

City of Chipley

FINANCIAL STATEMENTS

For the Year Ended September 30, 2018



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

City of Chipley
Table of Contents
September 30, 2018

REPORT

Independent Auditors' Report	1
------------------------------	---

FINANCIAL STATEMENTS

Management's Discussion and Analysis	4
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	18
Community Redevelopment Agency	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenues, Expenditures and Changes in Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in OPEB Liability, Related Ratios, and Notes to Schedule	58
Florida Retirement System Pension Plan	
Schedule of Employer's Proportionate Share of the Net Pension Liability	59
Schedule of Employer Contributions	60



**City of Chipley
Table of Contents
September 30, 2018**

Health Insurance Subsidy Program	
Schedule of Employer’s Proportionate Share of the Net Pension Liability	61
Schedule of Employer Contributions	62
Notes to Required Supplementary Information	63
COMPLIANCE SECTION	
Description of Compliance Section	64
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65
Independent Accountants’ Report on Compliance with Local Government Investment Policies	67
Independent Auditors’ Report on Compliance for Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.550 Rules of the Auditor General of the State of Florida	68
Schedule of Expenditures of State Financial Assistance	70
Notes to Schedule of Expenditures of State Financial Assistance	71
Schedule of Findings and Questioned Costs	73
Management Letter	75
Management’s Response to Findings	77



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

Mailing Address:
P.O. Box 311070
Enterprise, AL 36331

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chipley, Florida (the "City"), as of and for the year ended September 30, 2018, 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund and Community Redevelopment Agency for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended September 30, 2018. Implementation of GASB 75 resulted in the restatement of the September 30, 2017 Net Position. The restatement reduced the net position of governmental activities \$18,234 and business-type activities \$20,636. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, schedule of changes in OPEB liability, related ratios, and notes to schedule, Florida Retirement System Pension Plan schedule of employer's proportionate share of net pension liability and schedule of employer contributions, the Health Insurance Subsidy Program schedule of employer's proportionate share of net pension liability and schedule of employer contributions, and notes to required supplementary information on pages 58 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The schedule of expenditures of state financial assistance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's 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.

Enterprise, Alabama

June 20, 2019

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 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, 2017 and September 30, 2018 please read in conjunction with the City's financial statements (beginning on page 12).

City Highlights

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$39,792,469 (net position). Of this amount, \$(1,089,338) is a deficit in unrestricted net position for governmental activities and \$(232,195) is a deficit in unrestricted net position for business-type activities, while \$254,837 is restricted net position for business-type activities and \$1,180,851 is restricted net position for governmental activities.
- Total net position decreased by \$567,728. Of this amount, a decrease of \$737,404 is attributable to governmental activities, and an increase of \$169,676 is attributable to business-type activities.
- As of September 30, 2018, the general fund's unassigned fund balance was \$800,586.
- Governmental activities' total revenues decreased by \$330,054 or 10%, while governmental activities' total expenses increased 8% or \$280,324. Business-type activities' total revenues decreased by \$144,951 or 3%, while business-type activities' total expenses increased 9% or \$343,632.

Overview of the Financial Statements

This annual report consists of the MD&A, basic financial statements, notes to the financial statements, and required supplementary information. 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 and non-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 deferred outflows of resources as well as long-term obligations and deferred inflows of resources. Over time, increases or decreases in the City's net position 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 18 and 19. The governmental fund financial statements can be found on pages 14 – 19 of this report.

Proprietary Funds

The City maintains four 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, sanitation, and natural gas. 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 20 – 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found beginning on page 24.

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 provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the City for the fiscal years ended September 30, 2018 and 2017. A prior period adjustment to report the implementation of GASB 75 is described in more detail in Note 15. For comparative purposes the 2017 schedules have been restated to reflect the impact of GASB 75. At the end of the fiscal year 2018, the City is able to report positive balances in two categories of net position for its governmental activities and its business-type activities. However, the City has a deficit balance in the unrestricted net position of governmental activities, business-type activities, and for the government as a whole at the end of fiscal years 2018 and 2017.

City of Chipley
Management's Discussion and Analysis

The following schedule reflects the condensed Statement of Net Position as of September 30, 2018 and 2017:

	Governmental Activities		
	2018	2017*	Change
Assets			
Current and other assets	\$ 2,313,798	\$ 3,091,662	\$ (777,864)
Capital assets, net	5,216,568	5,243,170	(26,602)
Total assets	7,530,366	8,334,832	(804,466)
Deferred Outflows of Resources			
Deferred outflows related to OPEB	63,966	71,073	(7,107)
Deferred outflows related to pensions	825,832	873,007	(47,175)
Total deferred outflows of resources	889,798	944,080	(54,282)
Liabilities			
Current liabilities	234,625	494,379	(259,754)
Noncurrent liabilities	3,392,687	3,349,167	43,520
Total liabilities	3,627,312	3,843,546	(216,234)
Deferred Inflows of Resources			
Unavailable revenue - occupational licenses	37,578	42,255	(4,677)
Deferred inflows related to OPEB	6,554	7,283	(729)
Deferred inflows related to pensions	239,993	139,697	100,296
Total deferred inflows of resources	284,125	189,235	94,890
Net Position			
Net investment in capital assets	4,417,214	4,399,051	18,163
Restricted	1,180,851	1,635,909	(455,058)
Unrestricted (deficit)	(1,089,338)	(788,829)	(300,509)
Total net position	\$ 4,508,727	\$ 5,246,131	\$ (737,404)

* For comparative purposes, 2017 was restated to reflect implementation of GASB 75.

City of Chipley
Management's Discussion and Analysis

	Business-type Activities		
	2018	2017*	Change
Assets			
Current and other assets	\$ 1,378,164	\$ 2,092,113	\$ (713,949)
Capital assets, net	37,836,903	37,779,146	57,757
Total assets	39,215,067	39,871,259	(656,192)
Deferred Outflows of Resources			
Deferred outflows related to OPEB	39,328	43,698	(4,370)
Deferred outflows related to pensions	396,021	416,835	(20,814)
Total deferred outflows of resources	435,349	460,533	(25,184)
Liabilities			
Current liabilities	532,245	1,367,463	(835,218)
Noncurrent liabilities	3,706,289	3,765,936	(59,647)
Total liabilities	4,238,534	5,133,399	(894,865)
Deferred Inflows of Resources			
Deferred inflows related to OPEB	4,030	4,477	(447)
Deferred inflows related to pensions	124,110	79,850	44,260
Total deferred inflows of resources	128,140	84,327	43,813
Net Position			
Net investment in capital assets	35,261,100	35,128,113	132,987
Restricted	254,837	263,170	(8,333)
Unrestricted (deficit)	(232,195)	(277,217)	45,022
Total net position	\$ 35,283,742	\$ 35,114,066	\$ 169,676

* For Comparative purposes, 2017 was restated to reflect implementation of GASB 75.

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows at the close of the fiscal year by \$4.5 million for governmental activities and \$35.3 million for business-type activities.

The largest component \$39.7 million of the City's net position as of September 30, 2018, 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 position are the next largest component, totaling \$1.4 million as of September 30, 2018. Restricted net position represent resources that are subject to external restrictions. The remaining balance of net position is a deficit in unrestricted net position totaling (\$1.3) million.

City of Chipley
Management's Discussion and Analysis

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 \$737 thousand, or greater than 14 percent, and the net position of the business-type activities increased \$170 thousand, or greater than 0.5 percent.

For the years ended September 30,	Governmental Activities		
	2018	2017*	Change
Revenues			
Program revenues			
Charges for services	\$ 124,578	\$ 105,616	\$ 18,962
Operating grants and contributions	878,901	1,008,634	(129,733)
Capital grants and contributions	163,170	259,853	(96,683)
General revenues			
Taxes	1,768,374	1,744,527	23,847
Investment Earnings	18,132	16,398	1,734
Other	(103,602)	44,579	(148,181)
Total revenues	2,849,553	3,179,607	(330,054)
Expenses			
Governmental Activities			
General Government	1,167,659	934,405	233,254
Public Safety	1,285,162	1,246,034	39,128
Public Works	634,805	642,712	(7,907)
Cemetery and Grounds	234,053	230,904	3,149
Culture and Recreation	227,251	216,086	11,165
Interest	38,027	36,492	1,535
Total expenses	3,586,957	3,306,633	280,324
Excess revenues over (under) expenses	(737,404)	(127,026)	(610,378)
Net Position - beginning	5,246,131	5,373,157	(127,026)
Net Position - ending	\$ 4,508,727	\$ 5,246,131	\$ (737,404)

* For Comparative purposes, 2017 was restated to reflect implementation of GASB 75.

City of Chipley
Management's Discussion and Analysis

For the years ended September 30,	Business-type Activities		
	2018	2017*	Change
Revenues			
Program revenues			
Charges for services	\$ 2,945,249	\$ 2,813,432	\$ 131,817
Capital grants and contributions	1,391,531	1,589,876	(198,345)
General revenues			
Investment Earnings	8,618	6,421	2,197
Other	116,248	196,868	(80,620)
Total revenues	4,461,646	4,606,597	(144,951)
Expenses			
Business-type activities			
Water	825,917	767,092	58,825
Sewer	2,185,255	2,029,173	156,082
Sanitation	730,939	694,112	36,827
Natural Gas	549,859	457,961	91,898
Total expenses	4,291,970	3,948,338	343,632
Excess revenues over (under) expenses	169,676	658,259	(488,583)
Net Position - beginning	35,114,066	34,455,807	658,259
Net Position - ending	\$ 35,283,742	\$ 35,114,066	\$ 169,676

* For Comparative purposes, 2017 was restated to reflect implementation of GASB 75.

Individual Fund Analysis

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

The general fund is reported as a major governmental fund. The general fund is the general operating fund of the City. All general tax revenue and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the general fund. As of the end of the fiscal year 2018, the City's general fund reported a fund balance of \$1,497,242. The restricted portion of this fund balance is \$619,361, the committed portion is \$59,102, the assigned portion is \$18,193 and the unassigned portion is \$800,586.

The Community Redevelopment Agency fund is reported as a major governmental fund and is a separate legal entity, but 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 2018, the Community Redevelopment Agency fund reported a nonspendable balance of \$65,009 and a restricted fund balance of \$437,259.



City of Chipley Management's Discussion and Analysis

As of the end of the fiscal year 2018, the City's other governmental funds (non-major funds) reported a restricted fund balance of \$59,224 and a committed fund balance of \$12,548.

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 2018, the City invested \$1.9 million in capital assets and reduced total debt by \$160 thousand. Approximately \$934 thousand of these capital expenditures were funded with federal and state government grants.

Additional information about the City's capital assets and long-term debt can be obtained in Note 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 sources 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
For the Year Ended September 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 66,962	\$ 92,913	\$ 159,875
Investments	601,614	423,563	1,025,177
Receivables, net	254,171	322,909	577,080
Due from other governments	10,182	602,886	613,068
Internal balances	674,000	(674,000)	-
Restricted cash	307,353	509,783	817,136
Restricted investments	395,695	100,110	495,805
Land held for resale	3,821	-	3,821
Capital assets, not being depreciated	1,027,805	997,313	2,025,118
Capital assets being depreciated, net	4,188,763	36,839,590	41,028,353
Total assets	7,530,366	39,215,067	46,745,433
Deferred Outflows of Resources			
Deferred outflows related to OPEB	63,966	39,328	103,294
Deferred outflows related to pension liability	825,832	396,021	1,221,853
Total deferred outflows of resources	889,798	435,349	1,325,147
Liabilities			
Accounts payable	47,112	62,005	109,117
Accrued payroll liabilities	45,414	26,683	72,097
Other liabilities	-	1,794	1,794
Payable from restricted assets			
Accrued interest	2,968	8,652	11,620
Customer deposits	-	233,269	233,269
Long-term liabilities			
Net pension liability	2,080,274	982,656	3,062,930
Net OPEB liability	109,236	67,161	176,397
Portion due or payable within one year			
Compensated absences	108,591	35,764	144,355
Notes payable	11,368	51,478	62,846
Bonds payable	19,172	112,600	131,772
Portion due or payable after one year			
Compensated absences	434,363	244,747	679,110
Notes payable	48,321	579,725	628,046
Bonds payable	720,493	1,832,000	2,552,493
Total liabilities	3,627,312	4,238,534	7,865,846
Deferred Inflows of Resources			
Unavailable revenue - occupational licenses	37,578	-	37,578
Deferred inflows related to OPEB	6,554	4,030	10,584
Deferred inflows related to pensions	239,993	124,110	364,103
Total deferred inflows of resources	284,125	128,140	412,265
Net Position			
Net investment in capital assets	4,417,214	35,261,100	39,678,314
Restricted	1,180,851	254,837	1,435,688
Unrestricted (deficit)	(1,089,338)	(232,195)	(1,321,533)
Total net position	\$ 4,508,727	\$ 35,283,742	\$ 39,792,469

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Chipley
Statement of Activities
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities:			
General government	\$ 1,167,659	\$ 50,521	\$ 549,166
Public safety	1,285,162	26,829	186,579
Public works	634,805	-	139,655
Cemetery and grounds	234,053	15,200	-
Culture and recreation	227,251	32,028	3,501
Interest	38,027	-	-
Total governmental activities	3,586,957	124,578	878,901
Business-type Activities:			
Water	825,917	647,740	-
Sewer	2,185,255	1,186,833	-
Sanitation	730,939	735,220	-
Natural gas	549,859	375,456	-
Total business-type activities	4,291,970	2,945,249	-
Total primary government	\$ 7,878,927	\$ 3,069,827	\$ 878,901

General Revenues

Taxes:

Ad valorem tax

Sales taxes

Utility taxes

Other taxes

Interest income

Miscellaneous

Rental income

Loss on disposal of capital assets

Transfers

Total general revenues

Change in net position

Net Position - beginning

Cumulative effect of change in accounting principle -

GASB 75 Implementation

Total Net Position - beginning, as restated

Net Position - ending

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 88,565	\$ (479,407)	\$ -	\$ (479,407)
-	(1,071,754)	-	(1,071,754)
37,929	(457,221)	-	(457,221)
-	(218,853)	-	(218,853)
36,676	(155,046)	-	(155,046)
-	(38,027)	-	(38,027)
163,170	(2,420,308)	-	(2,420,308)
749,273	-	571,096	571,096
642,258	-	(356,164)	(356,164)
-	-	4,281	4,281
-	-	(174,403)	(174,403)
1,391,531	-	44,810	44,810
\$ 1,554,701	(2,420,308)	44,810	(2,375,498)
	950,968	-	950,968
	127,689	-	127,689
	621,673	-	621,673
	68,044	-	68,044
	18,132	8,618	26,750
	56,903	90,149	147,052
	113,667	-	113,667
	-	(248,073)	(248,073)
	(274,172)	274,172	-
	1,682,904	124,866	1,807,770
	(737,404)	169,676	(567,728)
	5,264,365	35,134,702	40,399,067
	(18,234)	(20,636)	(38,870)
	5,246,131	35,114,066	40,360,197
\$	\$ 4,508,727	\$ 35,283,742	\$ 39,792,469

City of Chipley
Balance Sheet – Governmental Funds
September 30, 2018

	General Fund	Community Redevelopment Agency
Assets		
Cash and cash equivalents	\$ 54,414	\$ -
Investments	601,614	-
Receivables, net	172,954	81,217
Due from other governments	10,182	-
Interfund receivables	674,000	-
Restricted cash	222,773	25,356
Restricted investments	-	395,695
Total assets	\$ 1,735,937	\$ 502,268
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 47,112	\$ -
Salaries and benefits payable	154,005	-
Total liabilities	201,117	-
Deferred inflows of resources		
Unavailable revenue - occupational license	37,578	-
Fund balances		
Nonspendable	-	65,009
Restricted	619,361	437,259
Committed	59,102	-
Assigned	18,193	-
Unassigned	800,586	-
Total fund balances	1,497,242	502,268
Total liabilities, deferred inflows of resources and fund balances	\$ 1,735,937	\$ 502,268

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 12,548	\$ 66,962
-	601,614
-	254,171
-	10,182
-	674,000
59,224	307,353
-	395,695
<u>\$ 71,772</u>	<u>\$ 2,309,977</u>
-	47,112
-	154,005
-	201,117
-	37,578
-	65,009
59,224	1,115,844
12,548	71,650
-	18,193
-	800,586
<u>71,772</u>	<u>2,071,282</u>
<u>\$ 71,772</u>	<u>\$ 2,309,977</u>

City of Chipley
Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2018

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

Total fund balance - governmental funds	\$ 2,071,282
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.	5,216,568
Certain assets held for resale are not current financial resources and therefore are not reported in the governmental funds.	3,821
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 OPEB	63,966
Deferred inflows related to OPEB	(6,554)
Deferred outflows related to pension	825,832
Deferred inflows related to pension	(239,993)
Compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.	(434,363)
Long-term liabilities, including bonds, notes and leases payable and net pension liability, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds but is recognized when the expenditure is due. These balances consist of:	
Accrued interest on debt	(2,968)
Bonds, notes and leases payable	(799,354)
Net pension liability	(2,080,274)
Net OPEB liability	(109,236)
Net position of governmental activities in the Statement of Net Position	\$ 4,508,727

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Chipley

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended September 30, 2018

	General Fund	Community Redevelopment Agency
Revenues		
Taxes	\$ 2,168,367	\$ -
Licenses and permits	45,999	-
Fines, forfeitures and penalties	10,016	-
Intergovernmental	349,270	156,609
Charges for services	32,028	-
Interest	7,979	10,151
Rental income	113,667	-
Miscellaneous	212,747	-
Total revenues	2,940,073	166,760
Expenditures		
General government	655,183	179,412
Public safety	1,206,304	-
Public works	633,499	-
Cemetery and grounds	224,878	-
Culture and recreation	251,605	-
Debt service, principal	-	-
Debt service, interest	-	-
Total expenditures	2,971,469	179,412
Excess (Deficiency) of Revenues over (under) Expenditures	(31,396)	(12,652)
Other Financing Sources (Uses)		
Transfers in	-	-
Transfers out	(374,031)	-
Debt proceeds	28,459	-
Proceeds from sale of capital assets	101,665	-
Total other financing sources (uses)	(243,907)	-
Net change in fund balances	(275,303)	(12,652)
Fund Balances - Beginning	1,772,545	514,920
Fund Balances - Ending	\$ 1,497,242	\$ 502,268

The accompanying "Notes to Financial Statements" form an integral part of this statement.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,168,367
-	45,999
-	10,016
-	505,879
-	32,028
2	18,132
-	113,667
16,889	229,636
<hr/>	<hr/>
16,891	3,123,724
<hr/>	<hr/>
-	834,595
16,211	1,222,515
-	633,499
-	224,878
-	251,605
73,225	73,225
38,027	38,027
<hr/>	<hr/>
127,463	3,278,344
<hr/>	<hr/>
(110,572)	(154,620)
<hr/>	<hr/>
99,859	99,859
-	(374,031)
-	28,459
-	101,665
<hr/>	<hr/>
99,859	(144,048)
<hr/>	<hr/>
(10,713)	(298,668)
<hr/>	<hr/>
82,485	2,369,950
<hr/>	<hr/>
\$ 71,772	\$ 2,071,282
<hr/>	<hr/>

City of Chipley

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended September 30, 2018**

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

Net change in fund balances - total governmental funds: \$ (298,668)

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. Also, gains and losses from disposals of capital assets are not presented in the fund financial statements. 55,180

Depreciation expense on governmental capital assets is included in the governmental activities in the Statement of Net Position. (303,197)

Changes in deferred outflows and inflows related to pension and OPEB liabilities and net pension and OPEB liabilities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (149,022)

Long-term compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (86,462)

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.

Debt proceeds	(28,459)
Repayment of debt	73,224

Change in net position of governmental activities \$ (737,404)

City of Chipley

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund
For the Year Ended September 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,262,832	\$ 2,264,832	\$ 2,168,367	\$ (96,465)
Licenses and permits	50,221	50,221	45,999	(4,222)
Fines, forfeitures and penalties	22,757	27,605	10,016	(17,589)
Intergovernmental	1,043,008	1,251,603	349,270	(902,333)
Charges for services	44,500	49,207	32,028	(17,179)
Interest	10,000	10,000	7,979	(2,021)
Rental income	124,000	124,000	113,667	(10,333)
Miscellaneous	199,453	227,317	212,747	(14,570)
Total revenues	3,756,771	4,004,785	2,940,073	(1,064,712)
Expenditures				
General government	758,118	740,853	655,183	85,670
Public safety	1,170,409	1,287,736	1,206,304	81,432
Public works	1,266,130	1,521,265	633,499	887,766
Cemetery and grounds	216,220	227,360	224,878	2,482
Culture and recreation	315,872	290,434	251,605	38,829
Total expenditures	3,726,749	4,067,648	2,971,469	1,096,179
Excess of Revenues Over (Under)				
Expenditures	30,022	(62,863)	(31,396)	31,467
Other Financing Sources (Uses)				
Transfers in	9,250	9,250	-	(9,250)
Transfers out	(72,272)	(346,444)	(374,031)	(27,587)
Debt proceeds	-	28,549	28,459	-
Sale of capital assets	-	-	101,665	101,665
Total other financing sources (uses)	(63,022)	(308,645)	(243,907)	64,828
Net change in fund balances	(33,000)	(371,508)	(275,303)	96,295
Fund Balances - beginning	1,772,545	1,772,545	1,772,545	-
Fund Balances - ending	\$ 1,739,545	\$ 1,401,037	\$ 1,497,242	\$ 96,295

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Chipley

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Chipley Redevelopment Agency
For the Year Ended September 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 156,609	\$ 156,609	\$ 156,609	\$ -
Interest	5,000	7,874	10,151	2,277
Total revenues	161,609	164,483	166,760	2,277
Expenditures				
General government	532,856	535,730	179,412	356,318
Excess of Revenues Over (Under)				
Expenditures	(371,247)	(371,247)	(12,652)	358,595
Fund Balances - beginning	514,920	514,920	514,920	-
Fund Balances - ending	\$ 143,673	\$ 143,673	\$ 502,268	\$ 358,595

The accompanying "Notes to Financial Statements" form an integral part of this statement.

City of Chipley
Statement of Net Position – Proprietary Funds
September 30, 2018

	Business-Type	
	Water	Sewer
Assets		
Current assets		
Cash and cash equivalents	\$ 2,088	\$ 4,725
Investments	349	522
Accounts receivable, net	76,202	131,956
Due from other governments	477,286	125,600
Restricted assets:		
Cash and cash equivalents	141,926	304,218
Investments	-	100,110
Total current assets	697,851	667,131
Non-current assets		
Land and construction in progress	112,750	869,713
Capital assets, net of depreciation	5,402,653	31,148,847
Total non-current assets	5,515,403	32,018,560
Total assets	6,213,254	32,685,691
Deferred Outflows of Resources		
Deferred outflows related to OPEB	15,934	17,225
Deferred outflows related to pensions	128,811	188,972
Total deferred outflows of resources	144,745	206,197
Liabilities		
Current liabilities		
Accounts payable	6,453	54,066
Accrued payroll liabilities	9,911	10,322
Other accrued liabilities	-	152
Compensated absences	13,444	12,158
Interfund payables	457,000	57,000
Total current liabilities	486,808	133,698
Current liabilities payable from restricted assets		
Accrued interest	489	7,645
Notes payable, current portion	9,233	35,676
Bonds payable, current portion	2,200	110,400
Total current liabilities payable from restricted assets	11,922	153,721
Noncurrent liabilities		
Compensated absences	92,062	83,172
Customer deposits	74,742	95,243
Net pension liability	334,510	450,309
Notes payable	-	559,048
Net OPEB liability	27,212	29,415
Bonds payable	105,700	1,726,300
Total noncurrent liabilities	634,226	2,943,487
Total liabilities	1,132,956	3,230,906
Deferred Inflows of Resources		
Deferred inflows related to OPEB	1,633	1,765
Deferred inflows related to pensions	41,417	57,770
Total deferred inflows of resources	43,050	59,535
Net Position		
Net investment in capital assets	5,398,270	29,587,136
Restricted	64,429	190,408
Unrestricted (deficit)	(280,706)	(176,097)
Total net position (deficit)	\$ 5,181,993	\$ 29,601,447

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Activities

	Sanitation	Natural Gas	Total
\$	84,976	\$ 1,124	\$ 92,913
	422,181	511	423,563
	84,457	30,294	322,909
	-	-	602,886
	37,633	26,006	509,783
	-	-	100,110
	629,247	57,935	2,052,164
	10,350	4,500	997,313
	62,926	225,164	36,839,590
	73,276	229,664	37,836,903
	702,523	287,599	39,889,067
	3,407	2,762	39,328
	31,744	46,494	396,021
	35,151	49,256	435,349
	1,060	426	62,005
	2,386	4,064	26,683
	-	1,642	1,794
	2,807	7,355	35,764
	-	160,000	674,000
	6,253	173,487	800,246
	-	518	8,652
	-	6,569	51,478
	-	-	112,600
	-	7,087	172,730
	19,229	50,284	244,747
	37,577	25,707	233,269
	79,489	118,348	982,656
	-	20,677	579,725
	5,817	4,717	67,161
	-	-	1,832,000
	142,112	219,733	3,939,558
	148,365	400,307	4,912,534
	349	283	4,030
	10,006	14,917	124,110
	10,355	15,200	128,140
	73,276	202,418	35,261,100
	-	-	254,837
	505,678	(281,070)	(232,195)
\$	578,954	\$ (78,652)	\$ 35,283,742

City of Chipley
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	Business-Type	
	Water	Sewer
Operating Revenues		
Charges for services	\$ 647,740	\$ 1,186,833
Miscellaneous revenue	32,321	16,217
Total operating revenues	680,061	1,203,050
Operating Expenses		
Salaries and benefits	450,824	459,546
Services and supplies	216,596	519,265
Depreciation	147,298	1,095,240
Other expenses	6,052	8,839
Total operating expenses	820,770	2,082,890
Operating Income (Loss)	(140,709)	(879,840)
Non-Operating Revenues (Expenses)		
Grant revenue	749,273	642,258
Interest income	7	1,422
Interest expense	(5,146)	(102,365)
Loss on disposal of assets	(243,855)	-
Total non-operating revenues (expenses)	500,279	541,315
Income (Loss) Before Transfers	359,570	(338,525)
Transfers in	194,005	32,657
Change in net position	553,575	(305,868)
Total Net Position - beginning	4,637,101	29,916,659
Cumulative effort of change in accounting principle (GASB 75 implementation)	(8,683)	(9,344)
Total Net Position - beginning, as restated	4,628,418	29,907,315
Total Net Position (deficit) - ending	\$ 5,181,993	\$ 29,601,447

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Activities

Sanitation		Natural Gas		Total	
\$	735,220	\$	375,456	\$	2,945,249
	-		41,610		90,148
	735,220		417,066		3,035,397
	101,390		171,313		1,183,073
	612,397		351,888		1,700,146
	16,325		21,990		1,280,853
	799		4,095		19,785
	730,911		549,286		4,183,857
	4,309		(132,220)		(1,148,460)
	-		-		1,391,531
	7,179		10		8,618
	(28)		(573)		(108,112)
	(4,218)		-		(248,073)
	2,933		(563)		1,043,964
	7,242		(132,783)		(104,496)
	-		47,510		274,172
	7,242		(85,273)		169,676
	573,465		7,477		35,134,702
	(1,753)		(856)		(20,636)
	571,712		6,621		35,114,066
\$	578,954	\$	(78,652)	\$	35,283,742

City of Chipley
Statement of Cash Flows – Proprietary Funds
For the Year Ended September 30, 2018

	<u>Business-Type</u>	
	Water	Sewer
Cash Flows From Operating Activities		
Receipts from customers, users and others	\$ 695,038	\$ 1,218,906
Payments to suppliers	(1,076,278)	(755,875)
Payments to employees	(279,771)	(305,843)
Net cash provided by (used in) operating activities	(661,011)	157,188
Cash Flows From Non-Capital Financing Activities		
Advances from other funds	344,005	33,907
Cash Flows From Capital and Related Financing Activities		
Grant revenue	1,160,330	726,325
Purchases and construction of capital assets	(810,653)	(751,093)
Principal paid on capital debt	(19,427)	(139,562)
Proceeds from capital debt	-	24,314
Proceeds from sale of capital assets	-	40,000
Interest paid on capital debt	(5,445)	(103,575)
Net cash provided by (used in) capital and related financing activities	324,805	(203,591)
Cash Flows From Investing Activities		
Interest and dividends	7	1,422
Proceeds from sale of investments	-	209,165
Purchase of investments	(349)	(100,632)
Net cash provided by (used in) investing activities	(342)	109,955
Net increase (decrease) in cash and cash equivalents	7,457	97,459
Cash and Cash Equivalents - beginning	136,557	211,484
Cash and Cash Equivalents - ending	\$ 144,014	\$ 308,943

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Activities

	Sanitation	Natural Gas	Total
\$	738,115	\$ 419,982	\$ 3,072,041
	(610,499)	(356,436)	(2,799,088)
	(99,058)	(161,728)	(846,400)
	28,558	(98,182)	(573,447)
	-	102,510	480,422
	-	-	1,886,655
	-	(34,439)	(1,596,185)
	(7,800)	(7,193)	(173,982)
	-	34,439	58,753
	9,500	-	49,500
	(146)	(55)	(109,221)
	1,554	(7,248)	115,520
	7,179	10	8,618
	17,821	-	226,986
	-	(511)	(101,492)
	25,000	(501)	134,112
	55,112	(3,421)	156,607
	67,497	30,551	446,089
\$	122,609	\$ 27,130	\$ 602,696

-Continued-

City of Chipley
Statement of Cash Flows – Proprietary Funds (Continued)
For the Year Ended September 30, 2018

	Business-Type	
	Water	Sewer
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used In) Operating Activities		
Operating income (loss)	\$ (140,709)	\$ (879,840)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	147,298	1,095,240
Changes in operating assets and liabilities:		
Accounts receivable	3,465	2,102
Deferred outflows related to pension	7,994	8,328
Deferred outflows related to OPEB	1,773	1,914
Accounts payable	(716,304)	(106,416)
Accrued payroll liabilities	(4,350)	(3,687)
Other accrued liabilities	-	152
Compensated absences	21,957	19,062
Pension liability	(1,533)	(1,596)
Net OPEB liability	835	904
Deferred inflows related to pension	16,999	17,709
Deferred inflows related to OPEB	(181)	(196)
Customer deposits	1,745	3,512
Net cash provided by (used in) operating activities	\$ (661,011)	\$ 157,188
Non-cash Financing Activities:		
Equipment acquired through issuance of long-term debt	\$ -	\$ -

The accompanying "Notes to Financial Statements" form an integral part of this statement.

Activities

	Sanitation	Natural Gas	Total
\$	4,309	\$ (132,220)	\$ (1,148,460)
	16,325	21,990	1,280,853
	(1,728)	(151)	3,688
	1,700	2,792	20,814
	379	307	4,373
	(732)	(6,009)	(829,461)
	(947)	(543)	(9,527)
	-	39	191
	3,279	10,128	54,426
	(325)	(535)	(3,989)
	178	145	2,062
	3,614	5,938	44,260
	(38)	(31)	(446)
	2,544	(32)	7,769
\$	28,558	\$ (98,182)	\$ (573,447)
\$	-	\$ 34,439	\$ 34,439

NOTE

1. Summary of Significant Accounting Policies
2. Stewardship, Compliance, and Accountability
3. Cash, Cash Equivalents, and Investments
4. Receivables
5. Interfund Balances
6. Capital Assets
7. Long-Term Debt
8. Employee Retirement Plan
9. Post-Employment Benefits Other Than Pension Benefits (OPEB)
10. Net Position and Fund Balance
11. Supplemental Cash Flow Information
12. Major Supplier
13. Commitments and Contingencies
14. Risk Management
15. Restatement of Beginning Balances
16. 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. The City is also financially accountable for a legally separate agency if the City’s 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 position 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.

Natural Gas Fund – This fund accounts for all activity related to providing natural gas services to its citizens.

In addition to the major funds noted above, the City has two non-major governmental funds, the Debt Service Fund and Volunteer Fire Department Fund. These funds are reported in aggregate as other governmental funds.

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 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 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

Local Government Surplus Trust Fund - Florida PRIME – The City invests throughout the year in the Florida PRIME account, an investment pool administered by the Florida State Board of Administration (SBA), under the regulatory oversight of the State of Florida. Florida PRIME participants invest in a pool of investments whereby participants own a share of the respective pool, not the underlying securities.

Accounts Receivable

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

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

Interfund Receivables and Payables

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reported at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition 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 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 reports 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.

In addition to liabilities, the statement of net position reports 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension Plans

Florida Retirement System - 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.

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.

Other Post-Employment Benefits

The City participates in a single employer, experience rate insurance plan that provides medical benefits to eligible retirees and their dependents. The City does not have a trust for the plan, and there is no actuarial determined contribution. The OPEB liability is determined in accordance with GASBC Section P52: *Postemployment Benefits Other Than Pensions – Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria*.

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.

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 position 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Spendable fund balances are reported based on a hierarchy of spending constraints noted below:

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 are for the operations of the recreation department.

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

When both restricted and unrestricted net position are available, it is the City's policy to use restricted resources first, then unrestricted as needed. The authority to establish, modify, or rescind a commitment or assigned fund balance rests with the City Council. 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The current property tax calendar is as follows:

Lien date:	January 1, 2017
Levy date:	November 1, 2017
Due date:	March 31, 2018
Delinquent date:	April 1, 2018

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

Revenue recognition criteria for property taxes recognizes and accrues property taxes expected to be collected within 60 days of the current period. There were no outstanding property taxes accrued and recognized as revenue at year-end.

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

In fiscal year 2018, the City adopted four new statements of financial accounting standards issued by the GASB:

- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75)
- GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (GASB 81)
- GASB Statement No. 85, *Omnibus 2017* (GASB 85)
- GASB Statement No. 86, *Certain Debt Extinguishment Issues* (GASB 86)

GASB 75 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for OPEB that is provided to employees of state and local governmental employers through OPEB Plans that are administered through trusts or equivalent arrangements meeting certain criteria. GASB 75 also establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurement by Agent Employers and Agent Employers and Agent Multiple Employer Plans*. For defined benefit OPEB plans, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. Note disclosure and required

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

supplementary information are addressed. The adoption of GASB 75 has resulted in the restatement of the City’s net position in accordance with the provisions of the GASB 75. Refer to Note 15 for more information regarding the retrospective application of GASB 75.

GASB 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources as the inception of the agreement. GASB 81 also provides expanded guidance for circumstances in which the government holds the assets. There was no material impact on the City’s financial statements as a result of the implementation of GASB 81.

GASB 85 addresses practice issues that were identified during the implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pension and OPEB). The adoption of GASB 85 had no impact on the City’s current accounting practices nor its financial reporting.

GASB 86 establishes standards of accounting and financial reporting requirements, for in-substance defeasance of debt transactions in which cash and other monetary assets acquired with only existing resources – that is, resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of future repayment of outstanding debt. There was no material impact on the City’s financial statements as a result of the implementation of GASB 86.

Pronouncements Issued But Not Yet Effective

GASB has issued the following pronouncements that may affect future financial position, results of operations, cash flows, or financial presentation of the City upon implementation. Management has not yet evaluated the effect of implementation of these standards.

GASB Statement No.	GASB Accounting Standard	Effective Fiscal Year
83	<i>Certain Asset Retirement Obligations</i>	2019
84	<i>Fiduciary Activities</i>	2020
87	<i>Leases</i>	2021
88	<i>Certain Disclosure Related to Debt, including Direct Borrowings and Direct Placement.</i>	2019
89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	2021
90	<i>Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61</i>	2020

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 2018, there were general fund supplemental budget appropriations of \$340,899 or 9.15% of the original budget. The Community Redevelopment Agency had no significant budget appropriations during fiscal year 2018. The following items represent the major additional appropriations:

General Fund

Capital outlays	\$	71,704
Various personnel services and operating costs		269,195
<hr/>		
Total general fund	\$	340,899
<hr/>		

NOTE 3 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents represent cash on hand as well as demand deposits, and certificates of deposit with original maturities of three months or less. Investments are comprised of certificates of deposit with original maturities greater than three months and shares in Florida PRIME investment pool account.

Investments

Investments are comprised of the following, at amortized cost.

Investment Type	Fair Value	Purchase Date to Maturity			
		0 – 1 Year	1 – 2 Years	2 – 3 Years	3 – 5 Years
Florida PRIME	\$ 1,420,872	\$ 1,420,872	\$ -	\$ -	\$ -
Certificates of Deposit	100,110	-	100,110	-	-
<hr/>					
	\$ 1,520,982	\$ 1,420,872	\$ 100,110	\$ -	\$ -
<hr/>					

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

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.

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. At September 30, 2018, the fair value and the carrying value of these funds was \$1,420,872. The funds are reported as investments in the amount of \$1,025,177, and as restricted investments of \$395,695.

Custodial Credit Risk

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’s current investments are limited to certificates of deposit and deposits in the Florida PRIME account.

Florida PRIME is rated by Standard and Poor’s as AAAM and its share value is measured at amortized cost. At September 30, 2018, Florida PRIME’s investments dollar weighted average days to maturity (WAM) was 33 days. Next interest rate reset dates for floating rate securities are used in the calculation of WAM and weighted average life (WAL) is 72 days. Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2017 through September 30, 2018. As of September 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City’s daily access to 100 percent of their account value.

Florida PRIME 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 State has adopted operating procedures consistent with the requirements for a “2a-7 like” pool.

Demand and time deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the multiple financial institution collateral pool required by Chapter 280, Florida Statutes.

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

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% have reportable credit risk. The certificates of deposit are with one financial institution. All certificate of deposit balances in excess of FDIC coverage, when applicable, are covered by the multiple financial institutions' collateral pool in accordance with Florida Statutes Chapter 280.

Investment Rate Risk

Investment rate risk is the risk that changes in the interest rate will adversely affect the fair value of an investment. The City recognizes that the longer a maturity of an investment, the greater its price volatility. The City has limited its risk by requiring all investments to have a maturity of two years or less from the date of purchase.

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	\$ 83,461	\$ -
Franchise fees	25,839	-
Revolving loan receivable	-	81,217
Other	63,654	-
	\$ 172,954	\$ 81,217

Proprietary Funds

	Water	Sewer	Sanitation	Natural Gas
Accounts – utility billings (1)	\$ 77,784	\$ 136,559	\$ 87,341	\$ 31,393
Allowance for uncollectibles	(2,549)	(4,603)	(3,064)	(1,099)
Other	967	-	180	-
	\$ 76,202	\$ 131,956	\$ 84,457	\$ 30,294

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

NOTE 4 – RECEIVABLES (Continued)

Due From Other Governments

The \$10,182 reported in governmental activities and \$602,886 reported in business-type activities are due from the State of Florida. The amounts due are 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, 2018 is shown below:

Interfund Receivables and Payables

	Payable Fund			
	Water	Sewer	Gas	Total
Receivable Fund				
General	\$ 457,000	\$ 57,000	\$ 160,000	\$ 674,000

Interfund Transfers

	Transfers In				
	Debt Service	Water	Sewer	Sanatation	Total
Transfers Out					
General	\$ 99,859	\$ 194,005	\$ 32,657	\$ 47,510	\$ 374,031

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018 is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 957,092	\$ -	\$ -	\$ -	\$ 957,092
Construction in progress	379,959	165,791	475,037	-	70,713
Total capital assets not being depreciated	\$ 1,337,051	\$ 165,791	\$ 475,037	\$ -	\$ 1,027,805

City of Chipley
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets being depreciated:					
Furniture and equipment	\$ 2,325,405	\$ 97,086	\$ -	\$ 2,390	\$ 2,424,881
Improvements other than buildings	2,209,034	475,037	-	-	2,684,071
Buildings	4,607,549	-	-	-	4,607,549
Total capital assets being depreciated	9,141,988	572,123	-	2,390	9,716,501
Less accumulated depreciation for:					
Furniture and equipment	2,211,125	70,661	-	(11,328)	2,270,458
Improvements other than buildings	912,695	103,508	-	-	1,016,203
Buildings	2,112,049	129,028	-	-	2,241,077
Total accumulated depreciation	5,235,869	303,197	-	(11,328)	5,527,738
Total capital assets being depreciated, net	\$ 3,906,119	\$ 268,926	\$ -	\$ 13,718	\$ 4,188,763
Business-Type Activities					
Capital assets not being depreciated:					
Land	\$ 702,898	\$ -	\$ -	\$ -	\$ 702,898
Construction in progress	2,345,507	1,544,283	3,595,375	-	294,415
Total capital assets not being depreciated	\$ 3,048,405	\$ 1,544,283	\$ 3,595,375	\$ -	\$ 997,313
Capital assets being depreciated:					
Building and plant	\$ 47,502,116	\$ 3,595,375	\$ 850,840	\$ -	\$ 50,246,651
Equipment and vehicles	2,419,299	51,902	-	(2,390)	2,468,811
Total capital assets being depreciated	49,921,415	3,647,277	850,840	(2,390)	52,715,462
Less accumulated depreciation for:					
Building and plant	13,359,783	1,152,844	606,983	-	13,905,644
Equipment and vehicles	1,830,891	128,009	-	11,328	1,970,228
Total accumulated depreciation	15,190,674	1,280,853	606,983	11,328	15,875,872
Total capital assets, being depreciated, net	\$ 34,730,741	\$ 2,366,424	\$ 243,857	\$ (13,718)	\$ 36,839,590

City of Chipley
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (Continued)

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

Governmental Activities:

General government	\$ 112,808
Public safety	64,813
Public works	112,210
Culture and recreation	13,366
<hr/>	
Total	\$ 303,197

Business-Type Activities:

Water	\$ 147,298
Sewer	1,095,240
Sanitation	16,325
Natural Gas	21,990
<hr/>	
Total	\$ 1,280,853

NOTE 7 – LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 758,330	\$ -	\$ 18,665	\$ 739,665	\$ 19,172
Notes	85,789	28,459	54,559	59,689	11,368
Compensated absences	446,027	195,053	98,126	542,954	108,591
<hr/>					
Total	\$ 1,290,146	\$ 223,512	\$ 171,350	\$ 1,342,308	\$ 139,131
<hr/>					
Business-Type Activities:					
Revenue bonds	\$ 2,051,600	\$ -	\$ 107,000	\$ 1,944,600	\$ 112,600
Notes	639,432	58,753	66,982	631,203	51,478
Compensated absences	226,085	90,190	35,764	280,511	35,764
<hr/>					
Total	\$ 2,917,117	\$ 148,943	\$ 209,746	\$ 2,856,314	\$ 199,842

City of Chipley
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (Continued)

Debt service requirements on long-term debt at September 30, 2018 are as follows:

Governmental Activities

Fiscal Year Ending September 30,	Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest
2019	\$ 19,172	\$ 35,080	\$ 11,368	\$ 1,460
2020	19,703	34,212	11,646	1,182
2021	21,258	33,237	11,931	897
2022	21,841	32,228	12,223	605
2023	23,451	31,192	12,521	306
2024-2028	133,466	138,386	-	-
2029-2033	165,696	103,629	-	-
2034-2038	202,211	61,065	-	-
2039-2043	132,867	13,203	-	-
Total	\$ 739,665	\$ 482,232	\$ 59,689	\$ 4,450

Business-Type Activities

Fiscal Year Ending September 30,	Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest
2019	\$ 112,600	\$ 92,837	\$ 51,478	\$ 6,395
2020	117,100	87,377	66,780	5,464
2021	123,600	81,646	58,441	4,670
2022	129,300	75,614	49,199	4,067
2023	136,100	69,302	33,645	3,698
2024-2028	528,800	252,878	99,575	15,706
2029-2033	480,300	141,926	109,287	10,850
2034-2038	276,100	47,088	119,945	5,520
2039-2043	27,800	6,720	42,853	601
2044-2048	12,900	872	-	-
Total	\$ 1,944,600	\$ 856,260	\$ 631,203	\$ 56,971

City of Chipley
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (Continued)

Notes Payable

Notes payable at September 30, 2018 are comprised of the following:

	Governmental Activities
Regions Bank - A note payable in annual installments of \$12,828 including interest at 2.411%. The note matures on December 20, 2022 and is secured by a vehicle.	\$ 59,689
	Business-Type Activities
Capital City Bank – A note payable in annual installments of \$9,323 and \$9,301 including interest at 2.24%. The note matures on January 4, 2020 and is secured by a vehicle.	\$ 18,012
Capital City Bank – A note payable in annual installments of \$9,987 including interest at 2.43%. The note matures on February 2, 2021 and is secured by a vehicle.	28,542
Capital City Bank – A note payable in annual installments of \$7,248 including interest at 3.03%. The note matures on January 4, 2022 and is secured by a vehicle.	27,246
One South Bank - A note payable in an annual installment of \$9,478 including interest at 2.58%. The note matures on March 5, 2019 and is secured by a vehicle.	9,233
Florida Department of Environmental Protection – A Clean Water State Revolving Fund Loan issued April 5, 2016 to finance the cost of acquisition and construction of certain capital improvement in connection with the water and sewer utility systems. The loan is secured by a pledge of gross revenues derived yearly from the operation of the water and sewer systems after payment of the operation and maintenance expense and the satisfactory of all yearly payment obligations of the senior revenue obligations and any senior revenue obligations issued pursuant to Section 7.02 of this loan agreement. The loan is payable in semi-annual principal and interest installments of \$23,708 beginning December 2019 with a stated interest rate of .17%. The remaining principal and interest payments on this debt as of September 30, 2018 totaled \$85,955. Principal and interest paid for the year ended September 30, 2018 and total pledged revenues were \$0 and \$223,418, respectively.	85,784

NOTE 7 – LONG-TERM DEBT (Continued)

	Business-Type Activities
<p>Florida Department of Environmental Protection – A Clean Water State Revolving Fund Loan issued January 12, 2006 to finance the cost of acquisition and construction of certain capital improvement in connection with the sewer utility system. The loan is secured by a pledge of revenues as security for the repayment of the debt and shall be the funds, including investment income, on deposit in the debt service accounts. The remaining principal and interest payments on this debt as of September 30, 2018 totaled \$515,193. Principal and interest paid for the year ended September 30, 2018 and total pledged revenues were \$26,197 and \$59,222, respectively. Principal and interest payments were 44.23% of the pledged revenue for the year ended September 30, 2018.</p>	462,386
	\$ 631,203

Bonds Payable

Bonds payable at September 30, 2018 are comprised of the following:

	Governmental Activities
<p>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.</p>	\$ 417,665
<p>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.</p>	322,000
<p>Total</p>	\$ 739,665

NOTE 7 – LONG-TERM DEBT (Continued)

	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.	\$ 464,200
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.	523,700
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.	88,200
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.	760,600
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.	107,900
Total	\$ 1,944,600

The City has pledged future water and sewer system net revenues to repay \$2,684,265 in revenue bonds issued in 1986, 1994, 1999, 2002, 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 71 percent of such net revenues. Principal and interest paid for the current year and total customer net revenues were \$259,606 and \$221,989, respectively.

NOTE 8 – EMPLOYEE RETIREMENT PLAN

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, 2012 for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. For those employees hired on or after July 1, 2012, 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-8.26% DROP Program-14.03%, special risk employees-24.50%, senior management-24.06% and elected officials-48.70%. 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 year ended September 30, 2018, was \$242,646, and equal to the actuarially determined contributions for the year. These contributions were paid by their due date. Total payroll for the City employees covered by the System was \$1,841,915 for the year ended September 30, 2018. The City’s total payroll was \$1,947,490 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.

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At September 30, 2018, the City reported a liability of \$2,476,158 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, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2018, the System’s proportion of the Pension Plan was 0.008221%, which was a decrease of 0.000180% from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$431,949 for the Pension Plan. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 209,768	\$ (7,614)
Changes of assumptions	809,088	-
Net difference between projected and actual earnings on pension plan investments	-	(191,313)
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,379	(74,754)
Employer contributions subsequent to the measurement date	69,791	-
Total	\$ 1,131,026	\$ (273,681)

\$69,791 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, 2019. 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:

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

<u>Year Ended September 30,</u>	<u>Deferred Outflows of Resources</u>
2019	\$ 324,963
2020	212,315
2021	20,074
2022	130,680
2023	87,185
<u>Thereafter</u>	<u>12,337</u>
<u>Total</u>	<u>\$ 787,554</u>

Actuarial assumptions. The total pension liability for the Pension Plan was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Investment rate of return*	7.00%
Projected salary increases	3.25%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of June 30, 2018 for the Pension Plan were based on the results of an investigation of the economic and demographic experience for the System based upon participant data as of June 30, 2013.

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

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

City of Chipley
Notes to Financial Statements

NOTE 8 - EMPLOYEE RETIREMENT PLAN (Continued)

Asset Class	Target Allocation (1)	Annual Arithmetic Return*	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	2.9%	2.9%	1.8%
Fixed income	18%	4.4%	4.3%	4.0%
Global equity	54%	7.6%	6.3%	17.0%
Real estate (property)	11%	6.6%	6.0%	11.3%
Private equity	10%	10.7%	7.8%	26.5%
Strategic investments	6%	6.0%	5.7%	8.6%
Total	100%			

(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 7.00%. 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 County's proportionate share of the net pension liability to changes in the discount rate. The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.00% for the Pension Plan, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of collective net pension liability	\$ 4,519,092	\$ 2,476,158	\$ 779,380

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS CAFR for the fiscal year ended June 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the FRS prepared as of June 30, 2018. The auditor's report dated December 19, 2018 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, 2018 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 8 - EMPLOYEE RETIREMENT PLAN (Continued)

Health Insurance Subsidy Program

Chapter 112, Florida Statutes, established the 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 0.06% 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, 2018, the City reported a liability of \$586,772 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, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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, 2018, the System’s proportion of the HIS Plan was 0.005544%, which was an increase of 0.000023% from its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$40,724 for the HIS Plan. At September 30, 2018, 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	\$ 8,983	\$ (997)
Changes of assumptions	65,256	(62,038)
Net difference between projected and actual earnings on pension plan investments	354	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,935	(27,387)
Employer contributions subsequent to the measurement date	8,299	-
Total	\$ 90,827	\$ (90,422)

\$8,299 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, 2019. 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:

NOTE 8 - EMPLOYEE RETIREMENT PLAN (Continued)

Year Ended September 30,	Deferred Outflows of Resources
2019	\$ 5,137
2020	5,107
2021	542
2022	(3,326)
2023	(11,404)
<u>Thereafter</u>	<u>(3,950)</u>
<u>Total</u>	<u>\$ (7,894)</u>

The total pension liability for the HIS Plan was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Investment rate of return*	3.87%
Projected salary increases	3.25%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of June 30, 2018 for the HIS Plan were based on the results of an investigation of the economic and demographic experience for the System based upon participant data as of June 30, 2013.

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

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

Discount rate. The discount rate used to measure the total pension liability for the HIS Plan was 3.87%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion rate is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.87% for the HIS Plan as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%) than the current rate:

NOTE 8 - EMPLOYEE RETIREMENT PLAN (Continued)

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
City's proportionate share of collective net pension liability	\$ 668,299	\$ 586,772	\$ 518,815

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS CAFR for the fiscal year ended June 30, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the FRS prepared as of June 30, 2018. The auditor's report dated December 19, 2018 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, 2018 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 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)

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 retirees pay the full group premium amount for health insurance with no explicit subsidy from the City.

Funding Policy - Contribution rates for the insurance are established on an annual basis. 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. Eligible retirees and their covered dependents receiving benefits contribute 100% of their premium costs for medical insurance. While the City does not directly contribute toward the costs of retiree premiums via an explicit subsidy, the ability of retirees to obtain health insurance coverage at a group rate which includes active employees constitutes a significant economic benefit to retirees, or an OPEB obligation of the City. The City is currently funding this OPEB obligation on a pay-as-you-go basis, contributing only those amounts necessary to provide for its portion of current year benefit costs and expenses. OPEB liabilities are liquidated by the respective funds that are obligated for the related costs. For governmental activities, OPEB liabilities are generally liquidated by the general fund. For the year ended September 30, 2018, the City estimated it subsidized \$11,659 of medical costs for its retirees and their covered dependents.

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

As of September 30, 2018, no trust has been established and no assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4.

Plan Membership – 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. At October 1, 2017, OPEB membership consisted of the following:

Summary of Employer Census Data

Number of active members	34
Number of retired and disabled members	3
Number of spouses receiving benefits	-

Actuarial Assumptions and Other Inputs - The total OPEB liability in the September 30, 2018 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Salary increases projected annual salary increase - 3.00%
- Discount rate investment rate of return - 3.90%
- Health care cost trend rate - 5.00%
- Mortality rates - SOA RP-2014 Total Dataset Mortality Table

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the employer and the Plan 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 Plan members to that point.

In the October 1, 2017 actuarial valuation, the Individual Entry Age, Level Dollar Closed cost method was used. The actuarial assumptions included a healthcare cost trend level 5.00% for medical. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

At September 30, 2018, the City reported a total OPEB liability of \$176,397. The GASB 75 information has been provided as of the September 30, 2018 measurement date.

The discount rate used for this purpose was 3.90% and was based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

City of Chipley
Notes to Financial Statements

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

<i>September 30,</i>	2018
Total OPEB liability - beginning	\$ 170,973
Changes due to:	
Service costs	2,749
Interest	6,736
Changes in assumptions and methods	7,598
Benefit payments	(11,659)
Net changes in total OPEB liability	5,424
Total OPEB liability - ending	\$ 176,397

The City reported changes in assumptions since the prior measurement date. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2017. These calculations are based in the Individual Entry Age, Level Dollar Closed cost method required by GASBC P52.

Sensitivity of the Net OPEB Liability - The following presents the City's OPEB liability as if it were calculated using a discount rate that is one percentage point lower or higher than the current discount rate:

	1% Decrease (2.90%)	Current Discount Rate (3.90%)	1% Increase (4.90%)
Total OPEB Liability	\$ 151,386	\$ 176,397	\$ 207,995

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB Liability	\$ 152,032	\$ 176,397	\$ 206,418

On September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 103,294	\$ -
Changes of assumptions	-	(10,584)
	\$ 103,294	\$ (10,584)

City of Chipley
Notes to Financial Statements

NOTE 9 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Plan will be recognized in the pension’s expense as follows:

<u>Year Ended September 30,</u>	<u>Deferred Outflows of Resources</u>
2019	\$ 10,301
2020	10,301
2021	10,301
2022	10,301
2023	10,301
Thereafter	41,205
<u>Total</u>	<u>\$ 92,710</u>

NOTE 10 – NET POSITION AND FUND BALANCE

Restricted net position is comprised of the following at September 30, 2018:

	<u>Governmental</u>	<u>Business-Type</u>
Restricted to capital improvements	\$ 619,361	\$ 148,597
Restricted to debt service	59,222	106,240
Restricted to economic development	502,268	-
	<u>\$ 1,180,851</u>	<u>\$ 254,837</u>

Governmental fund balance at September 30, 2018 is comprised of the following:

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Other Government Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Long-term loans receivable	\$ -	\$ 65,009	\$ -	\$ 65,009
Restricted				
Capital Improvements	619,361	-	-	619,361
Debt Service	-	-	59,224	59,224
Economic development	-	437,259	-	437,259
Committed:				
Cemetery	59,102	-	-	59,102
Volunteer Fire Department	-	-	12,548	12,548
Assigned:				
Recreation	18,193	-	-	18,193
Unassigned	800,586	-	-	800,586
	<u>\$ 1,497,242</u>	<u>\$ 502,268</u>	<u>\$ 71,772</u>	<u>\$ 2,071,282</u>

NOTE 11 – SUPPLEMENTAL CASH FLOW INFORMATION

Interest expense incurred for business-type activities for the year ended September 30, 2018 was \$108,112, all of which was charged to non-operating expenses. Cash paid for interest was \$109,221 and there was no interest capitalized for the year ended September 30, 2018.

NOTE 12 – MAJOR SUPPLIER

All natural gas sold by the natural gas fund is purchased from a single supplier, Florida Gas Utility. Purchases totaled \$185,727. 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, 2018. Accordingly, no accruals for loss contingency have been made in the accompanying financial statements.

Grants – Grant funds received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such reviews may result in requests for reimbursements due to disallowed expenditures. Based upon experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City. As of September 30, 2018, 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, 2018 as follows:

Contract amounts	\$	4,129,004
Amount expended through September 30, 2018		299,667
<hr/>		
Remaining commitment on contract	\$	3,829,337
<hr/>		

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.

City of Chipley
Notes to Financial Statements

NOTE 15 – RESTATEMENT OF BEGINNING BALANCES

As discussed in Note 1, the implementation of GASB 75 required that the City to restate its beginning total OPEB liability, as well as related deferred outflows and deferred inflows of resources. The cumulative effect of applying the statement retroactively was a decrease of net position in governmental activities and business-type activities in the amount of \$18,234 and \$20,636, respectively. The decrease of net position in the business-type activities is further reflected by a decrease in the individual net position balances of the water, sewer, sanitation, and natural gas funds in the amount of \$8,683, \$9,344, \$1,753, and \$856, respectively.

The cumulative effort of applying GASB 75 retroactively is as follows:

	As Previously Reported	Increase (Decrease)	As Restated			
Governmental Activities:						
Deferred outflows - OPEB	\$ -	\$ 71,703	\$ 71,703			
Net OPEB Liability	23,852	82,024	105,876			
Deferred inflows - OPEB	-	7,283	7,283			
Net position	5,264,365	(18,234)	5,246,131			
Business-type Activities:						
Deferred outflows - OPEB	\$ -	\$ 43,698	\$ 43,698			
Net OPEB Liability	5,239	59,858	65,097			
Deferred inflows - OPEB	-	4,478	4,478			
Net position	35,134,702	(20,636)	35,114,066			
Proprietary Funds:						
	Water	Sewer	Sanitation	Natural Gas	Total	
Deferred Outflows - OPEB						
As previously reported	\$ -	\$ -	\$ -	\$ -	\$ -	
Increase	17,705	19,139	3,785	3,069	43,698	
As restated	\$ 17,705	\$ 19,139	\$ 3,785	\$ 3,069	\$ 43,698	
Net OPEB Liability						
As previously reported	\$ 1,801	\$ 1,989	\$ 488	\$ 961	\$ 5,239	
Increase	24,574	26,522	5,151	3,611	59,858	
As restated	\$ 26,375	\$ 28,511	\$ 5,639	\$ 4,572	\$ 65,097	
Deferred Inflows - OPEB						
As previously reported	\$ -	\$ -	\$ -	\$ -	\$ -	
Increase	1,814	1,961	388	315	4,478	
As restated	\$ 1,814	\$ 1,961	\$ 388	\$ 315	\$ 4,478	
Net Position						
As previously reported	\$ 4,637,101	\$ 29,916,659	\$ 573,465	\$ 7,477	\$ 35,134,702	
Increase (Decrease)	(8,683)	(9,344)	(1,753)	(856)	(20,636)	
As restated	\$ 4,628,418	\$ 29,907,315	\$ 571,712	\$ 6,621	\$ 35,114,066	

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date the financial statements were available for issuance. On October 10, 2018 the eye of hurricane Michael, a category 5 hurricane, passed nearby the Washington County, Florida area causing devastating destruction and property damage to buildings and businesses throughout the area. At the time of issuance of the financial statements the full impact of the damages and their effects on the District's financial statements have not been determined.

City of Chipley
Required Supplementary Information
Schedule of Changes in OPEB Liability, Related Ratios, and Notes to Schedule
September 30, 2018

<i>September 30,</i>	2018
Total OPEB liability - beginning	\$ 170,973
Changes due to:	
Service costs	2,749
Interest	6,736
Changes in assumptions and methods	7,598
Benefit payments	(11,659)
Net changes in total OPEB liability	5,424
Total OPEB liability - ending	\$ 176,397
Covered-employee payroll for the measurement period	\$ 1,335,483
OPEB liability as a percentage of covered-employee payroll	13.21%
Plan net fiduciary position as a percentage of total OPEB liability	0.00%

(1) The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits other than Pensions*, in 2018. Information is not available for years prior to 2018. This schedule is intended to show information for 10 years and additional years will be presented as it becomes available.

(2) The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Notes to OPEB Required Supplementary Information

Actuarial cost method	Individual entry age
Amortization period	Level dollar, closed
Remaining amortization period	9 years
Asset valuation method	N/A
Medical inflation	5.00%
Investment return	3.90%
Retirement age	100% at normal retirement eligibility date
Mortality	SOA RP-2014 total dataset mortality table

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, 2018

<i>As of June 30,</i>	2018(1)	2017(1)	2016(1)	2015(1)
Employer's proportion of the net pension liability	0.008221%	0.008400%	0.008848%	0.008602%
Employer's proportionate share of the net pension liability	\$2,476,158	\$2,485,639	\$2,234,242	\$1,111,018
Employer's covered payroll*	\$1,804,772	\$1,770,759	\$1,783,369	\$1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	137.20%	140.37%	125.28%	62.37%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	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 payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2018, the measurement period is the twelve month period beginning July 1, 2017.

City of Chipley
Required Supplementary Information
Schedule of Employer Contributions
Florida Retirement System Pension Plan
September 30, 2018

<i>For the year ended September 30,</i>	2018(1)	2017(1)	2016(1)	2015(1)
Contractually required contribution**	\$ 242,646	\$ 261,073	\$ 220,909	\$ 205,049
Contributions in relation to the actuarially determined contribution	242,646	261,073	220,909	205,049
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll*	\$ 1,841,915	\$ 1,819,586	\$ 1,798,143	\$ 1,885,154
Contributions as a percentage of covered payroll	13.17%	14.35%	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 payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll). For fiscal year 2018, the period is October 1, 2017 through September 30, 2018.

**The amount of 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.

Required Supplementary Information
Schedule of the Employer's Proportionate Share of the Net Pension Liability
Health Insurance Subsidy Program
September 30, 2018

<i>As of June 30,</i>	2018 (1)	2017(1)	2016(1)	2015(1)
Employer's proportion of the net pension liability	0.005544%	0.005521%	0.005790%	0.005865%
Employer's proportionate share of the net pension liability	\$ 586,772	\$ 590,320	\$ 674,775	\$ 598,119
Employer's covered payroll*	\$ 1,804,772	\$ 1,770,759	\$ 1,783,369	\$ 1,781,214
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	32.51%	33.34%	37.84%	33.58%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	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 payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2018, the measurement period is the twelve month period beginning July 1, 2017.

**Required Supplementary Information
Schedule of Employer Contributions
Health Insurance Subsidy Program
September 30, 2018**

<i>For the year ended September 30,</i>	2018(1)	2017(1)	2016(1)	2015(1)
Contractually required contribution**	\$ 30,519	\$ 30,205	\$ 29,849	\$ 31,294
Contributions in relation to the actuarially determined contribution	30,519	30,205	29,849	31,294
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll*	\$1,841,915	\$1,819,586	\$1,798,143	\$1,885,154
Contributions as a percentage of covered payroll	1.66%	1.66%	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 payroll during the fiscal year is the total paid to covered employees (not just pensionable payroll). For fiscal year 2018, the period is October 1, 2017 through September 30, 2018.

**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.

NOTE 1 – FLORIDA RETIREMENT SYSTEMS (FRS)

The following actuarial assumptions changed in 2018:

The long-term expected rate of return was decreased from 7.10% to 7.00%, and the active member mortality assumption was updated.

The inflation rate assumption remained at 2.60%, and the overall payroll growth rate, including inflation, remained at 3.25%

NOTE 2 – HEALTH INSURANCE SUBSIDY PROGRAM (HIS)

The following actuarial assumptions changed in 2018:

The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%



COMPLIANCE SECTION

This section is presented to report on internal controls over financial reporting and on compliance and other matters and related compliance reporting requirements of the Auditor General of the State of Florida, including the Florida Single Audit.



Carr, Riggs & Ingram, LLC

1117 Boll Weevil Circle
Enterprise, AL 36330

(334) 347-0088

(334) 347-7650 (fax)

www.cricpa.com

**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, 2018, 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 20, 2019.

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, which we consider to be a material weakness (2018-001).

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*.

The City's Response to Findings

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

Purpose of this Report

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

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

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

Enterprise, Alabama

June 20, 2019



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES

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

We have examined City of Chipley, Florida's (the "City") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, respectively, during the year ended September 30, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2018.

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.

Enterprise, Alabama

June 20, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550
RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA**

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

Report on Compliance for Each Major State Project

We have audited City of Chipley, Florida's (the "City"), compliance with the types of compliance requirements described in the Department of Financial Services' State Projects Compliance Supplement that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2018. The City's state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state assistance applicable to its state projects.

Auditors' Responsibility

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

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

Opinion on Each Major State Project

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General of the State of Florida; but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

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

Enterprise, Alabama

June 20, 2019

City of Chipley
Schedule of Expenditures of
State Financial Assistance
For the Year Ended September 30, 2018

State Agency Pass-Through Entity State Project	CSFA Number	Grant I.D. Number	Expenditures *
Florida Department of Environmental Protection			
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP67010	\$ 597,568
Florida Recreation Development Assistance Program	37.017	A16003	19,453
Florida Recreation Development Assistance Program	37.017	A16004	17,223
Florida Recreation Development Assistance Program	37.017	A17029	7,831
Subtotal for CSFA # 37.017			44,507
Department Total			642,075
State of Florida Department of Transportation			
Small County Outreach Program (SCOP)	55.009	G0682	95,798
Small County Outreach Program (SCOP)	55.009	G0G86	23,052
Department total/subtotal for CSFA # 55.009			118,850
Total Expenditures of State Financial Assistance			\$ 760,925

* - No State Funds were disbursed to subrecipients during the year ended September 30, 2018.

City of Chipley
Notes to Schedule of Expenditures of
State Financial Assistance
For the Year Ended September 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of State Financial Assistance (the Schedule) summarizes the state project expenditures under the State of Florida for the year ended September 30, 2018. The amounts reported as state grant expenditures were obtained from the City's general ledger. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position and cash flows of the City.

For purposes of the Schedule, State Financial Assistance includes all grants, contracts, and similar agreements entered into directly with the State and other pass through entities. Payments received for goods or services provided as a vendor do not constitute State Financial Assistance for purposes of the Schedule. The City has obtained Catalog of State Financial Assistance (CSFA) numbers to ensure that all programs have been identified in the Schedule.

NOTE 2 – RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding state and/or pass-through agencies and the Schedule may differ. Some of the factors that may account for any difference include the following:

- The City's fiscal year end may differ from the program's year end.
- Accruals recognized in the Schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in the City's financial statements and as expenditures in the program financial reports and the Schedule.

NOTE 3 – BASIS OF ACCOUNTING

This Schedule was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the City's state grants.



City of Chipley
Notes to Schedule of Expenditures of
State Financial Assistance
For the Year Ended September 30, 2018

NOTE 4 – CONTINGENCIES

Grant monies received and disbursed by the City are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior 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, 2018, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

NOTE 5 – SUBRECIPIENTS

The City did not provide state funds to subrecipients for the fiscal year ended September 30, 2018.

NOTE 6 – NONCASH ASSISTANCE

The City did not receive any state noncash assistance for the fiscal year ended September 30, 2018.

City of Chipley
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified X yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
- Noncompliance material to financial statements noted? yes X no

State Projects

Internal control over major projects:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the State of Florida Office of the Auditor General? yes X no

Identification of major programs:

CFSA Number(s)	Name of State Project
37.039	Statewide Surface Water Restoration and Wastewater Projects
Dollar threshold used to distinguish between type A and type B State Projects? \$ 300,000	
Auditee qualifies as low-risk auditee? <u> </u> yes <u> X </u> no	

Section II – Financial Statements Findings

2018-001 Financial Statement Preparation Knowledge (prior year 2017-001) (Initially reported in 2017)

Condition – The external auditors' assistance was necessary to prepare the financial statements including note disclosures in accordance with generally accepted accounting principles.

Criteria - Auditing Standards Board AU-C Section 265 requires auditors to communicate control deficiencies identified during the audit to those charged with governance. One indication that a control deficiency exists is when the client cannot prepare its financial statements.

City of Chipley
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section II – Financial Statements Findings (Continued)

Cause – Lack of time and continuing education necessary to prepare financial statements in accordance with Governmental Accounting and Financial Accounting Standards including full note disclosures as required by those standards.

Effect - The finding could adversely affect the City of Chipley’s ability to internally prepare financial statements in accordance with generally accepted accounting principles.

Recommendation - We recommend City personnel continue to develop their knowledge of generally accepted accounting principles in order to ultimately prepare or provide technical reviews of the financial statements.

Views of Responsible Officials and Planned Corrective Action – See Management’s Response Letter beginning at page 77.

Section III –State Projects Findings and Questioned Costs

No such findings noted.



Carr, Riggs & Ingram, LLC
1117 Boll Weevil Circle
Enterprise, AL 36330

(334) 347-0088
(334) 347-7650 (fax)
www.cricpa.com

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, 2018, and have issued our report thereon dated June 20, 2019.

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 Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors’ Report on Compliance for Each Major State Project and Report on Internal Control over Compliance, Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 20, 2019, 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. See Management’s Response Letter beginning at page 77.

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, 2018, 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, 2018. 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, other than those disclosed in the Schedule of Findings and Questioned Cost.

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.

Enterprise, Alabama

June 20, 2019



City of Chipley

1442 Jackson Avenue
P.O. Box 1007
Chipley, Florida 32428
(850) 638-6350 Fax: (850) 638-6353

Management's Response

2018-001 Financial Statement Preparation Knowledge

The City acknowledges the assistance of the external auditor in drafting year-end financial statements. Assistance in drafting the financial statements is obtained primarily to expedite financial statement preparation and to insure adequate note disclosures. The City only prepares a full set of financial statement on an annual basis as required by Florida Statutes. Therefore, we deem utilizing the external auditors as both efficient and cost effective.