounds	176,974	9,600	-
Culture and recreation	195,633	23,463	4,137
Interest	39,252	-	-
Total governmental activities	3,007,666	120,133	978,049
<b>Business-type Activities:</b>			
Water	699,980	599,993	-
Sewer	2,172,807	1,122,228	-
Sanitation	675,308	698,153	-
Natural gas	398,333	334,449	-
Total business-type activities	3,946,428	2,754,823	-
Total primary government	\$ 6,954,094	\$ 2,874,956	\$ 978,049

**General Revenues**

Taxes:

Ad valorem tax

Sales taxes

Utility taxes

Other taxes

Interest income

Miscellaneous

Gain on disposal of assets

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Total general revenues

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Change in net position

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**Net Position** - beginning

**Restatement of net position (Note 16)**

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**Net Position** - beginning, as restated

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**Net Position** - ending

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*See accompanying notes to the financial statements.*

Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 79,247	\$ (273,440)	\$ -	\$ (273,440)
-	(807,763)	-	(807,763)
-	(374,375)	-	(374,375)
-	(167,374)	-	(167,374)
-	(168,033)	-	(168,033)
-	(39,252)	-	(39,252)
79,247	(1,830,237)	-	(1,830,237)
63,486	-	(36,501)	(36,501)
4,187,666	-	3,137,087	3,137,087
-	-	22,845	22,845
-	-	(63,884)	(63,884)
4,251,152	-	3,059,547	3,059,547
\$ 4,330,399	(1,830,237)	3,059,547	1,229,310
	949,742	-	949,742
	118,715	-	118,715
	620,508	-	620,508
	53,308	-	53,308
	6,236	3,449	9,685
	127,324	875,242	1,002,566
	1,508	10,710	12,218
	1,877,341	889,401	2,766,742
	47,104	3,948,948	3,996,052
	6,648,008	31,958,390	38,606,398
	(1,154,205)	(561,539)	(1,715,744)
	5,493,803	31,396,851	36,890,654
	\$ 5,540,907	\$ 35,345,799	\$ 40,886,706

**City of Chipley**  
**Balance Sheet – Governmental Funds**  
**For the Year Ended September 30, 2015**

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,677,580	\$ -
Investments	54,678	-
Receivables, net	177,534	78,593
Due from other governments	68,558	-
Interfund receivables	139,250	-
Restricted cash	264,313	299,245
Restricted investments	-	-
<b>Total assets</b>	<b>\$ 2,381,913</b>	<b>\$ 377,838</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 106,501	\$ 1,240
Salaries and benefits payable	186,480	-
<b>Total liabilities</b>	<b>292,981</b>	<b>1,240</b>
<b>Deferred inflows of resources</b>		
Unavailable revenue - occupational license	41,387	-
<b>Fund balances</b>		
Nonspendable	-	67,120
Restricted	941,494	309,478
Committed	54,678	-
Assigned	5,163	-
Unassigned	1,046,210	-
<b>Total fund balances</b>	<b>2,047,545</b>	<b>376,598</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 2,381,913</b>	<b>\$ 377,838</b>

*See accompanying notes to the financial statements.*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 8,878	\$ 1,686,458
-	54,678
-	256,127
-	68,558
-	139,250
107,465	671,023
2,585	2,585
<hr/>	
\$ 118,928	\$ 2,878,679
<hr/>	
\$ -	\$ 107,741
-	186,480
<hr/>	
-	294,221
<hr/>	
-	41,387
<hr/>	
-	67,120
110,050	1,361,022
8,878	63,556
-	5,163
-	1,046,210
<hr/>	
118,928	2,543,071
<hr/>	
\$ 118,928	\$ 2,878,679
<hr/>	

**City of Chipley**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Statement of Net Position**  
**September 30, 2015**

Differences in amounts reported for governmental activities in the Statement of Net Position:

Total fund balance - governmental funds	\$ 2,543,071
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	5,071,309
Certain assets held for resale are not current financial resources and therefore are not reported in the governmental funds.	225,237
Deferred inflows and outflows related to pension represent an acquisition or consumption of net position, respectively, that applies to a future period and, therefore, are not reported as liabilities or assets in the governmental funds.	
Deferred outflows related to pension	522,552
Deferred inflows related to pension	(464,864)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(389,921)
Long-term liabilities, including bonds, notes and leases payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds but is recognized when the expenditure is due. These balances consist of:	
Accrued interest on debt	(2,968)
Bonds, notes and leases payable	(799,821)
Net pension liability	(1,149,761)
Net other post-employment benefit liability	(13,927)
<hr/>	
Net position of governmental activities in the Statement of Net Position	<hr/> <hr/> \$ 5,540,907

*See accompanying notes to the financial statements.*

**City of Chipley**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2015**

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>
<b>Revenues</b>		
Taxes	\$ 2,155,968	\$ -
Licenses and permits	42,593	-
Fines, forfeitures and penalties	27,581	-
Intergovernmental	377,379	132,555
Charges for services	23,463	-
Interest	3,959	2,271
Miscellaneous	273,263	-
<b>Total revenues</b>	<b>2,904,206</b>	<b>134,826</b>
<b>Expenditures</b>		
General government	668,822	172,693
Public safety	1,052,869	-
Public works	596,972	-
Cemetery and grounds	179,994	-
Culture and recreation	171,340	-
Debt service, principal	-	-
Debt service, interest	-	-
<b>Total expenditures</b>	<b>2,669,997</b>	<b>172,693</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>234,209</b>	<b>(37,867)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	-	-
Transfers out	(78,652)	-
Proceeds from sale of assets	1,508	-
<b>Total other financing sources (uses)</b>	<b>(77,144)</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>157,065</b>	<b>(37,867)</b>
<b>Fund Balances - Beginning</b>	<b>1,890,480</b>	<b>414,465</b>
<b>Fund Balances - Ending</b>	<b>\$ 2,047,545</b>	<b>\$ 376,598</b>

*See accompanying notes to the financial statements.*

<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 2,155,968
-	42,593
-	27,581
-	509,934
-	23,463
6	6,236
14,205	287,468
<hr/>	<hr/>
14,211	3,053,243
<hr/>	<hr/>
-	841,515
14,073	1,066,942
-	596,972
-	179,994
-	171,340
51,118	51,118
39,252	39,252
<hr/>	<hr/>
104,443	2,947,133
<hr/>	<hr/>
(90,232)	106,110
<hr/>	<hr/>
78,652	78,652
-	(78,652)
-	1,508
<hr/>	<hr/>
78,652	1,508
<hr/>	<hr/>
(11,580)	107,618
<hr/>	<hr/>
130,508	2,435,453
<hr/>	<hr/>
\$ 118,928	\$ 2,543,071
<hr/> <hr/>	<hr/> <hr/>

**City of Chipley**

**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, 2015**

Differences in amounts reported for governmental activities in the Statement of Activities:

Net change in fund balances - total governmental funds: \$ 107,618

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. 155,244

Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position. (278,548)

Certain items reported as expenditures in governmental funds are allocable to future accounting periods and therefore are not reported as expenses in the Statement of Activities. These items include:

Current year increase in accrued interest expense	18
Current year increase in pension expense	62,132
Current year increase in other post-employment benefit expense	(13,927)

Increases (decreases) in long-term debt and related items that are not financial resources (decrease) increase net position in the Statement of Net Position. These items include:

Compensated absences	(36,551)
----------------------	----------

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

Repayment of debt	51,118
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Change in net position of governmental activities	\$ 47,104
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*See accompanying notes to the financial statements.*

**City of Chipley**

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – General Fund**  
**For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,124,593	\$ 2,195,705	\$ 2,155,968	\$ (39,737)
Licenses and permits	46,000	46,000	42,593	(3,407)
Intergovernmental	159,080	456,317	377,379	(78,938)
Charges for services	25,000	25,000	23,463	(1,537)
Fines and forfeitures	21,900	33,320	27,581	(5,739)
Interest	2,500	3,960	3,959	(1)
Miscellaneous	181,318	284,528	273,263	(11,265)
<b>Total revenues</b>	<b>2,560,391</b>	<b>3,044,830</b>	<b>2,904,206</b>	<b>(140,624)</b>
<b>Expenditures</b>				
General government	595,759	762,263	668,822	93,441
Public safety	1,097,220	1,156,201	1,052,869	103,332
Public works	459,950	722,369	596,972	125,397
Cemetery and grounds	205,950	205,950	179,994	25,956
Culture and recreation	176,525	188,007	171,340	16,667
<b>Total expenditures</b>	<b>2,535,404</b>	<b>3,034,790</b>	<b>2,669,997</b>	<b>364,793</b>
<b>Excess of Revenues Over</b> <b>Expenditures</b>	<b>24,987</b>	<b>10,040</b>	<b>234,209</b>	<b>224,169</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	81,750	81,348	-	(81,348)
Transfers out	(164,046)	(164,046)	(78,652)	85,394
Sale of capital assets	-	-	1,508	1,508
<b>Total other financing sources</b> <b>(uses)</b>	<b>(82,296)</b>	<b>(82,698)</b>	<b>(77,144)</b>	<b>5,554</b>
<b>Net change in fund balances</b>	<b>(57,309)</b>	<b>(72,658)</b>	<b>157,065</b>	<b>229,723</b>
<b>Fund Balances - beginning</b>	<b>1,890,480</b>	<b>1,890,480</b>	<b>1,890,480</b>	<b>-</b>
<b>Fund Balances - ending</b>	<b>\$ 1,833,171</b>	<b>\$ 1,817,822</b>	<b>\$ 2,047,545</b>	<b>\$ 229,723</b>

*See accompanying notes to the financial statements.*

**City of Chipley**

**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual – Chipley Redevelopment Agency**  
**For the Year Ended September 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 132,557	\$ 132,557	\$ 132,555	\$ (2)
Interest	1,000	2,356	2,271	(85)
<hr/>				
Total revenues	133,557	134,913	134,826	(87)
<b>Expenditures</b>				
General government	80,248	174,050	172,693	1,357
<hr/>				
<b>Excess of Revenues Over (Under)</b>				
Expenditures	53,309	(39,137)	(37,867)	1,270
<hr/>				
<b>Fund Balances - beginning</b>	414,465	414,465	414,465	-
<hr/>				
<b>Fund Balances - ending</b>	\$ 467,774	\$ 375,328	\$ 376,598	\$ 1,270

*See accompanying notes to the financial statements.*

**City of Chipley**  
**Statement of Net Position – Proprietary Funds**  
**September 30, 2015**

	<b>Business-Type</b>	
	<b>Water</b>	<b>Sewer</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 7,238	\$ 79,052
Accounts receivable, net	77,386	126,140
Due from other governmentals	84,546	42,549
Restricted assets:		
Cash and cash equivalents	124,210	220,948
Investments	-	227,908
<b>Total current assets</b>	<b>293,380</b>	<b>696,597</b>
Non-current assets		
Land and construction in progress	131,252	617,847
Capital assets, net of depreciation	3,303,536	33,314,783
<b>Total non-current assets</b>	<b>3,434,788</b>	<b>33,932,630</b>
<b>Total assets</b>	<b>3,728,168</b>	<b>34,629,227</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	86,622	116,435
<b>Liabilities</b>		
Current liabilities		
Accounts payable	24,651	45,229
Accrued payroll liabilities	16,217	22,361
Other accrued liabilities	-	-
Interfund payables	96,000	43,250
<b>Total current liabilities</b>	<b>136,868</b>	<b>110,840</b>
Current liabilities payable from restricted assets		
Accrued interest	928	8,562
Notes payable, current portion	8,630	8,302
Bonds payable, current portion	1,900	96,400
<b>Total current liabilities payable from restricted assets</b>	<b>11,458</b>	<b>113,264</b>
Noncurrent liabilities		
Compensated absences	82,983	67,222
Customer deposits	71,015	88,178
Net pension liability	190,594	256,191
Notes payable	27,172	504,720
Bonds payable	111,900	2,042,400
<b>Total noncurrent liabilities</b>	<b>483,664</b>	<b>2,958,711</b>
<b>Total liabilities</b>	<b>631,990</b>	<b>3,182,815</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	77,060	103,582
<b>Net Position</b>		
Net investment in capital assets	3,285,186	31,280,808
Restricted	52,172	343,440
Unrestricted (deficit)	(231,618)	(164,983)
<b>Total net position</b>	<b>\$ 3,105,740</b>	<b>\$ 31,459,265</b>

*See accompanying notes to the financial statements.*

**Activities**

		<b>Non-Major Fund</b>			
<b>Sanitation</b>		<b>Natural Gas</b>		<b>Total</b>	
\$	464,373	\$	73,646	\$	624,309
	77,733		29,760		311,019
	-		-		127,095
	32,083		29,006		406,247
	-		-		227,908
	574,189		132,412		1,696,578
	10,350		4,500		763,949
	112,897		241,567		36,972,783
	123,247		246,067		37,736,732
	697,436		378,479		39,433,310
	20,621		30,552		254,230
	263		4,086		74,229
	4,512		7,229		50,319
	-		1,643		1,643
	-		-		139,250
	4,775		12,958		265,441
	103		-		9,593
	23,504		-		40,436
	-		-		98,300
	23,607		-		148,329
	22,594		40,916		213,715
	31,914		27,336		218,443
	45,370		67,221		559,376
	24,081		-		555,973
	-		-		2,154,300
	123,959		135,473		3,701,807
	152,341		148,431		4,115,577
	18,344		27,178		226,164
	75,662		246,067		34,887,723
	-		-		395,612
	471,710		(12,645)		62,464
\$	547,372	\$	233,422	\$	35,345,799

**City of Chipley**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2015**

	<b>Business-Type</b>	
	<b>Water</b>	<b>Sewer</b>
<b>Operating Revenues</b>		
Charges for services	\$ 599,993	\$ 1,122,228
Miscellaneous revenue	37,954	18,940
<b>Total operating revenues</b>	<b>637,947</b>	<b>1,141,168</b>
<b>Operating Expenses</b>		
Salaries and benefits	357,976	428,265
Services and supplies	199,282	504,599
Other expenses	12,695	11,733
Depreciation	124,293	1,081,691
<b>Total operating expenses</b>	<b>694,246</b>	<b>2,026,288</b>
<b>Operating Income (Loss)</b>	<b>(56,299)</b>	<b>(885,120)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Grant revenue	63,486	4,187,666
Interest income	20	1,596
Interest expense	(5,734)	(146,519)
Principal loan forgiveness	816,932	-
Gain (loss) on disposal of assets	-	1,710
<b>Total non-operating revenues (expenses)</b>	<b>874,704</b>	<b>4,044,453</b>
<b>Income (Loss) Before Transfers</b>	<b>818,405</b>	<b>3,159,333</b>
<b>Total Net Position - beginning</b>	<b>2,478,666</b>	<b>28,557,114</b>
<b>Restatement of Net Position (Note 16)</b>	<b>(191,331)</b>	<b>(257,182)</b>
<b>Total Net Position - beginning, as restated</b>	<b>2,287,335</b>	<b>28,299,932</b>
<b>Total Net Position - ending</b>	<b>\$ 3,105,740</b>	<b>\$ 31,459,265</b>

*See accompanying notes to the financial statements.*

**Activities**

		<b>Non-Major Fund</b>			
<b>Sanitation</b>		<b>Natural Gas</b>		<b>Total</b>	
\$	698,153	\$	334,449	\$	2,754,823
	-		1,416		58,310
	698,153		335,865		2,813,133
	79,950		138,820		1,005,011
	575,313		233,830		1,513,024
	2,463		4,665		31,556
	15,762		21,018		1,242,764
	673,488		398,333		3,792,355
	24,665		(62,468)		(979,222)
	-		-		4,251,152
	1,447		386		3,449
	(1,820)		-		(154,073)
	-		-		816,932
	9,000		-		10,710
	8,627		386		4,928,170
	33,292		(62,082)		3,948,948
	559,625		362,985		31,958,390
	(45,545)		(67,481)		(561,539)
	514,080		295,504		31,396,851
\$	547,372	\$	233,422	\$	35,345,799

**City of Chipley**  
**Statement of Cash Flows – Proprietary Funds**  
**For the Year Ended September 30, 2015**

	<u>Business-Type</u>	
	Water	Sewer
<b>Cash Flows From Operating Activities</b>		
Receipts from customers, users and others	\$ 622,489	\$ 1,023,012
Payments to suppliers	(329,492)	(594,689)
Payments to employees	(252,196)	(319,645)
Net cash provided by (used in) operating activities	40,801	108,678
<b>Cash Flows From Non-Capital Financing Activities</b>		
Advances to other funds	43,000	(3,750)
Advances from other funds	(39,379)	-
Net cash provided by (used in) non-capital financing activities	3,621	(3,750)
<b>Cash Flows From Capital and Related Financing Activities</b>		
Grant revenue	63,486	4,187,666
Purchases and construction of capital assets	(76,400)	(70,413)
Principal paid on capital debt	(11,230)	(5,008,888)
Proceeds from sale of capital assets	-	1,710
Interest paid on capital debt	(5,194)	(151,105)
Net cash used in capital and related financing activities	(29,338)	(1,041,030)
<b>Cash Flows From Investing Activities</b>		
Interest and dividends	20	1,596
Sale of investments	-	733,186
Net cash provided by investing activities	20	734,782
Net increase (decrease) in cash and cash equivalents	15,104	(201,320)
<b>Cash and Cash Equivalents - beginning</b>	116,344	501,320
<b>Cash and Cash Equivalents - ending</b>	\$ 131,448	\$ 300,000

*See accompanying notes to the financial statements.*

**Activities**

		<b>Non-Major Fund</b>			
<b>Sanitation</b>		<b>Natural Gas</b>		<b>Total</b>	
\$	688,029	\$	334,540	\$	2,668,070
	(567,957)		(219,014)		(1,711,152)
	(79,135)		(134,631)		(785,607)
	40,937		(19,105)		171,311
	-		-		39,250
	-		-		(39,379)
	-		-		(129)
	-		-		4,251,152
	(29,715)		-		(176,528)
	(22,881)		-		(5,042,999)
	9,000		-		10,710
	(1,860)		-		(158,159)
	(45,456)		-		(1,115,824)
	1,447		386		3,449
	-		-		733,186
	1,447		386		736,635
	(3,072)		(18,719)		(208,007)
	499,528		121,371		1,238,563
\$	496,456	\$	102,652	\$	1,030,556

-Continued-

**City of Chipley**  
**Statement of Cash Flows – Proprietary Funds (Continued)**  
**For the Year Ended September 30, 2015**

	<u>Business-Type</u>	
	<u>Water</u>	<u>Sewer</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>		
<b>Cash Provided by Operating Activities</b>		
Operating income (loss)	\$ (56,299)	\$ (885,120)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	124,293	1,081,691
Changes in operating assets and liabilities:		
Accounts receivable	(5,479)	(43,970)
Deferred outflows related to pension	(56,608)	(76,091)
Accounts payable	(17,486)	(36,188)
Accrued payroll liabilities	(242)	2,645
Other accrued liabilities	-	-
Compensated absences	4,917	1,559
Pension liability	70,079	94,198
Deferred inflows related to pension	(23,770)	(31,951)
Customer deposits	1,396	1,905
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 40,801</b>	<b>\$ 108,678</b>
<b>Non-cash Financing Activities:</b>		
Forgiveness of principal on Florida Department of Transportation Waterline Project loan	\$ 816,932	\$ -
Equipment acquired through issuance of long-term debt	\$ 45,233	\$ -

*See accompanying notes to the financial statements.*

**Activities**

		<b>Non-Major Fund</b>	
<b>Sanitation</b>		<b>Natural Gas</b>	<b>Total</b>
\$ 24,665	\$	(62,468)	\$ (979,222)
15,762		21,018	1,242,764
1,174		17,760	(30,515)
(13,476)		(19,966)	(166,141)
(1,205)		3,545	(51,334)
637		626	3,666
-		(395)	(395)
179		3,562	10,217
16,682		24,716	205,675
(5,658)		(8,384)	(69,763)
2,177		881	6,359
\$ 40,937	\$	(19,105)	\$ 171,311
<hr/>			
\$ -	\$	-	\$ 816,932
<hr/>			
\$ -	\$	-	\$ 45,233
<hr/>			

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

***Reporting Entity***

The City of Chipley, Florida (the “City”), located in Washington County, was incorporated in 1901 pursuant to 5077-1901 Laws of Florida. The City is a political subdivision of the State of Florida and operates under an elected City Council. The City provides police and fire protection, general government, recreation, and public works services to its residents. In addition, the City provides water, sewer, natural gas and sanitation services. The financial statements of the City include the funds required to account for those financial activities, which are related to the City and are controlled by or dependent upon the City’s legislative body. The definition of the reporting entity, pursuant to Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600, is based primarily on the notion of financial accountability. A primary government is financially accountable for agencies that make up its legal entity. Is also financially accountable for a legally separate agency if their officials appoint a voting majority of that agency’s governing body and either it is able to impose its will on that agency or there is a potential for the agency to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered financially accountable. Component units are reported as either blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government. The City has two blended component units described below. Each blended component unit has a year-end of September 30. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government. The City has no discretely presented component units.

***Related Organization***

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Blended Component Units***

**Community Redevelopment Agency (the “Agency”)** – This Agency was created by the City pursuant to State Statutes with commissioners of the Agency being the City Council Members. During 1997, the City passed an ordinance establishing a separate board for the Agency. Operations are administered by the Council appointed board and are financed with city and county funds. The City includes the operations of the Agency in its annual budget for the General Fund. The Agency is reported as a governmental fund type.

**Chipley Volunteer Fire Department (the “Department”)** – This is a nonprofit organization which is funded primarily by city funds and some public donations. Operations are administered by the Department. The City includes the operations of the Department in its annual budget for the General Fund. The Department is reported as a governmental fund type.

***Government-wide and Fund Financial Statements***

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are classified into three categories: charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that helps support all functions of government and contribute to the change in the net assets for the fiscal year. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or within sixty days after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e., revocable only for failure to comply with prescribed compliance requirements, such as with equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following are reported as major governmental funds:

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

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

The City reports the following major proprietary funds:

**Water Fund** – This fund accounts for all activity related to providing water services to its citizens.

**Sewer Fund** – This fund accounts for all activity related to providing sewer services to its citizens.

**Sanitation Fund** – This fund accounts for all activity related to providing sanitation services to its citizens.

***Cash and Cash Equivalents***

Cash and cash equivalents represent cash on hand, demand deposits and short-term investments with an original maturity date within three months of the date acquired by the government.

***Investments***

The City’s investments are limited to certificates of deposits stated at fair value.

***Accounts Receivable***

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

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

***Interfund Receivables and Payables***

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

***Restricted Assets***

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

***Capital Assets***

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

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

Buildings	20 – 50 years
Water and sewer system	15 – 50 years
Improvements	10 – 20 years
Machinery and equipment	5 – 10 years
Other infrastructure	10 – 50 years

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualify for reporting in this category, the deferred outflows related to pension. A deferred outflow related to pension results from pension contributions related to normal and accrued

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

employer liability (net of any refunds or error service payments) subsequent to the measurement date, in accordance with the implementation of GASB Statement No. 71. Refer to the “Impact of Recently Issued Accounting Pronouncements” section of Note 1 for additional information.

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 position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category, deferred inflows related to pension and unavailable revenue from occupational license.

***Compensated Absences***

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

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

***Long-Term Obligations***

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Position and Fund Equity***

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following net asset categories:

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

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

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

Fund balances are reported in the fund financial statements in two major categories: nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact.

In addition to the nonspendable fund balance, spendable fund balances are reported based on a hierarchy of spending constraints:

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

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

*Assigned* – Fund balances that contain self-imposed constraints of the government to be used for a particular purpose. The City's assigned fund balances classified as assigned are for the operations of the City's jail and fire department.

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

In governmental funds, the City's policy is to first apply expenditures toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

**City of Chipley**  
**Notes to Financial Statements**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The City's reported governmental fund balance at September 30, 2015 is comprised of the following:

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>	<b>Other Government Funds</b>	<b>Total Governmental Funds</b>
Nonspendable				
Long-term loans receivable	\$ -	\$ 67,120	\$ -	\$ 67,120
Restricted				
Capital Improvements	941,494	-	-	941,494
Debt Service	-	-	110,050	110,050
Economic development	-	309,478	-	309,478
Committed:				
Cemetery	54,678	-	-	54,678
Volunteer Fire Department	-	-	8,878	8,878
Assigned:				
Recreation	5,163	-	-	5,163
Unassigned	1,046,210	-	-	1,046,210
	<b>\$ 2,047,545</b>	<b>\$ 376,598</b>	<b>\$ 118,928</b>	<b>\$ 2,543,071</b>

***Tax Revenue***

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

The current property tax calendar is as follows:

Lien date:	January 1, 2013
Levy date:	November 1, 2013
Due date:	March 31, 2014
Delinquent date:	April 1, 2014

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

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Management Estimates and Assumptions***

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

***Impact of Recently Issued Accounting Pronouncements***

***Recently Issued and Adopted***

In fiscal year 2015, the City adopted three new statements of financial accounting standards issued by the GASB:

- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*
- GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*
- GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

GASB Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees (or volunteers that provide services to state and local governments) are provided with pensions through pension plans that are administered through trusts or equivalent arrangements, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information (“RSI”) requirements about pensions also are addressed. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The calculation of pension contributions is unaffected by the change. The adoption has resulted in the restatement of the City’s fiscal year 2014 financial statements to reflect the reporting of a net pension asset and deferred inflows of resources and deferred outflows

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

of resources for each of its qualified pension plans and the recognition of pension expense in accordance with the provisions of the Statement. Refer to Note 16 for the financial statement impact of the retroactive application of the pronouncement.

GASB Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operations. The term “government combinations” is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services. There was no impact on the City’s financial statements as a result of the implementation of Statement No. 69.

GASB Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The resulting deferred outflow of resources related to pension at September 30, 2015 is \$776,782.

*Recently Issued but Not Yet Adopted*

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 requires the City to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management’s assumption of the default rate among underlying mortgages of a mortgage-backed security. Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. The City has not completed the process of evaluating the impact of Statement No. 72 on its financial statements.

In June 2015, GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this statement extend the approach to accounting and financial reporting established in Statement No. 68 to all pensions to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

specified in Statement No. 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities. The provisions of Statement No. 73 that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of Statement No. 73 for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 73 on its financial statements.

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The scope of this statement includes defined benefit and defined contribution other postemployment benefit (“OPEB”) plans administered through trusts that meet specified criteria. This Statement establishes financial reporting standards for state and local governmental OPEB plans. The Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. Statement No. 74 is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 74 on its financial statements.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employees. This Statement also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information are also addressed by the statement. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 75 on its financial statements.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. It also amends Statement No. 62, *Codification of accounting and financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraph 64, 74, and 82. The provisions of Statement No. 76 are effective for financial statements for periods beginning after June 15, 2015. Earlier application is permitted. The City has not completed the process of evaluating the impact of Statement No. 76 on its financial statements.

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. For financial reporting purposes, this Statement defines tax abatement and contains required disclosures about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. The requirements of GASB Statement No. 77 are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The City has not completed the process of evaluating the impact of Statement No. 77 on its financial statements.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

***Budgetary Information***

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

The budget for each fund is adopted on the modified accrual basis of accounting consistent with GAAP. Encumbrances outstanding at year-end represent the estimated amounts of expenditures ultimately to be paid on goods on order or unperformed contracts in process at year-end. Because appropriations lapse at year-end, it is the City's policy to close encumbrances at year-end and to re-encumber those amounts, as needed, at the beginning of the next budget cycle.

**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and cash equivalents represent cash on hand as well as demand deposits, investments and certificates of deposit with original maturities of three months or less. Investments are comprised of certificates of deposit and U.S. Treasury notes with original maturities greater than three months.

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

**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

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

The City maintains its deposits with “Qualified Public Depositories” as defined in chapter 280, Florida Statutes. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a Qualified Public Depository, the State Treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories.

***Custodial Credit Risk - Deposits***

Under Florida Statute 280 and the federal deposit insurance program, all the City’s deposits are fully insured or collateralized with collateral held by the State Treasurer.

***Investments***

Investments were comprised of certificates of deposits and reported at fair value in the amount of \$285,171 as of September 30, 2015.

***Custodial Credit Risk – Investments***

Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. The City has investments held by counterparty(s), or by their respective trust departments not in the City’s name. Consequently, these investments are exposed to custodial credit risk. The City has no policy on custodial credit risk.

The City also invested funds in the Florida State Board of Administration Local Government Surplus funds Trust Fund (Florida PRIME). The Local Government Surplus Funds Trust fund is a "2a-7 like" pool and, therefore, the City's pool account balance (amortized cost) is used as the fair value for financial reporting consistent with GASB 31. The securities lending cash collateral investments are recorded at fair value, since SEC Rule 2a-7 does not impose the same maturity limitations and other constraints for collateral investments. The fair value of commercial paper is estimated at amortized cost since quoted prices are not available. At September 30, 2015, the fair value and the carrying

**NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

value of these funds was \$2,417,763. The funds are carried as cash on the balance sheet in the amount of \$2,122,911, and as restricted cash of \$294,852 at September 30, 2015. The local government surplus investment pool is not rated by a nationally recognized statistical rating agency as of September 30, 2015.

The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. Additional information and investment policies regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration at [www.sbafla.com/prime](http://www.sbafla.com/prime).

The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the City has adopted operating procedures consistent with the requirements for a 2a-7 fund.

***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributable to the quantity of the government’s investment in a single issuer. Investments in single issuers that equal or exceed 5% of total investments have a reportable concentration of credit risk. Credit quality risk results from potential default of investments that are not financially sound. The City limited its concentration of credit risk by only investing in government guaranteed notes and FDIC or other insured accounts.

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City has limited its interest rate risk by investing in low risk instruments with a maturity of 60 months or less. At September 30, 2015, the City held the following investments:

Investment Type	Fair Value	Purchase Date to Maturity			
		0 – 1 Year	1 – 2 Years	2 – 3Years	3 – 5 Years
Certificates of Deposit	\$ 285,171	\$ 174,809	\$ -	\$ 110,362	\$ -

**NOTE 4 – RECEIVABLES**

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

**City of Chipley**  
**Notes to Financial Statements**

**NOTE 4 – RECEIVABLES (Continued)**

***Governmental Funds***

	<b>General Fund</b>	<b>Community Redevelopment Agency</b>
Taxes	\$ 82,890	\$ -
Franchise fees	29,120	-
Revolving loan receivable	-	78,593
Other	65,524	-
	<u>\$ 177,534</u>	<u>\$ 78,593</u>

***Proprietary Funds***

	<b>Water</b>	<b>Sewer</b>	<b>Sanitation</b>	<b>Non-major Natural Gas</b>
Accounts – utility billings	\$ 77,712	\$ 128,474	\$ 79,195	\$ 30,309
Allowance for doubtful accounts	(1,443)	(2,334)	(1,462)	(549)
Other	1,117	-	-	-
	<u>\$ 77,386</u>	<u>\$ 126,140</u>	<u>\$ 77,733</u>	<u>\$ 29,760</u>

**NOTE 5 – INTERFUND BALANCES**

Interfund balances are generally used to meet cash demands necessary to pay operating expenditures. These amounts should be repaid during the next fiscal year. The composition of interfund balances as of September 30, 2015 is shown below:

***Interfund Receivables and Payables***

	<b>Payable Fund</b>		
	<b>Water</b>	<b>Sewer</b>	<b>Total</b>
<b>Receivable Fund</b>			
General	\$ 96,000	\$ 43,250	\$ 139,250

***Interfund Transfers***

	<b>Transfer In Debt Service</b>
<b>Transfers Out</b>	
General	\$ 78,652

**City of Chipley**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 957,092	\$ -	\$ -	\$ 957,092
Construction in progress	29,842	155,244	-	185,086
<b>Total capital assets not being depreciated</b>	<b>\$ 986,934</b>	<b>\$ 155,244</b>	<b>\$ -</b>	<b>\$ 1,142,178</b>
Capital assets being depreciated:				
Furniture and equipment	\$ 2,192,605	\$ -	\$ 16,758	\$ 2,175,847
Improvements other than buildings	1,896,925	-	-	1,896,925
Buildings	4,593,674	-	-	4,593,674
<b>Total capital assets being depreciated</b>	<b>8,683,204</b>	<b>-</b>	<b>16,758</b>	<b>8,666,446</b>
Less accumulated depreciation for:				
Furniture and equipment	1,976,411	79,329	16,758	2,038,982
Improvements other than buildings	672,456	70,163	-	742,619
Buildings	1,826,658	129,056	-	1,955,714
<b>Total accumulated depreciation</b>	<b>4,475,525</b>	<b>278,548</b>	<b>16,758</b>	<b>4,737,315</b>
<b>Total capital assets being depreciated, net</b>	<b>\$ 4,207,679</b>	<b>\$ (278,548)</b>	<b>\$ -</b>	<b>\$ 3,929,131</b>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land and construction in progress	\$ 657,915	\$ 106,034	\$ -	\$ 763,949
Capital assets being depreciated:				
Building and plant	\$ 47,378,206	\$ 27,864	\$ -	\$ 47,406,070
Equipment and vehicles	2,343,466	87,865	118,434	2,312,897
<b>Total capital assets being depreciated</b>	<b>49,721,672</b>	<b>115,729</b>	<b>118,434</b>	<b>49,718,967</b>
Less accumulated depreciation for:				
Building and plant	9,976,582	1,124,300	-	11,100,882
Equipment and vehicles	1,645,272	118,464	118,434	1,645,302
<b>Total accumulated depreciation</b>	<b>11,621,854</b>	<b>1,242,764</b>	<b>118,434</b>	<b>12,746,184</b>
<b>Total capital assets, being depreciated, net</b>	<b>\$ 38,099,818</b>	<b>\$ (1,242,764)</b>	<b>\$ -</b>	<b>\$ 36,972,783</b>

**City of Chipley**  
**Notes to Financial Statements**

**NOTE 6 – CAPITAL ASSETS (Continued)**

**Governmental Activities:**

General government	\$ 110,927
Culture and recreation	42,121
Public safety	37,008
Street	60,864
Sanitation	27,628

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Total	\$ 278,548
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**Business-Type Activities:**

Water and sewer	\$ 124,293
Sewer	1,081,691
Sanitation	15,762
Natural Gas	21,018

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Total	\$ 1,242,764
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**NOTE 7 – LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Revenue bonds	\$ 816,511	\$ -	\$ 24,279	\$ 792,232	\$ 16,720
Notes and leases	34,428	-	26,839	7,589	7,589
Compensated absences	353,370	36,551	-	389,921	-
Total	\$ 1,204,309	\$ 36,551	\$ 51,118	\$ 1,189,742	\$ 24,309
<b>Business-Type Activities:</b>					
Revenue bonds	\$ 2,346,800	\$ -	\$ 94,200	\$ 2,252,600	\$ 98,300
Notes and leases	6,316,907	45,233	5,765,731	596,409	40,436
Compensated absences	203,498	10,217	-	213,715	-
Total	\$ 8,867,205	\$ 55,450	\$ 5,859,931	\$ 3,062,724	\$ 138,736

**City of Chipley**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT (Continued)**

At September 30, 2014, the City had a note payable to the Florida Department of Transportation of \$816,932. The note was forgiven in 2015 and reported as miscellaneous revenue in the Proprietary Fund.

Debt service requirements on long-term debt at September 30, 2015 are as follows:

***Governmental Activities***

Fiscal Year Ending September 30,	Revenue Bonds		Notes and Leases	
	Principal	Interest	Principal	Interest
2016	\$ 16,720	\$ 37,619	\$ 7,589	\$ 236
2017	17,182	36,780	-	-
2018	18,665	35,966	-	-
2019	19,172	35,080	-	-
2020	19,703	34,212	-	-
2021-2025	116,399	155,711	-	-
2026-2030	146,000	125,373	-	-
2031-2035	179,197	87,594	-	-
2036-2040	220,194	41,469	-	-
2041-2046	39,000	2,793	-	-
<b>Total</b>	<b>\$ 792,232</b>	<b>\$ 592,597</b>	<b>\$ 7,589</b>	<b>\$ 236</b>

***Business-Type Activities***

Fiscal Year Ending September 30,	Revenue Bonds		Notes and Leases	
	Principal	Interest	Principal	Interest
2016	\$ 98,300	\$ 107,905	\$ 40,436	\$ 4,571
2017	102,700	103,091	49,715	6,016
2018	107,000	98,082	26,240	5,002
2019	112,600	92,837	26,798	4,606
2020	117,100	87,377	17,805	4,196
2021-2025	678,900	344,954	94,168	18,410
2026-2030	418,400	204,564	103,352	13,818
2031-2035	405,200	98,026	113,430	8,777
2036-2040	182,100	24,326	124,465	3,246
2041-2046	30,300	4,176	-	-
<b>Total</b>	<b>\$ 2,252,600</b>	<b>\$ 1,165,338</b>	<b>\$ 596,409</b>	<b>\$ 68,642</b>

**City of Chipley**  
**Notes to Financial Statements**

**NOTE 7 – LONG-TERM DEBT (Continued)**

***Notes Payable***

Notes and leases payable at September 30, 2015 are comprised of the following:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>First Federal Bank of Florida</b> – A note payable in annual installments of \$8,108 including interest at 3.00%. The note matures on September 15, 2016 and is secured by equipment.	\$ 7,589	\$ -
<b>Capital City Bank</b> – A note payable in annual installments of \$24,740 including interest at 2.60%. The note matures on September 1, 2017 and is secured by equipment.	-	47,585
<b>One South Bank</b> - A note payable in annual installments of \$9,567 including interest at 2.58%. The note matures on March 5, 2019 and is secured by a vehicle.	-	35,802
<b>Florida Department of Environmental Protection</b> – A note payable under a Clean Water State Revolving Fund (SRF) Loan Agreement awarded January 2006 to fund sewer system upgrades. The loan is payable in semi-annual principal and interest installments of \$13,099 through 2040. Interest accrues at rates	-	513,022
	<b>\$ 7,589</b>	<b>\$ 596,409</b>

**NOTE 7 – LONG-TERM DEBT (Continued)**

***Bonds Payable***

Bonds payable at September 30, 2015 are comprised of the following:

	<b>Governmental Activities</b>
<b>City of Chipley Public Improvement Revenue Bonds – 2002A Series</b> , authorized and issued \$546,000, interest at 4.75%, principal and interest payable annually on September 1, collateralized by pledge of solid waste disposal system revenues. Bonds are held by the U.S. Department of Agriculture, Rural Development.	\$ 448,232
<b>City of Chipley Public Improvement Revenue Bonds – 2003 Series</b> , authorized and issued \$400,000, interest at 4.675%, principal and interest payable annually on September 1, collateralized by pledge of solid waste disposal system net revenues and revenues from an interlocal agreement with Washington County, Florida. The interlocal agreement specifies that Washington County will share equally with the City the full repayment of the bonds and will pay to the City, in equal installments, a sum equal to one-half of the annual bond payment. Bonds are held by the U.S. Department of Agriculture, Rural Development.	344,000
<b>Total</b>	\$ 792,232

	<b>Business-Type Activities</b>
<b>Water and Sewer Revenue Bonds – 1986 Series</b> , authorized and issued \$1,379,200, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	\$ 622,200
<b>Water and Sewer Revenue Bonds – 1994 Series A</b> , authorized and issued \$851,000, interest at 5.00%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.	589,700

**NOTE 7 – LONG-TERM DEBT (Continued)**

<p><b>Water and Sewer Revenue Bonds – 1994 Series B</b>, authorized and issued \$143,400, interest at 5.00%, principal and interest payable annually on September 1, with principal payments beginning in 1996, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.</p>	99,300
<p><b>Water and Sewer Revenue Bonds – 1999 Series</b>, authorized and issued \$1,068,600, interest at 4.50%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.</p>	827,600
<p><b>Water and Sewer Revenue Bonds – 2006 Series</b>, authorized and issued \$128,900, interest at 4.375%, principal and interest payable annually on September 1, collateralized by net revenues of the system. Bonds are held by the U.S. Department of Agriculture, Rural Development.</p>	113,800
<p>Total</p>	\$ 2,252,600

**NOTE 8 – PLEDGED REVENUES**

The City has pledged future water and sewer system net revenues to repay \$3,044,111 in revenue bonds issued in 1986, 1994, 1998, 2001, 2003, and 2006. Proceeds from the bonds were used for capital improvements and rehabilitation or expansion of the City’s water and sewer systems. Principal and interest on the bonds are payable through 2045, solely from the water and sewer system net revenues and an interlocal agreement with Washington County in which the City agreed to pay half of the debt service related to the portion of the debt which financed the construction of a library. Annual principal and interest on the bonds are expected to require approximately 86 percent of such net revenues. Principal and interest paid for the current year and total customer net revenues were \$260,820 and \$276,182, respectively.

**NOTE 9 – MAJOR SUPPLIER**

All natural gas sold by the natural gas fund is purchased from a single supplier, Florida Gas Utility. Purchases totaled \$181,507. Florida Gas Utility is currently the City’s sole supplier of natural gas.

**NOTE 10 – RESTRICTED NET POSITION**

Restricted net position is comprised of the following at September 30, 2015:

	<b>Governmental</b>	<b>Business-Type</b>
Restricted to capital improvements	\$ 941,494	\$ 50,272
Restricted to debt service	110,050	345,340
Restricted to economic development	376,598	-
	<b>\$ 1,428,142</b>	<b>\$ 395,612</b>

**NOTE 11 – INTEREST EXPENSE**

Interest expense incurred for business-type activities for the year ended September 30, 2015 was \$154,073, all of which was charged to non-operating expenses. Cash paid for interest was \$158,159 and there was no interest capitalized for the year ended September 30, 2015.

**NOTE 12 – EMPLOYEE RETIREMENT**

**Florida Retirement System Pension Plan**

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

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

The System provides for those employees hired prior to July 1, 2011 for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. For those employees hired on or after July 1, 2011, the System provides for vesting of benefits after eight years of creditable service. Normal retirement benefits are available to employees who retire at or after age 65 with eight or more years of service. Early retirement is available after eight years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years-of-service credit where average compensation is computed as the average of an individual’s five highest years of earnings.

**NOTE 12 - EMPLOYEE RETIREMENT (Continued)**

Participating employer contributions are based upon state-wide rates established by the State of Florida. These rates are applied to employee salaries as follows: regular employees-7.26% DROP Program-12.88%, special risk employees-22.04%, senior management-21.43% and elected officials-7.26%. The rate applied to employee salaries for employee contributions was 3.00% for all classifications with the exception of DROP program participants who do not make contributions.

The City's contributions to the plan for the years ended September 30, 2015, 2014, and 2013 were \$236,343, \$220,620, and \$144,629 respectively, and equal to the actuarially determined contributions for each year. These contributions were paid by their due date. Total payroll for the City employees covered by the System was \$1,885,154 the year ended September 30, 2015. The City's total payroll was \$1,776,495 for the same period.

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

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At September 30, 2015, the City reported a liability of \$1,111,018 for its proportionate share of the collective net pension liability for the Florida Retirement System Pension Plan ("Pension Plan"). The net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The City's proportion of the collective net pension liability was based on the employers' shares of contributions to the Pension Plan relative to the total employer contributions of all participating employers. At June 30, 2015, the System's proportion of the Pension Plan was 0.008602%, which was an increase of 0.000036% from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$97,139 for the Pension Plan. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 117,291	\$ 26,350
Changes of assumptions	73,742	-
Net difference between projected and actual earnings on pension plan investments	391,331	656,624
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,034	-
Employer contributions subsequent to the measurement date	49,271	-
<b>Total</b>	<b>\$ 708,669</b>	<b>\$ 682,974</b>

**NOTE 12 - EMPLOYEE RETIREMENT (Continued)**

\$49,271 reported as deferred outflows of resources related to the Pension Plan resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

<b>Year Ended September 30,</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Pension Expense, Net</b>
2016	\$ 197,683	\$ 169,128	\$ 28,555
2017	148,412	169,128	(20,716)
2018	148,412	169,128	(20,716)
2019	148,411	169,128	(20,717)
2020	50,579	4,972	45,607
Thereafter	15,172	1,490	13,682
<b>Total</b>	<b>\$ 708,669</b>	<b>\$ 682,974</b>	<b>\$ 25,695</b>

*Actuarial assumptions.* The total pension liability for the Pension Plan was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Investment rate of return*	7.65%
Projected salary increases	3.25%

\* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of June 30, 2015 for the Pension Plan were based on the results of an investigation of the economic and demographic experience for the Florida Retirement System ("FRS") based upon participant data as of June 30, 2013.

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

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

**NOTE 12 - EMPLOYEE RETIREMENT (Continued)**

Asset Class	Target Allocation (1)	Annual Arithmetic Return*	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.2%	3.1%	1.7%
Fixed Income	18%	4.8%	4.7%	4.7%
Global equity	53%	8.5%	7.2%	17.7%
Real estate (property)	10%	6.8%	6.2%	12.0%
Private equity	6%	11.9%	8.2%	30.0%
Strategic Investments	12%	6.7%	6.1%	11.4%
<b>Total</b>	<b>100%</b>			

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

\* Includes assumed rate of inflation of 2.60%

*Discount rate.* The discount rate used to measure the total pension liability for the Pension Plan was 7.65%. The Plan's fiduciary net position was projected to be available to make all future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.65% for the Pension Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.65%) or 1-percentage point higher (8.65%) than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
City's proportionate share of collective net pension liability	\$ 2,878,899	\$ 1,111,018	\$ (360,149)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the FRS prepared as of June 30, 2015. The auditor's report dated April 8, 2016 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of June 30, 2015 along with supporting schedules is also available. The additional financial and actuarial information is available from [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**NOTE 12 - EMPLOYEE RETIREMENT (Continued)**

**Health Insurance Subsidy Program**

Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy Program (“HIS”), a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance. Contributions to the HIS plan are included in contributions to the Pension Plan noted above. The Pension Plan contributes 1.66% of each covered employee’s salary to the HIS Plan. The remainder is contributed to the Pension Plan, with the exception for 0.04% that is contributed to administrative expenses.

*Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions.* At September 30, 2015, the City reported a liability of \$598,119 for its proportionate share of the collective net pension liability. For the Health Insurance Subsidy program (“HIS Plan”), the net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The City’s proportion of the collective net pension liability was based on the employers’ shares of contributions to the HIS Plan relative to the total employer contributions of all participating employers. At June 30, 2015, the System’s proportion of the HIS Plan was 0.005865%, which was an increase of 0.000104% from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$45,956 for the HIS Plan. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	47,056	-
Net difference between projected and actual earnings on pension plan investments	324	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	14,015	8,054
Employer contributions subsequent to the measurement date	6,718	-
<b>Total</b>	<b>\$ 68,113</b>	<b>\$ 8,054</b>

\$6,718 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in the pension’s expense as follows:

**City of Chipley**  
**Notes to Financial Statements**

**NOTE 12 - EMPLOYEE RETIREMENT (Continued)**

Year Ended September 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense Net
2016	\$ 16,649	\$ 1,299	\$ 15,350
2017	9,931	1,299	8,632
2018	9,931	1,299	8,632
2019	9,931	1,299	8,632
2020	9,850	1,299	8,551
Thereafter	11,821	1,559	10,262
<b>Total</b>	<b>\$ 68,113</b>	<b>\$ 8,054</b>	<b>\$ 60,059</b>

The total pension liability for the HIS Plan was determined by an actuarial valuation as of June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Investment rate of return*	3.80%
Projected salary increases	3.25%

\* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of June 30, 2014 for the HIS Plan were based on the results of an investigation of the economic and demographic experience for the Florida Retirement System ("FRS") based upon participant data as of June 30, 2013.

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

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

*Discount rate.* The discount rate used to measure the total pension liability for the HIS Plan was 3.80%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion rate is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.80% for the HIS Plan as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.80%) or 1-percentage point higher (4.80%) than the current rate:

**NOTE 12 - EMPLOYEE RETIREMENT (Continued)**

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
City's proportionate share of collective net pension liability	\$ 681,529	\$ 598,119	\$ 528,568

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the FRS prepared as of June 30, 2015. The auditor's report dated April 8, 2016 on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of June 30, 2015 along with supporting schedules is also available. The additional financial and actuarial information is available from [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS**

**Plan Description** - The City provides optional post-employment healthcare insurance coverage to eligible individuals under a self-insured health insurance program. Four plans are offered: (i) a Blue Cross PPO plan with a \$500 deductible (Plan 0727), or (ii) a Blue Cross PPO plan with a \$1,000 deductible (Plan 3359), a Blue Cross PPO plan with a \$1,500 deductible (Plan 5360), and a Blue Cross PPO plan with a \$2,000 deductible (Plan 5901). Once the retiree becomes eligible for Medicare coverage, the monthly premium is reduced. The Plan does not issue a publicly available financial report.

In accordance with Section 112.081 of the Florida Statutes, the City provides postretirement health insurance to employees who retire from the City and wish to remain on the City's health plan. The retired employees reimburse the City for the actual premium cost, including the portion that previously would have been paid by the City during employment. Expenses for postretirement health care benefits are recognized as paid and there is no advance funding on the part of the City.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans*, requires specific accruals and disclosures for all governmental employers who provide other postemployment benefits for which the employer pays all or a part of the cost of the benefits, such as the postretirement health care plan discussed above. GASB Statement No. 45 improves financial reporting and disclosure by matching the cost of postemployment benefits with the periods when the related services are received by the employer, by providing information about accrued liabilities for promised benefits related to past services and the extent those liabilities have been funded and by providing valuable information about demands on future employer cash flows.

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

**Plan Description** - The City of Chipley has previously established and maintains an employee group medical insurance plan that it makes available to eligible retirees in accordance with State of Florida law and City ordinance. The medical plan is a single-employer, experience rate insurance plan that provides medical benefits to eligible retirees and their eligible dependents. The post-retirement benefit portion of this benefit plan refers to the medical benefits applicable to current and future retirees and their eligible dependents used for the purpose of this valuation.

As of the valuation date, the total number of participating eligible retirees and dependents used for the medical plan was 1. The City currently determines the eligibility, benefit provisions and changes to those provisions applicable to retirees in accordance with applicable City ordinances, federal and state laws.

***Actuarial Valuation as of September 30, 2015***

Summary of Employer Census Data

Number of active members	40
Number of retired members	-0-
Number of spouses receiving benefits	-0-

**Funded Status and Funding Progress** - As of September 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$83,504, and the actuarial value of present assets was \$ -0-, resulting in an unfunded actuarial accrued liability of \$83,504. The covered payroll (annual payroll of active participating employees) was \$1,467,082 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.69%.

**Annual OPEB Cost and Net OPEB Obligation** - The City’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions*. The ARC, which represents a level of funding that is paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for postemployment health care benefits.

**City of Chipley**  
**Notes to Financial Statements**

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)**

<b><i>Fiscal Year Ending September 30, 2015</i></b>	<b>Amount</b>
Annual required contribution	\$ 12,459
Service cost	83,504
Amortization of unfunded actuarial accrued liability	83,504
Annual OPEB cost	12,407
Contribution toward the OPEB cost in fiscal year 2014	(1,651)
Increase in Net OPEB obligation	10,756
Net OPEB obligation, beginning of year	3,172
<b>Net OPEB obligation, end of year</b>	<b>\$ 13,927</b>

Actuarial Method and Assumptions Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's OPEB actuarial valuation using information as of September 30, 2015 employed the projected unit cost method to estimate the unfunded actuarial accrued liability as of September 30, 2015 and to estimate the City's 2015 annual required contribution. Although the OPEB liability is currently unfunded, the actuarial assumption included a 4.5% discount rate. The actuarial assumptions also included a health care cost trend level 5.00% for medical. The economic rates are based on an assumed long-term medical inflation rate of 5.00% per annum. The amortization period used to determine amortization costs for the initial unfunded actuarial accrued liability is a level period for 30 years on an open basis.

**NOTE 14 – COMMITMENTS AND CONTINGENCIES**

**Litigation** - The City is involved in several litigations and claims arising in the ordinary course of operations. In the opinion of management, the range of potential recoveries or liabilities would not materially affect the financial position of the City at September 30, 2015. Accordingly, no accruals for loss contingency have been made in the accompanying financial statements.

**Grants** – Grant funds received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such reviews may result in requests for reimbursements due to disallowed expenditures. Based upon experience, the City does not believe that such disallowance,

**NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)**

if any, would have a material effect on the financial position of the City. As of September 30, 2015, there were no questioned or disallowed costs as a result of reviews by grantor agencies in process or completed.

**Construction Commitments** –The City had open contract commitments for construction of water and sewer improvements as of September 30, 2015 as follows:

Contract amounts	\$	3,624,288
Amount expended through September 30, 2015		306,445
<hr/>		
Remaining commitment on contract	\$	3,317,843
<hr/>		

**NOTE 15 – RISK MANAGEMENT**

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

**NOTE 16 – PRIOR PERIOD ADJUSTMENTS**

As discussed in Note 1, the implementation of GASB Statement Nos. 68 and 71 required that the City and its component units record its beginning proportionate share of its net pension asset, as well as related beginning deferred outflows for fiscal year 2014 contributions. The cumulative effect of applying these statements retroactively was a decrease in net position in the amount of \$1,154,205 for governmental activities and a decrease in the net position of \$561,539 for the business-type activities.

**NOTE 17 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the date the financial statements were available for issuance, and there are none to disclose.

**City of Chipley**  
**Required Supplementary Information**  
**Post-Employment Benefits Plan Schedule of Funding Progress**  
**September 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
9/30/2014	\$ -	\$ 62,977	\$ 62,977	0.00%	\$ 1,408,096	4.47%
9/30/2015	\$ -	\$ 83,504	\$ 83,504	0.00%	\$ 1,467,082	5.69%

**City of Chipley**  
**Required Supplementary Information**  
**Schedule of the Employer's Proportionate Share of the Net Pension Liability**  
**Florida Retirement System Pension Plan**  
**September 30, 2015**

<i>As of June 30,</i>	<b>2015</b>
Employer's proportion of the net pension liability	0.008602%
Employer's proportionate share of the net pension liability	\$ 1,111,018
Employer's covered-employee payroll*	\$ 1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.37%
Plan fiduciary net position as a percentage of the total pension liability	92.00%

\*Employer's covered-employee payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is the twelve month period beginning July 1, 2014.

**City of Chipley**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**  
**Florida Retirement System Pension Plan**  
**September 30, 2015**

<i>For the year ended September 30,</i>	<b>2015</b>	
Contractually required contribution**	\$	737,281
Contributions in relation to the actuarially determined contribution		737,281
<b>Contribution deficiency (excess)</b>	<b>\$</b>	<b>-</b>
Employer's covered-employee payroll*	\$	1,885,154
Contributions as a percentage of covered-employee payroll		39.11%

\*Employer's covered-employee payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll). For fiscal year 2015, the period is October 1, 2014 through September 30, 2015.

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

**City of Chipley**  
**Required Supplementary Information**  
**Schedule of Employer's Proportionate Share of the Net Pension Liability**  
**Health Insurance Subsidy Program**  
**September 30, 2015**

<i>As of June 30,</i>	<b>2015</b>
Employer's proportion of the net pension liability	0.005865%
Employer's proportionate share of the net pension liability	\$ 598,119
Employer's covered-employee payroll*	\$ 1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.58%
Plan fiduciary net position as a percentage of the total pension liability	0.50%

\*Employer's covered-employee payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2015, the measurement period is the twelve month period beginning July 1, 2014.

**City of Chipley**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**  
**Health Insurance Subsidy Program**  
**September 30, 2015**

<i>For the year ended September 30,</i>	<b>2015</b>	
Contractually required contribution**	\$	31,294
Contributions in relation to the actuarially determined contribution		31,294
<hr/>		
Contribution deficiency (excess)	\$	-
<hr/>		
Employer's covered-employee payroll*	\$	1,885,154
Contributions as a percentage of covered-employee payroll		1.66%

\*Employer's covered-employee payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll). For fiscal year 2015, the period is October 1, 2014 through September 30, 2015.

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

**City of Chipley**

**Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Year Ended September 30, 2015**

Federal/State Agency Pass-Through Entity Federal Program/State Project	CFDA CSFA Number	Contract/Grant Number	Expenditures
<b>Federal Highway Administration</b>			
Passed through State of Florida Department of Transportation			
Highway Planning and Construction	20.205	425739-2-38-01	\$ 10,843
Highway Planning and Construction	20.205	425739-1-58-01	113,521
Highway Planning and Construction	20.205	425739-2-68-01	30,880
<b>U.S. Department of Justice</b>			
Passed through Florida Department of Law Enforcement			
Local Law Enforcement Block Grant Program	16.738	2015-JAGD-WASH-1- R1-085	1,135
Passed through Bureau of Justice Assistance			
Bulletproof Vest Partnership Initiative	16.607		3,095
<b>Total Expenditures of Federal Awards</b>			<b>\$ 159,474</b>
<b>Florida Department of Environmental Protection</b>			
Florida Financially Disadvantaged Small Community Grant			
	37.075	576120	\$ 4,145,117
Statewide Surface Water Restoration and Wastewater Projects			
	37.039	LP67010	75,249
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ 4,220,366</b>

**City of Chipley**

**Notes to Schedule of Expenditures of Federal Awards and State  
Financial Assistance**

**For the Year Ended September 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and presentation of the Schedule of Expenditures of Federal Awards (SEFA) for the City have been designed to conform to generally accepted accounting principles as applicable to governmental units, including the reporting and compliance requirements contained in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and 10.550 Rules of the Florida Auditor General.

***Reporting Entity***

The reporting entity consists of the City of Chipley, Florida as detailed in Note 1 of the financial statements.

***Basis of Accounting***

The SEFA was prepared using the modified accrual basis of accounting. The modified accrual basis of accounting differs from the full accrual basis of accounting in that expenditures for federal property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, which conforms to the basis of reporting to grantors for reimbursement under the terms of the City's federal grants.

**NOTE 2 – ENVIRONMENTAL PROTECTION AGENCY LOAN**

The City was awarded funding for various improvements to the sewer system through a federal loan program funded by the Environmental Protection Agency and passed through the Florida Department of Environmental Protection. The nature of the loan award and the remaining unpaid principal balance for the loan is as follows:

Program Description	CFDA No.	Pass-through Grantor No.	Balance at September 30, 2015
<b>Florida Department of Environmental Protection –</b> A loan obtained to cover the expenses of sewer rehabilitation and upgrades, payable semiannually effective September 2010. Interest at rates ranging from 1.81% to 1.87% began to accrue upon due date of first principal payment.	66.458	DP 576150	\$ 504,720

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Chipley, Florida (the "City") as of and for the year ended September 30, 2015, 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 27, 2016.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

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

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

Certified Public Accountants

June 27, 2016

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

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

**Report on Compliance for Each Major State Project**

We have audited the City of Chipley, 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, 2015. The City's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major State Project***

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2015.

## Report on Internal Control Over Compliance

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 federal program or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

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

Certified Public Accountants

June 27, 2016

**INDEPENDENT AUDITOR'S REPORT ON AN EXAMINATION  
CONDUCTED IN ACCORDANCE WITH AICPA PROFESSIONAL STANDARDS,  
SECTION 601, REGARDING COMPLIANCE REQUIREMENTS IN ACCORDANCE  
WITH CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

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

We have examined the compliance of the City of Chipley, Florida (the "City") with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

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

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

Certified Public Accountants

June 27, 2016

**City of Chipley**  
**Schedule of Findings and Questioned Costs**  
**Relating to State Financial Assistance**  
**For the Year Ended September 30, 2015**

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Any material weakness(es) identified?  yes  no
- Any significant deficiencies identified not considered to be material weaknesses?  yes  none reported

Any noncompliance material to financial statements noted?  yes  no

**State Awards**

Internal control over major state projects:

- Any material weakness(es) identified?  yes  no
- Any significant deficiencies identified not considered to be material weaknesses?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with Rule 10.557 of the Florida Auditor General?  yes  no

Identification of major state projects:

CSFA Number(s)	Name of State Project
37.075	Disadvantaged Small Community Grant
Dollar threshold used to distinguish between type A and type B projects? \$ 300,000	

**Section II – Financial Statements Findings**

None

**Section III – Major State Projects Findings and Questioned Costs**

The audit did not disclose any audit findings required to be reported pursuant to Section 10.557, Rules of the Auditor General. (Section 10.554(1)(l)1.f, Rules of the Auditor General)

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to State projects.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.

## **MANAGEMENT LETTER**

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

### **Report on the Financial Statements**

We have audited the financial statements of the City of Chipley, Florida (the "City") as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated June 27, 2016.

### **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 Reports and Schedule**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major State Project and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an Examination Conducted In Accordance With AICPA Professional Standards, Section 601, Regarding Compliance Requirements In Accordance With Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 27, 2016, 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 recommendations made in the preceding audit report.

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

## **Financial Condition**

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

Pursuant to Sections 10.554(1)(i)5.c. 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.

## **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

## **Other Matters**

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

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

## **Purpose of this Letter**

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

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

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

Certified Public Accountants

June 27, 2016