

City of Chipley, Florida

FINANCIAL STATEMENTS

For the Year Ended September 30, 2016



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INGRAM

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City of Chipley
Table of Contents
September 30, 2016

TAB: REPORT	
Independent Auditors' Report	1
TAB: FINANCIAL STATEMENTS	
Management's Discussion and Analysis	3
Statement of Net Position	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	17
Chipley Redevelopment Agency	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Notes to Financial Statements	23
Required Supplementary Information	
Post-employment Benefits Plan Schedule of Funding Progress	53
Florida Retirement System Pension Plan	
Schedule of Employer's Proportionate Share of the Net Pension Liability	54
Schedule of Employer Contributions	55
Health Insurance Subsidy Program	
Schedule of Employer's Proportionate Share of the Net Pension Liability	56
Schedule of Employer Contributions	57



City of Chipley
Table of Contents
September 30, 2016

Other Information

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	58
Independent Accountants' Report on an Examination Conducted in Accordance with <i>AICPA Professional Standards</i> , Section 601, Regarding Compliance Requirements in Accordance with Chapter 10.550, Rules of the Auditor General and Section 218.45, Florida Statutes	60
Management Letter	61

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, the aggregate remaining fund information, and the Natural Gas proprietary fund of the City of Chipley, Florida (the "City"), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the Natural Gas proprietary fund of the City as of September 30, 2016, 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.

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 3 through 10, post-employment benefits plan schedule of funding progress on page 53, and required supplementary information for the Florida Retirement System Pension Plan and the Health Insurance Subsidy Program on pages 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, 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
Enterprise, Alabama
June 26, 2017

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, 2015 and September 30, 2016 please read in conjunction with the City's financial statements (beginning on page 10).

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 during a prior fiscal year. The funds are being used toward the design and 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 with a scheduled completion date of June 2018.
- The City was awarded a \$440,000 Water Supply Development Community Assistance Grant by the Northwest Florida Water Management District during a prior fiscal year. The funds are being used toward the design and construction of a drinking water well and drinking water line extension. This project continued during this fiscal year with a scheduled completion date of September 2017.
- The City was awarded a \$1,340,534 Petroleum Restoration Program Grant by the Florida Department of Environmental Protection during a prior fiscal year. The funds are being used toward the design and construction of a drinking water well. This project continued during this fiscal year with a scheduled completion date of March 2018.
- The City was awarded a \$407,682 Small County Outreach Program (SCOP) and Rural Areas of Opportunity (RAO) Grant by the Florida Department of Transportation. The funds are being used toward the design, construction and construction engineer inspection (CEI) services for the 5th Street Resurfacing and Drainage Improvements Phase I Project. This project continued during this fiscal year with a scheduled completion date of August 2017.
- The City was awarded a \$2,350,000 Capitalization Loan/Grant for State Revolving Funds by the Florida Department of Environmental Protection. The funds are being used toward the planning and land acquisition for wastewater treatment and disposal.
- The City was awarded a \$50,000 Florida Recreation Development Assistance Grant by the Florida Department of Environmental Protection. The funds are being used toward the construction of Pals Park Phase VI Improvements and Renovations. This project continued during this fiscal year with a scheduled completion date of April 2018.
- The City was awarded a \$50,000 Florida Recreation Development Assistance Grant by the Florida Department of Environmental Protection. The funds are being used toward the construction of Pals Park Phase VII Improvements and Renovations. This project continued during this fiscal year with a scheduled completion date of April 2018.

City of Chipley Management's Discussion and Analysis

- The City was awarded a \$31,481 Local Agency Program Highway Planning and Construction Grant by the Florida Department of Transportation. The funds are being used toward the design of 5th Street Drainage Improvements. This project continued during this fiscal year with a scheduled completion date of September 2017.
- The City was awarded a \$25,000 Division of Community Development Technical Assistance Grant by the Florida Department of Economic Opportunity. The funds are being used to update the Community Redevelopment Plan for the Community Redevelopment Agency (CRA). This project continued during this fiscal year with a scheduled completion date of June 2017.
- The City is currently working on an update to the City Comprehensive Plan in an amount of \$30,000. This project continued during this fiscal year with a scheduled completion date of September 2017.

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.

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.

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 governmental-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.

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 beginning on page 23.

City of Chipley
Management's Discussion and Analysis

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, 2016 and 2015:

	Governmental Activities		
	2016	2015	Change
Assets			
Current and other assets	\$ 3,076,794	\$ 3,103,916	\$ (27,122)
Capital assets, net	4,963,937	5,071,309	(107,372)
Total assets	8,040,731	8,175,225	(134,494)
Deferred Outflows of Resources			
Deferred outflows related to pension liability	1,093,179	522,552	570,627
Liabilities			
Current liabilities	245,431	297,189	(51,758)
Noncurrent liabilities	3,135,351	2,353,430	781,921
Total liabilities	3,380,782	2,650,619	730,163
Deferred Inflows of Resources			
Unavailable revenue - occupational licenses	56,227	41,387	14,840
Deferred inflows related to pensions	323,744	464,864	(141,120)
Total deferred inflows of resources	379,971	506,251	(126,280)
Net Position			
Net investment in capital assets	4,188,425	4,271,488	(83,063)
Restricted	1,457,643	1,428,142	29,501
Unrestricted	(272,911)	(158,723)	(114,188)
Total net position	\$ 5,373,157	\$ 5,540,907	\$ (167,750)

City of Chipley
Management's Discussion and Analysis

	Business-type Activities		
	2016	2015	Change
Assets			
Current and other assets	\$ 1,469,485	\$ 1,557,328	\$ (87,843)
Capital assets, net	37,017,305	37,736,732	(719,427)
Total assets	38,486,790	39,294,060	(807,270)
Deferred Outflows of Resources			
Deferred outflows related to pension liability	514,783	254,230	260,553
Liabilities			
Current liabilities	444,641	354,227	90,414
Noncurrent liabilities	3,939,397	3,622,100	317,297
Total liabilities	4,384,038	3,976,327	407,711
Deferred Inflows of Resources			
Deferred inflows related to pensions	161,728	226,164	(64,436)
Net Position			
Net investment in capital assets	34,288,135	34,887,723	(599,588)
Restricted	369,210	297,312	71,898
Unrestricted	(201,538)	160,764	(362,302)
Total net position	\$ 34,455,807	\$ 35,345,799	\$ (889,992)

Net position 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 \$5.4 million for governmental activities and \$34.5 million for business-type activities.

The largest component (\$38.5 million) of the City's net assets as of September 30, 2016, 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, 2016. 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 position measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net positions of the governmental activities decreased \$168 thousand, or greater than 3.0 percent, and the net position of the business-type activities decreased by \$890 thousand, or greater than 2.5 percent. The governmental and business-type activities decrease in net position of \$1,057,742 was due primarily to an increase in the net pension liability of \$1,199,879.

City of Chipley
Management's Discussion and Analysis

For the years ended September 30,	Governmental Activities		
	2016	2015	Change
Revenues			
Program revenues			
Charges for services	\$ 127,626	\$ 120,133	\$ 7,493
Operating grants and contributions	868,843	978,049	(109,206)
Capital grants and contributions	97,347	79,247	18,100
General revenues			
Taxes	1,735,350	1,742,273	(6,923)
Investment Earnings	11,052	6,236	4,816
Other	180,132	128,832	51,300
Total revenues	3,020,350	3,054,770	(34,420)
Expenses			
Governmental Activities			
General Government	854,280	992,734	(138,454)
Public Safety	1,189,919	1,106,925	82,994
Public Works	658,511	496,148	162,363
Cemetery and Grounds	221,903	176,974	44,929
Culture and Recreation	225,766	195,633	30,133
Interest	37,721	39,252	(1,531)
Total expenses	3,188,100	3,007,666	180,434
Excess revenues over (under) expenses	(167,750)	47,104	(120,646)
Net Position - beginning	5,540,907	6,648,008	(1,107,101)
Restatement of net position	-	(1,154,205)	1,154,205
Net Position - beginning, as restated	5,540,907	5,493,803	47,104
Net Position - ending	\$ 5,373,157	\$ 5,540,907	\$ (167,750)

For the years ended September 30,	Business-type Activities		
	2016	2015	Change
Revenues			
Program revenues			
Charges for services	\$ 2,765,773	\$ 2,754,823	\$ 10,950
Capital grants and contributions	281,488	4,251,152	(3,969,664)
General revenues			
Investment Earnings	4,205	3,449	756
Debt forgiveness	-	816,932	(816,932)
Other	83,578	69,020	14,558
Total revenues	\$ 3,135,044	\$ 7,895,376	\$ (4,760,332)

City of Chipley Management's Discussion and Analysis

For the years ended September 30,	Business-type Activities		
	2016	2015	Change
Expenses			
Business-type activities			
Water	\$ 763,779	\$ 699,980	\$ 63,799
Sewer	2,188,952	2,172,807	16,145
Sanitation	685,739	675,308	10,431
Natural Gas	386,566	398,333	(11,767)
Total expenses	4,025,036	3,946,428	78,608
Excess revenues over (under) expenses	(889,992)	3,948,948	(4,838,940)
Net Position - beginning	35,345,799	31,958,390	3,387,409
Restatement of net position (note 12)	-	(561,539)	561,539
Net Position - beginning, as restated	35,345,799	31,396,851	3,948,948
Net Position - ending	\$ 34,455,807	\$ 35,345,799	\$ (889,992)

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, a major governmental 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 2016, the City's general fund reported a fund balance of \$2,084,253. The restricted portion of this fund balance is \$993,955, the committed portion is \$57,856, the assigned portion is \$15,293 and the unassigned portion is \$1,017,149.

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 2016, the community redevelopment agency fund reported a nonspendable balance of \$61,966 and a restricted fund balance of \$324,663.

As of the end of the fiscal year 2016, the City's other governmental funds (non-major funds) reported a restricted fund balance of \$70,465 and a committed fund balance of \$11,520.

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.

Capital Asset and Long-Term Debt

During fiscal year 2016, the City invested \$718,549 in capital assets and reduced total debt by \$121,231. Approximately \$366,408 capital expenditures were funded with federal and state government grants.

Additional information about the City's capital assets and debt activity can be obtained in Notes 6 and 7 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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,548,484	\$ 481,388	\$ 2,029,872
Investments	6,308	-	6,308
Receivables, net	245,324	306,303	551,627
Due from other governments	26,770	401,904	428,674
Internal balances	366,500	(366,500)	-
Restricted cash	658,171	398,555	1,056,726
Restricted investments	-	207,835	207,835
Land held for resale	225,237	-	225,237
Deposits on land	-	40,000	40,000
Capital assets, not being depreciated	1,001,217	1,154,138	2,155,355
Capital assets being depreciated, net	3,962,720	35,863,167	39,825,887
Total assets	8,040,731	38,486,790	46,527,521
Deferred Outflows of Resources			
Deferred outflows related to pension liability	1,093,179	514,783	1,607,962
Liabilities			
Accounts payable	102,701	184,737	287,438
Accrued payroll liabilities	48,943	28,583	77,526
Other liabilities	-	2,139	2,139
Payable from restricted assets			
Accrued interest	2,968	10,086	13,054
Customer deposits	-	219,096	219,096
Long-term liabilities			
Net pension liability	1,973,511	935,506	2,909,017
Other post-employment benefit liability	23,051	4,784	27,835
Portion due or payable within one year			
Compensated absences	90,819	40,782	131,601
Notes payable	-	77,492	77,492
Bonds payable	17,182	102,700	119,882
Portion due or payable after one year			
Compensated absences	363,277	189,155	552,432
Notes payable	-	537,378	537,378
Bonds payable	758,330	2,051,600	2,809,930
Total liabilities	3,380,782	4,384,038	7,764,820
Deferred Inflows of Resources			
Unavailable revenue - occupational licenses	56,227	-	56,227
Deferred inflows related to pensions	323,744	161,728	485,472
Total deferred inflows of resources	379,971	161,728	541,699
Net Position			
Net investment in capital assets	4,188,425	34,288,135	38,476,560
Restricted	1,457,643	369,210	1,826,853
Unrestricted	(272,911)	(201,538)	(474,449)
Total net position	\$ 5,373,157	\$ 34,455,807	\$ 39,828,964

See accompanying notes to the financial statements.

City of Chipley
Statement of Activities
For the Year Ended September 30, 2016

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General government	\$ 854,280	\$ 45,780	\$ 516,299
Public safety	1,189,919	34,821	199,235
Public works	658,511	-	139,174
Cemetery and grounds	221,903	10,400	-
Culture and recreation	225,766	36,625	14,135
Interest	37,721	-	-
Total governmental activities	3,188,100	127,626	868,843
Business-type Activities:			
Water	763,779	627,526	-
Sewer	2,188,952	1,155,662	-
Sanitation	685,739	690,935	-
Natural gas	386,566	291,650	-
Total business-type activities	4,025,036	2,765,773	-
Total primary government	\$ 7,213,136	\$ 2,893,399	\$ 868,843

General Revenues

Taxes:

Ad valorem tax

Sales taxes

Utility taxes

Other taxes

Investment earnings

Miscellaneous

Rental income

Total general revenues

Change in net position

Net Position - beginning

Net Position - ending

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
\$ 84,920	\$ (207,281)	\$ -	\$ (207,281)
-	(955,863)	-	(955,863)
-	(519,337)	-	(519,337)
-	(211,503)	-	(211,503)
12,427	(162,579)	-	(162,579)
-	(37,721)	-	(37,721)
97,347	(2,094,284)	-	(2,094,284)
245,781	-	109,528	109,528
35,707	-	(997,583)	(997,583)
-	-	5,196	5,196
-	-	(94,916)	(94,916)
281,488	-	(977,775)	(977,775)
\$ 378,835	(2,094,284)	(977,775)	(3,072,059)
	951,037	-	951,037
	123,581	-	123,581
	596,482	-	596,482
	64,250	-	64,250
	11,052	4,205	15,257
	56,132	83,578	139,710
	124,000	-	124,000
	1,926,534	87,783	2,014,317
	(167,750)	(889,992)	(1,057,742)
	5,540,907	35,345,799	40,886,706
\$	\$ 5,373,157	\$ 34,455,807	\$ 39,828,964

City of Chipley
Balance Sheet – Governmental Funds
For the Year Ended September 30, 2016

	General Fund	Community Redevelopment Agency
Assets		
Cash and cash equivalents	\$ 1,536,964	\$ -
Investments	6,308	-
Receivables, net	170,510	74,814
Due from other governments	26,770	-
Interfund receivables	366,500	-
Restricted cash	269,291	318,415
Total assets	\$ 2,376,343	\$ 393,229
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 96,101	\$ 6,600
Accrued payroll liabilities	139,762	-
Total liabilities	235,863	6,600
Deferred inflows of resources		
Unavailable revenue - occupational license	56,227	-
Fund balances		
Nonspendable	-	61,966
Restricted	993,955	324,663
Committed	57,856	-
Assigned	15,293	-
Unassigned	1,017,149	-
Total fund balances	2,084,253	386,629
Total liabilities, deferred inflows of resources and fund balances	\$ 2,376,343	\$ 393,229

See accompanying notes to the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 11,520	\$ 1,548,484
-	6,308
-	245,324
-	26,770
-	366,500
70,465	658,171
<hr/>	
\$ 81,985	\$ 2,851,557
<hr/>	
\$ -	\$ 102,701
-	139,762
<hr/>	
-	242,463
<hr/>	
-	56,227
<hr/>	
-	61,966
70,465	1,389,083
11,520	69,376
-	15,293
-	1,017,149
<hr/>	
81,985	2,552,867
<hr/>	
\$ 81,985	\$ 2,851,557
<hr/>	

City of Chipley

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2016**

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

Total fund balance - governmental funds	\$ 2,552,867
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	4,963,937
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	1,093,179
Deferred inflows related to pension	(323,744)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(363,277)
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	(775,512)
Net pension liability	(1,973,511)
Net other post-employment benefit liability	(23,051)
Net position of governmental activities in the Statement of Net Position	\$ 5,373,157

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, 2016

	General Fund	Community Redevelopment Agency
Revenues		
Taxes	\$ 2,131,988	\$ -
Licenses and permits	43,326	-
Intergovernmental	282,955	149,170
Charges for services	36,625	-
Fines, forfeitures and penalties	17,928	-
Investment earnings	7,674	3,372
Rental income	124,000	-
Miscellaneous	206,160	-
Total revenues	2,850,656	152,542
Expenditures		
General government	636,199	142,511
Public safety	1,051,693	-
Public works	698,106	-
Cemetery and grounds	213,513	-
Culture and recreation	191,998	-
Debt Service		
Principal	-	-
Interest	-	-
Total expenditures	2,791,509	142,511
Excess (Deficiency) of Revenues Over (Under) Expenditures	59,147	10,031
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(22,439)	-
Total other financing sources (uses)	(22,439)	-
Net change in fund balances	36,708	10,031
Fund Balances - Beginning	2,047,545	376,598
Fund Balances - Ending	\$ 2,084,253	\$ 386,629

See accompanying notes to the financial statements.

Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,131,988
-	43,326
-	432,125
-	36,625
-	17,928
5	11,051
-	124,000
17,147	223,307
17,152	3,020,350
-	778,710
14,504	1,066,197
-	698,106
-	213,513
-	191,998
24,309	24,309
37,721	37,721
76,534	3,010,554
(59,382)	9,796
22,439	22,439
-	(22,439)
22,439	-
(36,943)	9,796
118,928	2,543,071
\$ 81,985	\$ 2,552,867

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, 2016**

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

Net change in fund balances - total governmental funds:	\$	9,796
<p>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.</p>		
		173,881
<p>Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position.</p>		
		(281,253)
<p>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:</p>		
Current year increase in pension expense		(112,003)
Current year increase in other post-employment benefit expense		(9,124)
<p>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:</p>		
Compensated absences		26,644
<p>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.</p>		
Repayment of debt		24,309
<hr/>		
Change in net position of governmental activities	\$	(167,750)
<hr/>		

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with
	<u>Original</u>	<u>Final</u>		Budget - Positive (Negative)
Revenues				
Taxes	\$ 2,194,488	\$ 2,226,338	\$ 2,131,988	\$ (94,350)
Licenses and permits	46,000	46,000	43,326	(2,674)
Intergovernmental	374,081	758,475	282,955	(475,520)
Charges for services	25,000	25,000	36,625	11,625
Fines and forfeitures	21,900	32,960	17,928	(15,032)
Investment earnings	4,000	4,000	7,674	3,674
Rental income	124,000	124,000	124,000	-
Miscellaneous	192,180	231,748	206,160	(25,588)
Total revenues	2,981,649	3,448,521	2,850,656	(597,865)
Expenditures				
General government	700,389	719,431	636,199	83,232
Public safety	1,045,161	1,087,499	1,051,693	35,806
Public works	846,804	1,157,513	698,106	459,407
Cemetary and grounds	215,850	215,850	213,513	2,337
Culture and recreation	186,400	298,050	191,998	106,052
Total expenditures	2,994,604	3,478,343	2,791,509	686,834
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(12,955)	(29,822)	59,147	88,969
Other Financing Sources (Uses)				
Transfers in	103,750	110,172	-	(110,172)
Transfers out	(155,046)	(155,046)	(22,439)	132,607
Total other financing sources				
(uses)	(51,296)	(44,874)	(22,439)	22,435
Net change in fund balances	(64,251)	(74,696)	36,708	111,404
Fund Balances - beginning	2,047,545	2,047,545	2,047,545	-
Fund Balances - ending	\$ 1,983,294	\$ 1,972,849	\$ 2,084,253	\$ 111,404

See accompanying notes to the financial statements.

City of Chipley

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Community Redevelopment Agency
For the Year Ended September 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	<u>Variance with</u> <u>Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 149,172	\$ 149,172	\$ 149,170	\$ (2)
Investment earnings	3,000	4,200	3,372	(828)
Total revenues	152,172	153,372	152,542	(830)
Expenditures				
General government	87,921	142,021	142,511	(490)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	64,251	11,351	10,031	(1,320)
Fund Balances - beginning	376,598	376,598	376,598	-
Fund Balances - ending	\$ 440,849	\$ 387,949	\$ 386,629	\$ (1,320)

See accompanying notes to the financial statements.

City of Chipley
Statement of Net Position – Proprietary Funds
September 30, 2016

	Business-Type	
	Water	Sewer
Assets		
Current assets		
Cash and cash equivalents	\$ 2,220	\$ 3,461
Accounts receivable, net	72,879	128,679
Due from other governmentals	323,648	78,256
Restricted assets:		
Cash and cash equivalents	131,000	206,466
Investments	-	207,835
Total current assets	529,747	624,697
Non-current assets		
Deposits on land	-	40,000
Land and construction in progress	377,034	762,254
Capital assets, net of depreciation	3,202,694	32,324,685
Total non-current assets	3,579,728	33,126,939
Total assets	4,109,475	33,751,636
Deferred Outflows of Resources		
Deferred outflows related to pensions	173,945	237,479
Liabilities		
Current liabilities		
Accounts payable	100,273	83,221
Accrued payroll liabilities	9,472	12,696
Other accrued liabilities	-	-
Interfund payables	227,000	139,500
Total current liabilities	336,745	235,417
Current liabilities payable from restricted assets		
Accrued interest	1,033	8,767
Notes payable, current portion	25,393	28,338
Bonds payable, current portion	2,000	100,700
Total current liabilities payable from restricted assets	28,426	137,805
Noncurrent liabilities		
Compensated absences	91,202	68,698
Customer deposits	71,092	89,300
Net pension liability	316,652	430,928
Notes payable	18,319	503,257
Other post-employment benefit liability	1,609	1,845
Bonds payable	109,900	1,941,700
Total noncurrent liabilities	608,774	3,035,728
Total liabilities	973,945	3,408,950
Deferred Inflows of Resources		
Deferred inflows related to pensions	55,465	73,647
Net Position		
Net investment in capital assets	3,424,116	30,552,944
Restricted	58,859	310,351
Unrestricted (deficit)	(228,965)	(356,777)
Total net position	\$ 3,254,010	\$ 30,506,518

See accompanying notes to the financial statements.

Activities

	Sanitation	Natural Gas	Total
\$	466,023	\$ 9,684	\$ 481,388
	77,447	27,298	306,303
	-	-	401,904
	32,083	29,006	398,555
	-	-	207,835
	575,553	65,988	1,795,985
	-	-	40,000
	10,350	4,500	1,154,138
	115,238	220,550	35,863,167
	125,588	225,050	37,057,305
	701,141	291,038	38,853,290
	41,549	61,810	514,783
	299	944	184,737
	2,427	3,988	28,583
	-	2,139	2,139
	-	-	366,500
	2,726	7,071	581,959
	286	-	10,086
	32,103	-	85,834
	-	-	102,700
	32,389	-	198,620
	23,366	46,671	229,937
	32,413	26,291	219,096
	75,582	112,344	935,506
	7,460	-	529,036
	448	882	4,784
	-	-	2,051,600
	139,269	186,188	3,969,959
	174,384	193,259	4,750,538
	13,168	19,448	161,728
	86,025	225,050	34,288,135
	-	-	369,210
	469,113	(84,909)	(201,538)
\$	555,138	\$ 140,141	\$ 34,455,807

City of Chipley
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2016

	Business-Type	
	Water	Sewer
Operating Revenues		
Charges for services	\$ 627,526	\$ 1,155,662
Miscellaneous revenue	38,739	43,571
Total operating revenues	666,265	1,199,233
Operating Expenses		
Salaries and benefits	386,324	474,546
Services and supplies	232,857	479,892
Other expenses	6,958	31,383
Depreciation	131,561	1,090,492
Total operating expenses	757,700	2,076,313
Operating Income (Loss)	(91,435)	(877,080)
Non-Operating Revenues (Expenses)		
Grant revenue	245,781	35,707
Interest income	3	1,265
Interest expense	(6,079)	(112,639)
Total non-operating revenues (expenses)	239,705	(75,667)
Income (Loss) Before Transfers	148,270	(952,747)
Total Net Position - beginning	3,105,740	31,459,265
Total Net Position - ending	\$ 3,254,010	\$ 30,506,518

See accompanying notes to the financial statements.

Activities

Sanitation	Natural Gas	Total
\$ 690,935	\$ 291,650	\$ 2,765,773
-	1,268	83,578
690,935	292,918	2,849,351
87,370	155,725	1,103,965
573,148	206,080	1,491,977
2,701	3,743	44,785
21,024	21,018	1,264,095
684,243	386,566	3,904,822
6,692	(93,648)	(1,055,471)
-	-	281,488
2,570	367	4,205
(1,496)	-	(120,214)
1,074	367	165,479
7,766	(93,281)	(889,992)
547,372	233,422	35,345,799
\$ 555,138	\$ 140,141	\$ 34,455,807

City of Chipley
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2016

	<u>Business-Type</u>	
	Water	Sewer
Cash Flows From Operating Activities		
Receipts from customers, users and others	\$ 583,526	\$ 1,076,772
Payments to suppliers	(183,372)	(470,742)
Payments to employees	(259,599)	(338,629)
Net cash provided by (used in) operating activities	140,555	267,401
Cash Flows From Non-Capital Financing Activities		
Advances from other funds	131,000	96,250
Cash Flows From Capital and Related Financing Activities		
Grant revenue	6,678	-
Purchases and construction of capital assets	(251,501)	(240,339)
Principal paid on capital debt	(18,989)	(122,289)
Interest paid on capital debt	(5,974)	(112,434)
Net cash used in capital and related financing activities	(269,786)	(475,062)
Cash Flows From Investing Activities		
Interest and dividends	3	1,265
Sale of investments	-	20,073
Net cash provided by investing activities	3	21,338
Net increase (decrease) in cash and cash equivalents	1,772	(90,073)
Cash and Cash Equivalents - beginning	131,448	300,000
Cash and Cash Equivalents - ending	\$ 133,220	\$ 209,927

See accompanying notes to the financial statements.

Activities

Sanitation	Natural Gas	Total
\$ 670,792	\$ 263,076	\$ 2,594,166
(550,329)	(174,194)	(1,378,637)
(88,683)	(153,211)	(840,122)
31,780	(64,329)	375,407
-	-	227,250
-	-	6,678
-	-	(491,840)
(31,387)	-	(172,665)
(1,313)	-	(119,721)
(32,700)	-	(777,548)
2,570	367	4,205
-	-	20,073
2,570	367	24,278
1,650	(63,962)	(150,613)
496,456	102,652	1,030,556
\$ 498,106	\$ 38,690	\$ 879,943

-Continued-

City of Chipley
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended September 30, 2016

	<u>Business-Type</u>	
	<u>Water</u>	<u>Sewer</u>
Reconciliation of Operating Income (Loss) to		
Net Cash Provided by (Used In) Operating		
Activities		
Cash Provided by Operating Activities		
Operating income (loss)	\$ (91,435)	\$ (877,080)
Adjustments to reconcile operating income		
(loss) to net cash provided by (used in)		
operating activities:		
Depreciation	131,561	1,090,492
Changes in operating assets and liabilities:		
Accounts receivable	4,507	(2,539)
Deferred outflows related to pension	(87,323)	(121,044)
Accounts payable	75,622	37,992
Accrued payroll liabilities	(6,745)	(9,665)
Other accrued liabilities	-	-
Compensated absences	8,219	1,476
Pension liability	126,058	174,737
Other post-employment benefit liability	1,609	1,845
Deferred inflows related to pension	(21,595)	(29,935)
Customer deposits	77	1,122
Net cash provided by (used in) operating activities	\$ 140,555	\$ 267,401
Non-cash Financing Activities:		
Equipment acquired through issuance of long-term		
debt	\$ 24,999	\$ 44,462

See accompanying notes to the financial statements.

Activities

Sanitation	Natural Gas	Total
\$ 6,692	\$ (93,648)	\$ (1,055,471)
21,024	21,018	1,264,095
286	2,462	4,716
(20,928)	(31,259)	(260,554)
36	(3,142)	110,508
(2,085)	(3,241)	(21,736)
-	496	496
772	5,755	16,222
30,212	45,123	376,130
448	882	4,784
(5,176)	(7,730)	(64,436)
499	(1,045)	653
<u>\$ 31,780</u>	<u>\$ (64,329)</u>	<u>\$ 375,407</u>
<u>\$ 23,365</u>	<u>\$ -</u>	<u>\$ 92,826</u>

NOTE

1. Summary of Significant Accounting Policies
2. Stewardship, Compliance, and Accountability
3. Cash, Cash Equivalents and Investments
4. Receivables
5. Interfund Balances and Transfers
6. Capital Assets
7. Long-Term Debt
8. Employee Retirement Plan
9. Post-Employment Benefits Other Than Pension
10. Restricted Net Position
11. Supplemental Cash Flow Information
12. Major Supplier
13. Commitments and Contingencies
14. Risk Management and Litigation
15. Subsequent Events

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 in accordance with the Governmental Accounting Standards Board (GASB). 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 GAAP, 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 as determined by amortized cost.

Receivables

Governmental Fund - 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, substantially all of whom are local residents or businesses. Unbilled revenues are recognized at the end of each fiscal year and combined with accounts receivable for financial statement reporting. Unbilled revenues are based on the usage incurred in September and billed during October following the close of the fiscal year. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. Buildings 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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

that qualifies 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 employer liability (net of any refunds or error service payments) subsequent to the measurement date.

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 the following 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, 2016 is comprised of the following:

	General Fund	Community Redevelopment Agency	Other Government Funds	Total Governmental Funds
Nonspendable				
Long-term loans receivable	\$ -	\$ 61,966	\$ -	\$ 61,966
Restricted				
Capital Improvements	993,955	-	-	993,955
Debt Service	-	-	70,465	70,465
Economic development	-	324,663	-	324,663
Committed:				
Cemetery	57,856	-	-	57,856
Volunteer Fire Department	-	-	11,520	11,520
Assigned:				
Recreation	15,293	-	-	15,293
Unassigned	1,017,149	-	-	1,017,149
	\$ 2,084,253	\$ 386,629	\$ 81,985	\$ 2,552,867

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, 2015
Levy date:	November 1, 2015
Due date:	March 31, 2016
Delinquent date:	April 1, 2016

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

New Accounting Standards Adopted

In fiscal year 2016, the City adopted four (4) new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB) as follows:

- Statement No. 72, *Fair Value Measurement and Application*
- 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*
- Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
- Statement No. 79, *Certain External Investment Pools and Pool Participants*

GASB Statement No. 72, *Fair Value Measurement and Application* (“GASB 72”), addresses accounting and financial reporting issues related to fair value measurements. GASB 72 was effective for the City beginning with its year ended September 30, 2016. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and the related disclosures. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement also requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. There was no impact on the City’s financial statements as a result of the implementation of GASB 72.

GASB 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* (“GASB 73”), extends the approach to accounting and financial reporting established in Statement 68 to all pensions. It establishes requirements for defined contribution pensions that are not within the scope of Statement 68. Requirements of this Statement for pension plans that are within the scopes of Statement No. 67 or Statement 68, were effective for fiscal years beginning after June 15, 2015. Thus, these requirements of GASB 73 will be effective for the City beginning with its year ending September 30, 2016. GASB 73 clarifies the application of certain provisions of Statements 67 and 68 with regard to: (1) Information that is required to be presented as notes, (2) Accounting and financial reporting for separately financed specific liabilities, and (3) Timing of employer recognition of revenue. There was no impact on the City’s financial statements as a result of the implementation of GASB 73.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB 76”), supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 76 was effective for the City beginning with its year ended September 30, 2016. There was no impact on the City’s financial statements as a result of the implementation of GASB 76.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (“GASB 79”), addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. GASB 79 establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized costs for financial reporting purposes and for governments that participate in those pools. GASB 79 is effective for fiscal years beginning after June 15, 2015. The City has not completed the process of evaluating the impact of GASB 79 on its financial statements.

Accounting Standards Issued But Not Yet Effective

Other accounting standards that the City is currently reviewing for applicability and potential impact on the financial statements include:

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (“GASB 74”), replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB (Other Postemployment Benefits) Measurement by Agent Employers and Agent Multiple-Employer Plans*. GASB 74 will be effective for fiscal years beginning after June 15, 2016. Included are requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. GASB 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. The City has not completed the process of evaluating the impact of GASB 74 on its financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (“GASB 75”), replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. GASB 75 will be effective for fiscal years beginning after June 15, 2017. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. The City has not completed the process of evaluating the impact of GASB 75 on its financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 77, *Tax Abatement Disclosures* (“GASB 77”), requires governments that enter into tax abatement agreements to disclose: (1) Brief descriptive information concerning the agreement; (2) The gross dollar amount of taxes abated during the period; and 3) Commitments made by government, other than to abate taxes, that are part of the tax abatement agreement. GASB 77 will be effective for fiscal years beginning after December 15, 2015. The City has not completed the process of evaluating the impact of GASB 77 on its financial statements.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* (“GASB 78”), amends the scope and applicability of Statement 68. It excludes pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local government pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local government employers, and (3) has no predominate state or local government employer. This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosure; and required supplementary information for pensions that have the characteristics described above. GASB 78 will be effective for fiscal years beginning after December 15, 2015. The City has not completed the process of evaluating the impact of GASB 78 on its financial statements.

GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14* (“GASB 80”), amends the blending requirements for the financial statement presentation of component units of all state and local governments. GASB 80 will be effective for fiscal years beginning after June 15, 2016. The City has not completed the process of evaluating the impact of GASB 80 on its financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (“GASB 81”), requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. GASB 81 will be effective for the fiscal years beginning after December 15, 2016. The City has not completed the process of evaluating the impact of GASB 81 on its financial statements.

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73* (“GASB 82”), addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (Plan member) contribution requirements. GASB 82 will be effective for fiscal years beginning after June 15, 2016. The City has not completed the process of evaluating the impact of GASB 82 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.

During fiscal year 2016, there were general fund supplemental budget appropriations of \$466,872 or 15.66% of the original budget. The Community Redevelopment Agency had supplemental budget appropriations of \$1,200 or 0.79% of the original budget. The following items represent the major additional appropriations:

General Fund

Various federal and state grants	\$ 365,334
Various personnel services and operating costs	101,538
<hr/>	
Total general fund	\$ 466,872
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Community Redevelopment Agency

Various personnel services and operating costs	\$ 1,200
<hr/>	

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:

- 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.

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

- 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 reported at fair value (amortized cost) in the amount of \$214,143 as of September 30, 2016.

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, 2016, the fair value and the carrying value of these funds was \$2,111,122. The funds are carried as cash on the balance sheet in the amount of \$1,811,377, and as restricted cash of \$299,745 at September 30, 2016. The local government surplus investment pool is not rated by a nationally recognized statistical rating agency as of September 30, 2016.

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

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.

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, 2016, the City held the following investments:

Investment Type	Fair Value	Purchase Date to Maturity	
		0 – 1 Year	1 – 2 Years
Certificates of Deposit	\$ 214,143	\$ -	\$ 214,143

Land Held for Resale

City law enforcement seized real estate as part of law enforcement activities in January 2007. The fair value of this real estate is estimated at \$225,237, and it is currently being held for sale by the City.

City of Chipley
Notes to Financial Statements

NOTE 4 – RECEIVABLES

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

Governmental Funds

	General Fund	Community Redevelopment Agency
Taxes	\$ 85,309	\$ -
Franchise fees	27,376	-
Revolving loan receivable	-	74,814
Other	57,825	-
	\$ 170,510	\$ 74,814

Proprietary Funds

	Water	Sewer	Sanitation	Non-major Natural Gas
Accounts – utility billings (1)	\$ 72,639	\$ 129,995	\$ 78,209	\$ 27,493
Allowance for doubtful accounts	(727)	(1,316)	(787)	(280)
Other	967	-	25	85
	\$ 72,879	\$ 128,679	\$ 77,447	\$ 27,298

(1) Includes unbilled revenue for September usage billed in October and transfers.

Due From Other Governments

The \$401,904 reported in the proprietary fund is due from the State of Florida and deemed collectible.

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, 2016 is shown below:

Interfund Receivables and Payables

	Payable Fund		
	Water	Sewer	Total
Receivable Fund			
General	\$ 227,000	\$ 139,500	\$ 366,500

City of Chipley
Notes to Financial Statements

NOTE 5 – INTERFUND BALANCES (Continued)

Interfund Transfers

	<u>Transfer In</u>
	<u>Debt Service</u>
Transfers Out	
General	\$ 22,439

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 957,092	\$ -	\$ -	\$ 957,092
Construction in progress	185,086	103,384	244,345	44,125
Total capital assets not being depreciated	\$ 1,142,178	\$ 103,384	\$ 244,345	\$ 1,001,217
Capital assets being depreciated:				
Furniture and equipment	\$ 2,175,847	\$ 56,622	\$ 25,308	\$ 2,207,161
Improvements other than buildings	1,896,925	244,345	-	2,141,270
Buildings	4,593,674	13,875	-	4,607,549
Total capital assets being depreciated	8,666,446	314,842	25,308	8,955,980
Less accumulated depreciation for:				
Furniture and equipment	2,038,982	68,421	25,308	2,082,095
Improvements other than buildings	742,619	82,546	-	825,165
Buildings	1,955,714	130,286	-	2,086,000
Total accumulated depreciation	4,737,315	281,253	25,308	4,993,260
Total capital assets being depreciated, net	\$ 3,929,131	\$ 33,589	\$ -	\$ 3,962,720
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 612,748	\$ 90,150	\$ -	\$ 702,898
Construction in progress	151,201	300,038	-	451,240
Total capital assets not being depreciated	\$ 763,949	\$ 390,188	\$ -	\$ 1,154,138

City of Chipley
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Building and plant	\$ 47,406,070	\$ 38,546	\$ -	\$ 47,444,616
Equipment and vehicles	2,312,897	115,933	-	2,428,830
Total capital assets being depreciated	49,718,967	154,479	-	49,873,446
Less accumulated depreciation for:				
Building and plant	11,100,882	1,128,646	-	12,229,528
Equipment and vehicles	1,645,302	135,449	-	1,780,751
Total accumulated depreciation	12,746,184	1,264,095	-	14,010,279
Total capital assets, being depreciated, net	\$ 36,972,783	\$ (1,109,616)	\$ -	\$ 35,863,167

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

Governmental Activities:

General government	\$ 113,539
Culture and recreation	38,023
Public safety	37,008
Street	66,638
Sanitation	26,045
Total	\$ 281,253

Business-Type Activities:

Water and sewer	\$ 131,561
Sewer	1,090,492
Sanitation	21,024
Natural Gas	21,018
Total	\$ 1,264,095

City of Chipley
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 792,232	\$ -	\$ 16,720	\$ 775,512	\$ 17,182
Notes and leases	7,589	-	7,589	-	-
Compensated absences	487,401	44,080	77,385	454,096	90,819
Total	\$ 1,287,222	\$ 44,080	\$ 101,694	\$ 1,229,608	\$ 108,001
Business-Type Activities:					
Revenue bonds	\$ 2,252,600	\$ -	\$ 98,300	\$ 2,154,300	\$ 102,700
Notes and leases	596,409	92,826	74,365	614,870	77,492
Compensated absences	213,715	57,004	40,782	229,937	40,782
Total	\$ 3,062,724	\$ 149,830	\$ 213,447	\$ 2,999,107	\$ 220,974

Debt service requirements on long-term debt at September 30, 2016 are as follows:

Governmental Activities

Fiscal Year Ending September 30,	Revenue Bonds		Notes and Leases	
	Principal	Interest	Principal	Interest
2017	\$ 17,182	\$ 36,780	\$ -	\$ -
2018	18,665	35,966	-	-
2019	19,172	35,080	-	-
2020	19,703	34,212	-	-
2021	21,258	33,237	-	-
2022-2026	121,601	150,190	-	-
2027-2031	153,037	118,448	-	-
2032-2036	186,289	79,111	-	-
2037-2041	198,605	31,007	-	-
2042-2046	20,000	947	-	-
Total	\$ 775,512	\$ 554,978	\$ -	\$ -

City of Chipley
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (Continued)

Business-Type Activities

Fiscal Year Ending September 30,	Revenue Bonds		Notes and Leases	
	Principal	Interest	Principal	Interest
2017	\$ 102,700	\$ 103,091	\$ 77,492	\$ 7,067
2018	107,000	98,082	53,792	5,751
2019	112,600	92,837	38,714	5,004
2020	117,100	87,377	17,805	4,196
2021	123,600	81,646	18,139	4,029
2022-2026	631,100	311,808	95,937	17,525
2027-2031	438,100	184,638	105,294	12,847
2032-2036	366,200	79,001	115,562	7,712
2037-2041	131,200	16,131	92,135	2,138
2042-2045	24,700	2,822	-	-
Total	\$ 2,154,300	\$ 1,057,433	\$ 614,870	\$ 66,269

Notes Payable

Notes and leases payable at September 30, 2016 are comprised of the following:

	Business-Type Activities
Capital City Bank – A note payable in annual installments of \$33,812 including interest at 1.94%. The note matures on January 4, 2018 and is secured by equipment.	\$ 67,253
Capital City Bank – 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.	24,103
One South Bank - 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.	27,174
Florida Department of Environmental Protection – 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 ranging from 1.81% to 1.87% based on the dates of the various loan awards which comprise the total loan.	496,340
	\$ 614,870

City of Chipley
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (Continued)

Bonds Payable

Bonds payable at September 30, 2016 are comprised of the following:

	Governmental Activities
City of Chipley Public Improvement Revenue Bonds – 2002A Series , 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.	\$ 438,512
City of Chipley Public Improvement Revenue Bonds – 2003 Series , 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.	337,000
Total	\$ 775,512

	Business-Type Activities
Water and Sewer Revenue Bonds – 1986 Series , 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.	\$ 571,200
Water and Sewer Revenue Bonds – 1994 Series A , 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.	568,800
Water and Sewer Revenue Bonds – 1994 Series 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.	95,800

NOTE 7 – LONG-TERM DEBT (Continued)

Water and Sewer Revenue Bonds – 1999 Series , 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.	806,600
Water and Sewer Revenue Bonds – 2006 Series , 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.	111,900
Total	\$ 2,154,300

Pledged Revenues

The City has pledged future water and sewer system net revenues to repay \$2,929,812 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 98 percent of such net revenues. Principal and interest paid for the current year and total customer net revenues were \$260,043 and \$264,993, respectively.

NOTE 8 – 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

NOTE 8 – EMPLOYEE RETIREMENT (Continued)

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.

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-7.52% DROP Program-12.99%, special risk employees-22.57%, senior management-21.77% and elected officials-42.47%. 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, 2016, 2015, and 2014 were \$250,758, \$236,343, and \$220,620 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 \$1,798,143 the year ended September 30, 2016. The City's total payroll was \$1,898,839 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, 2016, the City reported a liability of \$2,234,242 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, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2016, the System's proportion of the Pension Plan was 0.008848%, which was an increase of 0.000246% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$137,542 for the Pension Plan. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:

City of Chipley
Notes to Financial Statements

NOTE 8 – EMPLOYEE RETIREMENT (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 171,071	\$ 20,802
Changes of assumptions	135,165	-
Net difference between projected and actual earnings on pension plan investments	1,027,834	450,310
Changes in proportion and differences between employer contributions and proportionate share of contributions	88,659	-
Employer contributions subsequent to the measurement date	59,760	-
Total	\$ 1,482,489	\$ 471,112

\$59,760 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, 2017. 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:

Year Ended September 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense, Net
2017	\$ 330,088	\$ 116,430	\$ 213,658
2018	330,088	116,430	213,658
2019	330,088	116,430	213,658
2020	330,088	116,430	213,658
2021	73,129	3,852	69,277
Thereafter	29,248	1,540	27,708
Total	\$ 1,422,729	\$ 471,112	\$ 951,617

Actuarial assumptions. The total pension liability for the Pension Plan was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Investment rate of return*	7.60%
Projected salary increases	3.25%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of June 30, 2016 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.

NOTE 8 – EMPLOYEE RETIREMENT (Continued)

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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return*	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global equity	53%	8.1%	6.8%	17.2%
Real estate (property)	10%	6.4%	5.8%	12.0%
Private equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
Total	100%			

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 7.60%. 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 7.60% 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 (6.60%) or 1-percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City's proportionate share of collective net pension liability	\$ 4,113,392	\$ 2,234,242	\$ 670,099

NOTE 8 – EMPLOYEE RETIREMENT (Continued)

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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the FRS prepared as of June 30, 2016. The auditor’s report dated January 13, 2017 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, 2016 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.

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, 2016, the City reported a liability of \$674,775 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, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2016, the System’s proportion of the HIS Plan was 0.005790%, which was a decrease of 0.000075% from its proportion measured as of June 30, 2015.

For the year ended September 30, 2016, the City recognized pension expense of \$25,606 for the HIS Plan. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,537
Changes of assumptions	105,889	-
Net difference between projected and actual earnings on pension plan investments	341	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,319	12,823
Employer contributions subsequent to the measurement date	7,924	-
Total	\$ 125,473	\$ 14,360

City of Chipley
Notes to Financial Statements

NOTE 8 – EMPLOYEE RETIREMENT (Continued)

\$7,924 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, 2017. 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:

Year Ended September 30,	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense Net
2016	\$ 18,990	\$ 2,316	\$ 16,674
2017	18,990	2,316	16,674
2018	18,990	2,316	16,674
2019	18,990	2,316	16,674
2020	18,906	2,316	16,590
Thereafter	22,683	2,780	19,903
Total	\$ 117,549	\$ 14,360	\$ 103,189

The total pension liability for the HIS Plan was determined by an actuarial valuation as of June 30, 2016 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Investment rate of return*	2.85%
Projected salary increases	3.25%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of June 30, 2016 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 2.85%. 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.

NOTE 8 – EMPLOYEE RETIREMENT (Continued)

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 2.85% 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 (1.85%) or 1-percentage point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
City’s proportionate share of collective net pension liability	\$ 774,120	\$ 674,775	\$ 592,323

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, 2016. The supporting actuarial information is included in the GASB Statement No. 68 Report for the FRS prepared as of June 30, 2016. The auditors’ 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, 2016 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.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Plan Description - The City has previously established and maintains an employee group medical insurance plan that it makes available to eligible retirees in accordance with Section 112.081 of the Florida Statutes 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. 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 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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, 2016

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, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$96,172, and the actuarial value of present assets was \$ -0-, resulting in an unfunded actuarial accrued liability of \$96,172. The covered payroll (annual payroll of active participating employees) was \$1,525,765 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.30%.

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.

<u>Fiscal Year Ending September 30, 2016</u>	<u>Amount</u>
Annual required contribution	\$ 14,137
Annual OPEB cost	13,908
Contribution toward the OPEB cost in fiscal year 2014	-
Increase in Net OPEB obligation	13,908
Net OPEB obligation, beginning of year	13,927
Net OPEB obligation, end of year	\$ 27,835

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.

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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, 2014 employed the projected unit cost method to estimate the unfunded actuarial accrued liability as of September 30, 2016 and to estimate the City’s 2016 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 10 – RESTRICTED NET POSITION

Restricted net position is comprised of the following at September 30, 2016:

	Governmental	Business-Type
Restricted to capital improvements	\$ 993,949	\$ 147,827
Restricted to debt service	70,465	221,383
Restricted to economic development	393,229	-
	\$ 1,457,643	\$ 369,210

NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest expense incurred for business-type activities for the year ended September 30, 2016 was \$120,214, all of which was charged to non-operating expenses. Cash paid for interest was \$119,721 and there was no interest capitalized for the year ended September 30, 2016.

NOTE 12 – MAJOR SUPPLIER

All natural gas sold by the natural gas fund is purchased from a single supplier, Florida Gas Utility. Purchases totaled \$141,367. Florida Gas Utility is currently the City’s sole supplier of natural gas.

NOTE 13 – 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, 2016. Accordingly, no accruals for loss contingency have been made in the accompanying financial statements.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

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, if any, would have a material effect on the financial position of the City. As of September 30, 2016, 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 improvements as of September 30, 2016 as follows:

Contract amounts	\$	6,177,262
Amount expended through September 30, 2016		541,538
<hr/>		
Remaining commitment on contracts	\$	5,635,724
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NOTE 14 – 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 15 – 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
And Schedule of Employer Contributions
September 30, 2016

Schedule of Funding Progress

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%
9/30/2016	\$ -	\$ 96,172	\$ 96,172	0.00%	\$ 1,525,765	6.30%

Schedule of Employer Contributions

Fiscal Year Ended	Employer Contributions (1)	Annual OPEB Required Contribution (ARC)	Percentage of ARC Contributed
9/30/2014	\$ 8,722	\$ 11,894	73.33%
9/30/2015	1,651	12,407	13.31%
9/30/2016	-	13,909	0.00%

(1) Employer contributions shown are estimates of the net subsidy paid by the employer.

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, 2016

<i>As of June 30,</i>	2016⁽¹⁾	2015⁽¹⁾
Employer's proportion of the net pension liability	0.008848%	0.008602%
Employer's proportionate share of the net pension liability \$	2,234,242	\$ 1,111,018
Employer's covered-employee payroll* \$	1,783,369	\$ 1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	125.28%	62.37%
Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

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

City of Chipley
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System Pension Plan
September 30, 2016

<i>For the year ended September 30,</i>	2016⁽¹⁾	2015⁽¹⁾
Contractually required contribution**	\$ 220,909	\$ 205,049
Contributions in relation to the actuarially determined contribution	220,909	205,049
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll*	\$ 1,798,143	\$ 1,885,154
Contributions as a percentage of covered-employee payroll	12.29%	10.88%

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

*Employer's covered-employee payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll).

**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

City of Chipley
Required Supplementary Information
Schedule of Employer's Proportionate Share of the Net Pension Liability
Health Insurance Subsidy Program
September 30, 2016

<i>As of June 30,</i>	2016⁽¹⁾	2015⁽¹⁾
Employer's proportion of the net pension liability	0.005790%	0.005865%
Employer's proportionate share of the net pension liability	\$ 674,775	\$ 598,119
Employer's covered-employee payroll*	\$ 1,783,369	\$ 1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.84%	33.58%
Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

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

City of Chipley
Required Supplementary Information
Schedule of Employer Contributions
Health Insurance Subsidy Program
September 30, 2016

<i>For the year ended September 30,</i>	2016⁽¹⁾	2015⁽¹⁾
Contractually required contribution**	\$ 29,849	\$ 31,294
Contributions in relation to the actuarially determined contribution	29,849	31,294
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll*	\$ 1,798,143	\$ 1,885,154
Contributions as a percentage of covered-employee payroll	1.66%	1.66%

(1) Information is not available for years prior to 2015. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

*Employer's covered-employee payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll).

**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.

**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 City of Chipley, Florida (the "City"), which comprise the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of and for the year ended September 30, 2016, 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 26, 2017.

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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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
Enterprise, Alabama

June 26, 2017



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**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 AND SECTION
218.415, FLORIDA STATUTES**

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, 2016. 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, 2016.

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
Enterprise, Alabama

June 26, 2017

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, 2016, and have issued our report thereon dated June 26, 2017.

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* 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 26, 2017, 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.

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, 2016, 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, 2016. 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
Enterprise, Alabama

June 26, 2017