



City of Chipley, Florida

FINANCIAL STATEMENTS

September 30, 2021



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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Chipley, Florida (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2021, 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.

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 62 through 67 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 (the "GASB"), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal awards* and 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.

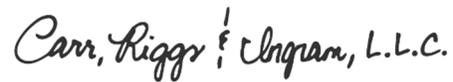
The schedule of expenditures of federal awards and state financial assistance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance 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 27, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Very truly yours,



CARR, RIGGS & INGRAM, LLC
Enterprise, Alabama
June 27, 2022

City of Chipley, Florida 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, 2021 and September 30, 2020, please read in conjunction with the City's financial statements (beginning on page 12).

FINANCIAL HIGHLIGHTS

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$40,613,746 (net position). Of this amount, \$(1,238,339) is a deficit in unrestricted net position for governmental activities and \$(496,825) is a deficit in unrestricted net position for business-type activities, while \$180,882 is restricted net position for business-type activities and \$1,132,073 is restricted net position for governmental activities.
- Total net position increased by \$2,000,922. Of this amount, an increase of \$906,032 is attributable to governmental activities, and \$1,094,890 is attributable to business-type activities.
- As of September 30, 2021, the general fund's unassigned fund balance was \$1,240,364.
- Governmental activities' total revenues increased \$1,552,189 or 36%, while governmental activities' total expenses increased \$976,523 or 25%. Business-type activities' total revenues increased \$2,055,434 or 60%, while business-type activities' total expenses decreased \$201,192 or 4%.

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.

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

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 governmental-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 19 and 20. The governmental fund financial statements can be found on pages 15 – 20 of this report.

City of Chipley, Florida Management's Discussion and Analysis

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 21 – 25 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 26.

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, 2021 and 2020. At the end of the fiscal year 2021, 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 2021 and 2020.

City of Chipley, Florida
Management's Discussion and Analysis

The following schedule reflects the condensed Statement of Net Position as of September 30, 2021 and 2020:

<i>September 30,</i>	Governmental Activities		
	2021	2020	Change
Assets			
Current and other assets	\$ 4,815,971	\$ 3,620,076	\$ 1,195,895
Capital assets, net	6,364,931	5,808,195	556,736
Total assets	11,180,902	9,428,271	1,752,631
Deferred Outflows of Resources			
Deferred outflows related to OPEB	53,418	53,455	(37)
Deferred outflows related to pensions	504,954	798,670	(293,716)
Total deferred outflows of resources	558,372	852,125	(293,753)
Liabilities			
Current liabilities	697,569	1,363,193	(665,624)
Noncurrent liabilities	4,024,591	4,056,711	(32,120)
Total liabilities	4,722,160	5,419,904	(697,744)
Deferred Inflows of Resources			
Deferred inflows related to OPEB	79,169	65,314	13,855
Deferred inflows related to pensions	1,427,067	190,332	1,236,735
Total deferred inflows of resources	1,506,236	255,646	1,250,590
Net Position			
Net investment in capital assets	5,617,144	5,032,946	584,198
Restricted	1,132,073	1,052,181	79,892
Unrestricted (deficit)	(1,238,339)	(1,480,281)	241,942
Total net position	\$ 5,510,878	\$ 4,604,846	\$ 906,032

City of Chipley, Florida
Management's Discussion and Analysis

<i>September 30,</i>	Business-type Activities		
	2021	2020	Change
Assets			
Current and other assets	\$ 2,419,810	\$ 1,460,652	\$ 959,158
Capital assets, net	40,101,371	38,080,141	2,021,230
Total assets	42,521,181	39,540,793	2,980,388
Deferred Outflows of Resources			
Deferred outflows related to OPEB	33,221	33,242	(21)
Deferred outflows related to pensions	217,280	383,418	(166,138)
Total deferred outflows of resources	250,501	416,660	(166,159)
Liabilities			
Current liabilities	1,576,432	797,081	779,351
Noncurrent liabilities	5,245,835	5,013,419	232,416
Total liabilities	6,822,267	5,810,500	1,011,767
Deferred Inflows of Resources			
Deferred inflows related to OPEB	46,068	38,047	8,021
Deferred inflows related to pensions	800,479	100,928	699,551
Total deferred inflows of resources	846,547	138,975	707,572
Net Position			
Net investment in capital assets	35,418,811	34,446,319	972,492
Restricted	180,882	279,554	(98,672)
Unrestricted (deficit)	(496,825)	(717,895)	221,070
Total net position	\$ 35,102,868	\$ 34,007,978	\$ 1,094,890

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 of resources exceeded liabilities and deferred inflows of resources at the close of the fiscal year by \$5.5 million for governmental activities and \$35.1 million for business-type activities.

The largest component \$41.0 million of the City's net position as of September 30, 2021, 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 is the next largest component, totaling \$1.3 million as of September 30, 2021. 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 (\$1.7) million.

City of Chipley, Florida
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 position of the governmental activities increased \$906 thousand, or greater than 20 percent, and the net position of the business-type activities increased \$1.1 million, or greater than 4 percent.

<i>For the years ended September 30,</i>	Governmental Activities		
	2021	2020	Change
Revenues			
Program revenues			
Charges for services	\$ 161,398	\$ 97,947	\$ 63,451
Operating grants and contributions	1,533,202	1,184,884	348,318
Capital grants and contributions	880,308	825,711	54,597
General revenues			
Taxes	1,841,103	1,812,222	28,881
Investment earnings	2,888	13,133	(10,245)
Other	1,410,690	343,503	1,067,187
Total revenues	5,829,589	4,277,400	1,552,189
Expenses			
Governmental activities			
General government	2,137,638	1,310,325	827,313
Public safety	1,556,181	1,421,925	134,256
Public works	749,983	722,338	27,645
Cemetery and grounds	210,957	213,522	(2,565)
Culture and recreation	233,310	243,909	(10,599)
Interest	35,488	35,015	473
Total expenses	4,923,557	3,947,034	976,523
Excess revenues over (under) expenses	906,032	330,366	575,666
Net Position - beginning	4,604,846	4,274,480	330,366
Net Position - ending	\$ 5,510,878	\$ 4,604,846	\$ 906,032

City of Chipley, Florida
Management's Discussion and Analysis

<i>For the years ended September 30,</i>	Business-type Activities		
	2021	2020	Change
Revenues			
Program revenues			
Charges for services	\$ 3,194,104	\$ 3,044,896	\$ 149,208
Operating grants and contributions	2,824	21,946	(19,122)
Capital grants and contributions	2,126,573	284,822	1,841,751
General revenues			
Investment earnings	2,061	6,865	(4,804)
Other	137,187	48,786	88,401
Total revenues	5,462,749	3,407,315	2,055,434
Expenses			
Business-type activities			
Water	852,322	981,005	(128,683)
Sewer	2,242,902	2,319,739	(76,837)
Sanitation	842,247	812,459	29,788
Natural gas	430,388	455,848	(25,460)
Total expenses	4,367,859	4,569,051	(201,192)
Excess revenues over (under) expenses	1,094,890	(1,161,736)	2,256,626
Net Position - beginning	34,007,978	35,169,714	(1,161,736)
Net Position - ending	\$ 35,102,868	\$ 34,007,978	\$ 1,094,890

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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 2021, the City's general fund reported a fund balance of \$2,059,881. The restricted portion of this fund balance is \$724,415, the committed portion is \$72,981, the assigned portion is \$22,121 and the unassigned portion is \$1,240,364.

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 2021, the Community Redevelopment Agency fund reported a restricted fund balance of \$348,448.

City of Chipley, Florida Management's Discussion and Analysis

As of the end of the fiscal year 2021, the City's other governmental funds (non-major funds) reported a restricted fund balance of \$59,210 and a committed fund balance of \$11,235.

GENERAL FUND BUDGETARY HIGHLIGHTS

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 DEBT ADMINISTRATION

During fiscal year 2021, the City invested \$4.3 million in capital assets and increased total debt by \$1.0 million. Approximately \$4.1 million 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 2 of the City's notes to the financial statements.

ECONOMIC FACTORS AND 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, Florida
Statement of Net Position

<i>September 30, 2021</i>	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and cash equivalents	\$ 404,308	\$ 148,583	\$ 552,891
Investments	1,744,270	477,368	2,221,638
Receivables, net	260,396	448,838	709,234
Due from other governments	1,166,914	1,362,022	2,528,936
Internal balances	663,500	(663,500)	-
Restricted cash	347,921	542,663	890,584
Restricted investments	221,792	103,836	325,628
Land held for resale	3,821	-	3,821
Prepaid expenses	3,049	-	3,049
Capital assets			
Non-depreciable	957,006	6,184,372	7,141,378
Depreciable, net	5,407,925	33,916,999	39,324,924
Total assets	11,180,902	42,521,181	53,702,083
Deferred Outflows of Resources			
Deferred outflows related to OPEB	53,418	33,221	86,639
Deferred outflows related to pension liability	504,954	217,280	722,234
Total deferred outflows of resources	558,372	250,501	808,873
Liabilities			
Accounts payable	534,020	1,156,253	1,690,273
Accrued payroll liabilities	72,807	49,374	122,181
Other liabilities	-	2,348	2,348
Payable from restricted assets			
Accrued interest	2,968	2,076	5,044
Customer deposits	-	257,098	257,098
Unearned revenue - occupational licenses	42,469	-	42,469
Unearned revenue - intergovernmental	1,643,833	-	1,643,833
Non-current liabilities			
Net pension liability	978,103	312,392	1,290,495
Net OPEB liability	25,575	18,728	44,303
Due within one year			
Compensated absences	40,247	20,486	60,733
Notes payable	25,686	86,297	111,983
Bonds payable	21,841	2,500	24,341
Due in more than one year			
Compensated absences	630,530	320,952	951,482
Notes payable	46,390	4,495,263	4,541,653
Bonds payable	657,691	98,500	756,191
Total liabilities	4,722,160	6,822,267	11,544,427
Deferred Inflows of Resources			
Deferred inflows related to OPEB	79,169	46,068	125,237
Deferred inflows related to pensions	1,427,067	800,479	2,227,546
Total deferred inflows of resources	1,506,236	846,547	2,352,783

-Continued-

The accompanying notes are an integral part of these financial statements.

City of Chipley, Florida
Statement of Net Position (Continued)

<i>September 30, 2021</i>	Primary Government		Total
	Governmental Activities	Business-type Activities	
Net Position			
Net investment in capital assets	5,617,144	35,418,811	41,035,955
Restricted	1,132,073	180,882	1,312,955
Unrestricted (deficit)	(1,238,339)	(496,825)	(1,735,164)
Total net position	\$ 5,510,878	\$ 35,102,868	\$ 40,613,746

The accompanying notes are an integral part of these financial statements.

City of Chipley, Florida
Statement of Activities

For the year ended September 30, 2021

Functions/Programs	Expenses	Charges for Services	Program Operating Grants and Contributions
Primary Government			
Governmental activities:			
General government	\$ 2,137,638	\$ 67,272	\$ 623,954
Public safety	1,556,181	21,489	756,526
Public works	749,983	-	148,435
Cemetery and grounds	210,957	38,000	-
Culture and recreation	233,310	34,637	4,287
Interest	35,488	-	-
Total governmental activities	4,923,557	161,398	1,533,202
Business-type Activities:			
Water	852,322	658,027	869
Sewer	2,242,902	1,227,089	1,955
Sanitation	842,247	853,484	-
Natural gas	430,388	455,504	-
Total business-type activities	4,367,859	3,194,104	2,824
Total primary government	\$ 9,291,416	\$ 3,355,502	\$ 1,536,026

General revenues

Taxes:

Ad valorem tax

Sales taxes

Utility taxes

Other taxes

Interest income

Miscellaneous

Rental income

Gain on disposal of capital assets

Total general revenues

Change in net position

Net position, beginning of year

Net position, end of year

The accompanying notes are an integral part of these financial statements.

Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ 95,645	\$ (1,350,767)	\$ -	\$ (1,350,767)
-	(778,166)	-	(778,166)
784,663	183,115	-	183,115
-	(172,957)	-	(172,957)
-	(194,386)	-	(194,386)
-	(35,488)	-	(35,488)
880,308	(2,348,649)	-	(2,348,649)
601,570	-	408,144	408,144
1,525,003	-	511,145	511,145
-	-	11,237	11,237
-	-	25,116	25,116
2,126,573	-	955,642	955,642
<u>\$ 3,006,881</u>	<u>(2,348,649)</u>	<u>955,642</u>	<u>(1,393,007)</u>
	1,030,653	-	1,030,653
	158,713	-	158,713
	651,737	-	651,737
	-	-	-
	2,888	2,061	4,949
	1,295,035	137,187	1,432,222
	99,200	-	99,200
	16,455	-	16,455
	3,254,681	139,248	3,393,929
	906,032	1,094,890	2,000,922
	4,604,846	34,007,978	38,612,824
	<u>\$ 5,510,878</u>	<u>\$ 35,102,868</u>	<u>\$ 40,613,746</u>

City of Chipley, Florida
Balance Sheet – Governmental Funds

<i>September 30, 2021</i>	General Fund	Community Redevelopment Agency
Assets		
Cash and cash equivalents	\$ 392,856	\$ -
Investments	1,744,270	-
Receivables, net	220,412	39,984
Due from other governments	1,166,914	-
Prepaid expenses	3,049	-
Due from other funds	663,500	-
Restricted cash	202,039	86,672
Restricted investments	-	221,792
Total assets	\$ 4,393,040	\$ 348,448
Liabilities, Deferred Inflows of Resources and Fund Balances		
Liabilities		
Accounts payable	\$ 534,280	\$ -
Salaries and benefits payable	112,577	-
Unearned revenue - intergovernmental	1,643,833	-
Unearned revenue - occupational license	42,469	-
Total liabilities	2,333,159	-
Fund balances		
Restricted	724,415	348,448
Committed	72,981	-
Assigned	22,121	-
Unassigned	1,240,364	-
Total fund balances	2,059,881	348,448
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,393,040	\$ 348,448

The accompanying notes are an integral part of these financial statements.

	Nonmajor Funds	Total Governmental Funds
\$	11,452	\$ 404,308
	-	1,744,270
	-	260,396
	-	1,166,914
	-	3,049
	-	663,500
	59,210	347,921
	-	221,792
<hr/>		
\$	70,662	\$ 4,812,150
<hr/>		
\$	217	\$ 534,497
	-	112,577
	-	1,643,833
	-	42,469
<hr/>		
	217	2,333,376
	59,210	1,132,073
	11,235	84,216
	-	22,121
	-	1,240,364
<hr/>		
	70,445	2,478,774
<hr/>		
\$	70,662	\$ 4,812,150
<hr/>		

City of Chipley, Florida
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position

September 30, 2021

Total fund balance - governmental funds	\$ 2,478,774
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore are not reported in the governmental funds.	6,364,931
Certain assets held for resale are not current financial resources and, therefore are not reported in the governmental funds.	3,821
Deferred inflow of resources related to pension earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(1,427,067)
Deferred inflow of resources related to OPEB earnings are not recognized in governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	(79,169)
Deferred outflow of resources related to pension earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	504,954
Deferred outflow of resources related to OPEB earnings are not recognized in the governmental funds; however, they are recorded in the statement of net position under full accrual accounting.	53,418
Long-term liabilities, including total OPEB liability, net pension liability and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(978,103)
Net OPEB liability	(25,575)
Compensated absences	(630,530)
Accrued interest on debt	(2,968)
Bonds, notes and leases payable	(751,608)
Net position of governmental activities	\$ 5,510,878

The accompanying notes are an integral part of these financial statements.

City of Chipley, Florida
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds

<i>For the year ended September 30, 2021</i>	General Fund	Community Redevelopment Agency
Revenues		
Taxes	\$ 2,408,562	\$ -
Licenses and permits	62,921	-
Fines, forfeitures and penalties	10,257	-
Intergovernmental	1,700,769	95,645
Charges for services	88,625	-
Interest	1,487	1,393
Rental income	99,200	-
Miscellaneous revenue	1,332,616	-
Total revenues	5,704,437	97,038
Expenditures		
Current		
General government	1,917,000	112,065
Public safety	1,644,444	-
Public works	1,190,029	-
Cemetery and grounds	218,442	-
Culture and recreation	493,978	-
Debt service, principal	-	-
Debt service, interest	-	-
Total expenditures	5,463,893	112,065
Excess (deficiency) of revenues over (under) expenditures	240,544	(15,027)
Other Financing Sources (Uses)		
Transfers in	1,722	77,869
Transfers out	(159,793)	-
Debt proceeds	23,118	-
Proceeds from sale of capital assets	16,455	-
Total other financing sources (uses)	(118,498)	77,869
Net change in fund balances	122,046	62,842
Fund balances, beginning of year	1,937,835	285,606
Fund balances, end of year	\$ 2,059,881	\$ 348,448

The accompanying notes are an integral part of these financial statements.

	Nonmajor Funds	Total Governmental Funds
\$	-	\$ 2,408,562
	-	62,921
	-	10,257
	-	1,796,414
	-	88,625
	8	2,888
	-	99,200
	<u>11,651</u>	<u>1,344,267</u>
	11,659	5,813,134
	-	2,029,065
	10,661	1,655,105
	-	1,190,029
	-	218,442
	-	493,978
	46,760	46,760
	<u>35,488</u>	<u>35,488</u>
	92,909	5,668,867
	(81,250)	144,267
	82,202	161,793
	(2,000)	(161,793)
	-	23,118
	-	<u>16,455</u>
	<u>80,202</u>	<u>39,573</u>
	(1,048)	183,840
	<u>71,493</u>	<u>2,294,934</u>
\$	<u><u>70,445</u></u>	<u><u>\$ 2,478,774</u></u>

City of Chipley, Florida

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**

For the year ended September 30, 2021

Net change in fund balances - total governmental funds \$ 183,840

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the period. 556,736

Cash pensions contributions reported in the funds were less than the calculated pension expense on the statement of activities and therefore decreased net position. 206,974

Other postemployment benefit obligation reported in the statement of activities does not require the use of current financial resources and therefore, is not reported as an expenditure in governmental funds. 99

Long-term compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (65,259)

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. 23,642

Change in net position of governmental activities \$ 906,032

The accompanying notes are an integral part of these financial statements.

City of Chipley, Florida
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – General Fund

<i>For the year ended September 30, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,375,748	\$ 2,434,748	\$ 2,408,562	\$ (26,186)
Licenses and permits	65,497	65,497	62,921	(2,576)
Fines, forfeitures and penalties	20,885	21,147	10,257	(10,890)
Intergovernmental	837,683	2,060,358	1,700,769	(359,589)
Charges for services	27,905	99,405	88,625	(10,780)
Interest	3,000	3,000	1,487	(1,513)
Rental income	99,201	99,201	99,200	(1)
Miscellaneous	266,557	1,604,625	1,332,616	(272,009)
Total revenues	3,696,476	6,387,981	5,704,437	(683,544)
Expenditures				
General government	743,688	2,138,161	1,917,000	221,161
Public safety	1,036,993	1,813,526	1,644,444	169,082
Public works	1,263,370	1,553,848	1,190,029	363,819
Cemetery and grounds	217,816	263,216	218,442	44,774
Culture and recreation	213,494	543,044	493,978	49,066
Total expenditures	3,475,361	6,311,795	5,463,893	847,902
Excess of revenues over (under) expenditures	221,115	76,186	240,544	164,358
Other Financing Sources (Uses)				
Transfers in	91,385	213,195	1,722	(211,473)
Transfers out	(151,974)	(151,974)	(159,793)	(7,819)
Debt proceeds	-	23,119	23,118	(1)
Sale of capital assets	-	-	16,455	16,455
Total other financing sources (uses)	(60,589)	84,340	(118,498)	(202,838)
Net change in fund balances	160,526	160,526	122,046	(38,480)
Fund balances - beginning of the year	1,937,835	1,937,835	1,937,835	-
Fund balances - end of year	\$ 2,098,361	\$ 2,098,361	\$ 2,059,881	\$ (38,480)

The accompanying notes are an integral part of these financial statements.

City of Chipley, Florida

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual – Community Redevelopment Agency

<i>For the year ended September 30, 2021</i>	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 95,646	\$ 95,646	\$ 95,645	\$ (1)
Interest	69,000	69,000	1,393	(67,607)
Total revenues	164,646	164,646	97,038	(67,608)
Expenditures				
General government	398,864	398,864	112,065	286,799
Excess (Deficiency) of Revenues Over (Under) Expenditures	(234,218)	(234,218)	(15,027)	219,191
Other Financing Sources (Uses) Transfers in	77,591	77,591	77,869	278
Net change in fund balances	(156,627)	(156,627)	62,842	219,469
Fund balances, beginning of year	285,606	285,606	285,606	-
Fund balances, end of year	\$ 128,979	\$ 128,979	\$ 348,448	\$ 219,469

The accompanying notes are an integral part of these financial statements.

City of Chipley, Florida
Statement of Net Position – Proprietary Funds

<i>September 30, 2021</i>	Business-type	
	Water	Sewer
Assets		
Current assets		
Cash and cash equivalents	\$ 54,035	\$ 4,282
Investments	393	661
Accounts receivable, net	78,517	227,738
Due from other governments	8,072	1,353,891
Restricted assets:		
Cash and cash equivalents	142,197	326,251
Investments	-	103,836
Total current assets	283,214	2,016,659
Non-current assets		
Land and construction in progress	112,750	6,056,772
Capital assets, net of depreciation	5,566,208	28,173,849
Total non-current assets	5,678,958	34,230,621
Total assets	5,962,172	36,247,280
Deferred Outflows of Resources		
Deferred outflows related to OPEB	13,713	14,449
Deferred outflows related to pensions	63,937	113,787
Total deferred outflows of resources	77,650	128,236
Liabilities		
Current liabilities		
Accounts payable	9,229	1,136,819
Accrued payroll liabilities	16,305	21,673
Other accrued liabilities	88	254
Compensated absences	7,843	7,553
Due to other funds	-	373,200
Total current liabilities	33,465	1,539,499
Current liabilities payable from restricted assets		
Accrued interest	351	1,356
Notes payable, current portion	-	69,592
Bonds payable, current portion	2,500	-
Total current liabilities payable from restricted assets	2,851	70,948

The accompanying notes are an integral part of these financial statements.

Activities - Enterprise Funds

	Sanitation	Natural Gas	Total
\$	87,487	\$ 2,779	\$ 148,583
	475,782	532	477,368
	98,346	44,237	448,838
	59	-	1,362,022
	48,218	25,997	542,663
	-	-	103,836
	709,892	73,545	3,083,310
	10,350	4,500	6,184,372
	36,483	140,459	33,916,999
	46,833	144,959	40,101,371
	756,725	218,504	43,184,681
	2,852	2,207	33,221
	18,132	21,424	217,280
	20,984	23,631	250,501
	3,968	6,237	1,156,253
	4,332	7,064	49,374
	-	2,006	2,348
	1,577	3,514	20,486
	-	290,300	663,500
	9,877	309,121	1,891,961
	203	166	2,076
	9,298	7,407	86,297
	-	-	2,500
	9,501	7,573	90,873

-Continued-

City of Chipley, Florida
Statement of Net Position – Proprietary Funds (Continued)

<i>September 30, 2021</i>	Business-type	
	Water	Sewer
Noncurrent liabilities		
Compensated absences	122,875	118,329
Customer deposits	78,932	104,948
Net pension liability	94,913	163,450
Notes payable	-	4,495,263
Net OPEB liability	9,599	7,399
Bonds payable	98,500	-
Total noncurrent liabilities	404,819	4,889,389
Total liabilities	441,135	6,499,836
Deferred Inflows of Resources		
Deferred inflows related to OPEB	16,920	20,874
Deferred inflows related to pensions	286,009	343,586
Total deferred inflows of resources	302,929	364,460
Net Position		
Net investment in capital assets	5,577,958	29,665,766
Restricted	59,964	120,918
Unrestricted (deficit)	(342,164)	(275,464)
Total net position (deficit)	\$ 5,295,758	\$ 29,511,220

The accompanying notes are an integral part of these financial statements.

Activities - Enterprise Funds

Sanitation	Natural Gas	Total
24,699	55,048	320,952
47,936	25,282	257,098
29,245	24,784	312,392
-	-	4,495,263
1,415	315	18,728
-	-	98,500
103,295	105,429	5,502,933
122,673	422,123	7,485,767
4,170	4,104	46,068
61,230	109,654	800,479
65,400	113,758	846,547
37,535	137,552	35,418,811
-	-	180,882
552,101	(431,298)	(496,825)
\$ 589,636	\$ (293,746)	\$ 35,102,868

City of Chipley, Florida
Statement of Revenues, Expenses and Changes in Net Position –
Proprietary Funds

<i>For the year ended September 30, 2021</i>	Business-type	
	Water	Sewer
Operating Revenues		
Charges for services	\$ 658,027	\$ 1,227,089
Miscellaneous revenue	31,725	102,561
Total operating revenues	689,752	1,329,650
Operating Expenses		
Salaries and benefits	400,790	522,101
Services and supplies	225,825	537,277
Depreciation	181,677	1,098,381
Other expenses	6,241	4,842
Total operating expenses	814,533	2,162,601
Operating income (loss)	(124,781)	(832,951)
Nonoperating Revenues (Expenses)		
Grant expenses	(33,119)	(1,955)
Grant revenue	602,439	1,526,958
Interest income	5	1,313
Interest expense	(4,670)	(78,346)
Total nonoperating revenues (expenses)	564,655	1,447,970
Change in net position	439,874	615,019
Net position (deficit) - beginning of year	4,855,884	28,896,201
Net position (deficit) - end of year	\$ 5,295,758	\$ 29,511,220

The accompanying notes are an integral part of these financial statements.

Activities - Enterprise Funds

	Sanitation	Natural Gas	Total
\$	853,484	\$ 455,504	\$ 3,194,104
	-	2,901	137,187
	853,484	458,405	3,331,291
	100,191	166,452	1,189,534
	721,446	231,076	1,715,624
	18,473	28,235	1,326,766
	1,719	4,340	17,142
	841,829	430,103	4,249,066
	11,655	28,302	(917,775)
	-	-	(35,074)
	-	-	2,129,397
	739	4	2,061
	(418)	(285)	(83,719)
	321	(281)	2,012,665
	11,976	28,021	1,094,890
	577,660	(321,767)	34,007,978
\$	589,636	\$ (293,746)	\$ 35,102,868

City of Chipley, Florida
Statement of Cash Flows – Proprietary Funds

	Business-type	
<i>For the year ended September 30, 2021</i>	Water	Sewer
Operating Activities		
Receipts from customers, users and others	\$ 696,853	\$ 1,248,978
Payments to suppliers	(285,561)	431,176
Payments to employees	(401,098)	(510,818)
<hr/>		
Net cash provided by (used in) operating activities	10,194	1,169,336
Noncapital Financing Activities		
Advances from other funds	-	236,250
<hr/>		
Capital and Related Financing Activities		
Grant revenue	583,554	345,930
Purchases and construction of capital assets	(599,456)	(24,760)
Principal paid on capital debt	(9,722)	(1,649,485)
Interest paid on capital debt	(4,787)	(84,373)
<hr/>		
Net cash provided by (used in) capital and related financing activities	(30,411)	(1,412,688)
Investing Activities		
Interest and dividends	5	1,313
Purchase of investments	(1)	(1,201)
<hr/>		
Net cash provided by (used in) investing activities	4	112
<hr/>		
Net increase (decrease) in cash and cash equivalents	(20,213)	(6,990)
<hr/>		
Cash and cash equivalents, beginning of year	216,445	337,523
<hr/>		
Cash and cash equivalents, end of year	\$ 196,232	\$ 330,533
<hr/>		

The accompanying notes are an integral part of these financial statements.

Activities - Enterprise Funds

	Sanitation	Natural Gas	Total
\$	851,398	\$ 448,282	\$ 3,245,511
	(786,193)	(255,359)	(895,937)
	(98,552)	(182,121)	(1,192,589)
	(33,347)	10,802	1,156,985
	-	(1,500)	234,750
	-	-	929,484
	-	-	(624,216)
	(9,025)	(6,810)	(1,675,042)
	(608)	(434)	(90,202)
	(9,633)	(7,244)	(1,459,976)
	739	1	2,058
	(740)	(1)	(1,943)
	(1)	-	115
	(42,981)	2,058	(68,126)
	178,686	26,718	759,372
\$	135,705	\$ 28,776	\$ 691,246

-Continued-

City of Chipley, Florida
Statement of Cash Flows – Proprietary Funds (Continued)

<i>For the year ended September 30, 2021</i>	Business-type	
	Water	Sewer
Reconciliation of Operating Income (Loss) to Net Cash		
Provided by (Used In) Operating Activities		
Operating income (loss)	\$ (124,781)	\$ (832,951)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	181,677	1,098,381
Changes in operating assets and liabilities:		
Accounts receivable	6,025	(83,475)
Deferred outflows related to pension	60,150	70,103
Deferred outflows related to OPEB	7	10
Accounts payable	(11,097)	1,022,732
Accrued payroll liabilities	(1,883)	(1,966)
Other accrued liabilities	10	(11)
Compensated absences	1,575	13,249
Pension liability	(355,810)	(414,682)
Net OPEB liability	(2,945)	(3,682)
Deferred inflows related to pension	253,273	295,179
Deferred inflows related to OPEB	2,917	3,646
Customer deposits	1,076	2,803
Net cash provided by (used in) operating activities	\$ 10,194	\$ 1,169,336
Noncash Financing Activities		
Equipment acquired through issuance of long-term debt	\$ -	\$ 2,723,767

The accompanying notes are an integral part of these financial statements.

Activities - Enterprise Funds

	Sanitation	Natural Gas	Total
\$	11,655	\$ 28,302	\$ (917,775)
	18,473	28,235	1,326,766
	(7,426)	(10,376)	(95,252)
	12,604	23,281	166,138
	2	2	21
	(54,141)	(2,340)	955,154
	(332)	(365)	(4,546)
	-	(1,193)	(1,194)
	1,971	(15,304)	1,491
	(74,558)	(137,713)	(982,763)
	(736)	(736)	(8,099)
	53,072	98,027	699,551
	729	729	8,021
	5,340	253	9,472
\$	(33,347)	\$ 10,802	\$ 1,156,985
\$	-	\$ -	\$ 2,723,767

City of Chipley, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Chipley Florida (“the City”), located in Washington County, was incorporated in 1901 pursuant to 5077-1901 Laws of Florida. 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.

Reporting Entity

The City is a political subdivision of the State of Florida and operates under an elected City Council. The accompanying financial statement statements present the city and its component units, entities for which the City 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 presented as funds of the primary government. 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 city. The City has no discretely presented component units. The financial statements of 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). The more significant accounting policies used by the City are described below.

In evaluating the City as a supporting entity, management has considered all potential component units in accordance with the Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100: *Defining the Financial Reporting Entity*.

Blended Component Units

Community Redevelopment Agency (the “Agency” or “CRA”) – The Agency was created by the City pursuant to State Statutes with commissioners of the Agency being City Council Members. During 1997, the City passed an ordinance establishing a board of directors (the “Board”) for the Agency. Operations are administered by the Council appointed Board and are financed with City and county funds.

Chipley Volunteer Fire Department (the “Department”) – This is a nonprofit organization which is funded primarily by City funds and public donations. Operations are administered by the Department. The City includes the operations of the Department in the General Fund.

Related Organization

Chipley Housing Authority (the “Authority”) – The 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)

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

Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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

City of Chipley, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

days of the end of the current fiscal period. 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. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City. The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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 where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The fund financial statements provide information about the City's funds and blended component units. The emphasis of fund financial statements is on major governmental, each displayed in a separate column. All remaining governmental are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* 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.

The *Community Redevelopment Agency* 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.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (continued)

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 nonmajor governmental funds.

The City reports the following major enterprise funds:

The *Water Fund* accounts for all activity related to providing water services to its citizens.

The *Sewer Fund* accounts for all activity related to providing sewer services to its citizens.

The *Sanitation Fund* accounts for all activity related to providing sanitation services to its citizens.

The *Natural Gas Fund* accounts for all activity related to providing natural gas services to its citizens.

Budgetary Information

Budgetary basis of accounting

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.

Budget Amendments

During fiscal year 2021, there were general fund supplemental budget appropriations of \$2,691,505 or 72.81% of the original budget. The Community Redevelopment Agency had no significant budget amendments during fiscal year 2021. The following items represent the major additional appropriations:

General Fund

Capital outlays	\$ 941,296
Flood damage repairs	1,310,700
Various personnel services and operating costs	439,509
Total general fund	\$ 2,691,505

City of Chipley, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

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. This policy applies to the primary government and its component unit.

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.
- 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.

Receivables

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.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (continued)

Interfund Activities and Transactions

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 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:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings	20 – 50
Water and sewer system	15 – 50
Improvements	10 – 20
Machinery and equipment	5 – 10
Other infrastructure	10 – 50

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

The City has two (2) items that qualify for reporting as deferred outflows of resources, deferred outflows related to pensions and OPEB, both reported in the government-wide and proprietary funds statements of net position. The deferred outflows related to pensions and OPEB are an aggregate of items related to pensions and OPEB as calculated in accordance with GASB 68 and 75. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. The deferred outflows related to OPEB will be recognized as either OPEB expense or a reduction in the net OPEB liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two (2) items that qualify for reporting as deferred inflows of resources. The deferred inflows related to pensions and OPEB are an aggregate of items related to pensions and OPEB as calculated in accordance with GASBs 68 and 75. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. The deferred inflows related to OPEB will be recognized as either OPEB expense or a reduction in the net OPEB liability in future reporting years.

Unearned Revenue

Unearned revenue, reported in the governmental funds balance sheet, represents amounts received before eligibility requirements are met. The governmental funds report unearned revenues from two sources: occupational licenses and intergovernmental revenues. Intergovernmental revenue includes grant funding from the American Rescue Plan Act and Federal Emergency Management Agency.

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.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (continued)

Compensated Absences (continued)

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

Long-Term Obligations

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

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

Pensions

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 (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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (continued)

Other Post-Employment Benefits (OPEB) Liability

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*.

Categories and Classification of Fund Equity

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Net position is reported on the government-wide and proprietary fund financial statements 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.

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 balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (continued)

Categories and Classification of Fund Equity (continued)

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 in the following classifications:

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.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes – 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.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses (continued)

The current property tax calendar is as follows:

Lien date:	January 1, 2020
Levy date:	November 1, 2020
Due date:	March 31, 2021
Delinquent date:	April 1, 2021

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.

Proprietary funds operating and nonoperating revenues and expenses - 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.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued June 27, 2022 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

Recently Issued and Implemented Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 is effective for the fiscal years beginning after December 15, 2019. The implementation of this statement had no impact on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In August 2018, the GASB issued Statement No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The implementation of this statement had no impact on the financial statements.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020, but the City elected to adopt this for the year ended September 30, 2021. The implementation of this statement had no impact on the financial statements.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reports,
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan,
- The applicability of Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits,
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements,
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition,
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers,
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature, and
- Terminology used to refer to derivative instruments.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments.

The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

City of Chipley, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022.

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In June 2020, the GASB issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if

City of Chipley, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

In October 2021, the GASB issued GASB Statement No. 98, The Annual Comprehensive Financial Report. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur. This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. The requirements of this Statement are effective for fiscal years ending after December 15, 2021.

The City is evaluating the requirements of the above statements and the impact on reporting.

Note 2: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

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's 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.

The City invests 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, 2021, the fair value and the carrying value of these funds was \$2,443,430. The funds are reported as investments in the amount of \$2,221,638, and as restricted investments of \$221,792.

Florida PRIME is administered by the SBA, under the regulatory oversight of the State of Florida. Florida PRIME is rated by Standard and Poor's as AAAM. At September 30, 2021, Florida PRIME's investments dollar weighted average days to maturity (WAM) was 64 days. Next interest rate reset dates for floating rate securities are used in the calculation of WAM and weighted average life (WAL) is 63 days. Florida PRIME was not exposed to any foreign currency risk during the period from October 1, 2020 through September 30, 2021. As of September 30, 2021, 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.

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (continued)

Florida PRIME is governed by Chapters 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration, (the "SBA"). 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 (the "SEC"); however, the State has adopted operating procedures consistent with the requirements for a "2a-7 like" pool.

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.

Concentration 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.

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	\$ 2,443,430	\$ 2,443,430	\$ -	\$ -	-
Certificates of Deposit	103,836	103,836	-	-	-
	<u>\$ 2,547,266</u>	<u>\$ 2,547,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Accounts Receivable

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	\$	105,628	\$ -
Franchise fees		26,861	-
Revolving loan receivable		-	39,984
Insurance recovery		87,923	-
Total	\$	220,412	\$ 39,984

Proprietary Funds	Water	Sewer	Sanitation	Natural Gas
Accounts – utility billings (1)	\$ 81,237	\$ 145,971	\$ 101,984	\$ 45,882
Allowance for uncollectibles	(3,332)	(6,055)	(4,196)	(1,866)
Other	612	87,822	558	221
Total	\$ 78,517	\$ 227,738	\$ 98,346	\$ 44,237

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

Due from Other Governments

The \$1,166,914 reported in governmental activities and \$1,362,022 reported in business-type activities are due from the State of Florida for grant reimbursements. The amounts due are deemed collectible.

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, 2021 is shown below:

	Payable Fund		
	Sewer	Gas	Total
Receivable Fund			
General	\$ 373,200	\$ 290,300	\$ 663,500

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Interfund Transfers

	Transfers In			
	Debt Service	CRA	General	Total
Transfers Out				
Nonmajor governmental	\$ -	\$ 278	\$ 1,722	\$ 2,000
General	82,202	77,591	-	159,793
Total	\$ 82,202	\$ 77,869	\$ 1,722	\$ 161,793

Transfers are used to meet debt service requirements and to transfer the CRA's ad valorem tax increment financing from the general fund.

Capital Assets

The following is a summary of changes in capital assets during the year ended September 30, 2021:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$ 957,006	\$ -	\$ -	\$ -	\$ 957,006
Construction-in-progress	305,774	602,814	908,588	-	-
Capital assets, not being depreciated	\$ 1,262,780	\$ 602,814	\$ 908,588	\$ -	\$ 957,006
Capital assets, being depreciated					
Furniture and equipment	\$ 2,440,313	\$ 109,729	\$ 135,461	\$ 27,325	\$ 2,441,906
Improvements other than buildings	3,584,563	1,145,561	-	-	4,730,124
Buildings	4,627,559	-	-	-	4,627,559
Capital assets, being depreciated	10,652,435	1,255,290	135,461	27,325	11,799,589
Less accumulated depreciation for					
Furniture and equipment	2,500,431	132,598	135,461	27,325	2,524,893
Improvements other than buildings	1,278,154	190,546	-	-	1,468,700
Buildings	2,328,435	69,636	-	-	2,398,071
Total accumulated depreciation	6,107,020	392,780	135,461	27,325	6,391,664
Total capital assets being depreciated, net	\$ 4,545,415	\$ 862,510	\$ -	\$ -	\$ 5,407,925

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital assets, not being depreciated					
Land	\$ 2,356,559	\$ -	\$ -	\$ -	\$ 2,356,559
Construction-in-progress	1,322,464	3,168,894	663,545	-	3,827,813
Capital assets, not being depreciated	\$ 3,679,023	\$ 3,168,894	\$ 663,545	\$ -	\$ 6,184,372
Capital assets, being depreciated					
Building and plant	\$ 50,270,021	\$ 685,457	\$ -	\$ -	\$ 50,955,478
Equipment and vehicles	2,619,156	157,190	10,568	-	2,765,778
Capital assets, being depreciated	52,889,177	842,647	10,568	-	53,721,256
Less accumulated depreciation for					
Building and plant	16,361,151	1,216,310	-	-	17,577,461
Equipment and vehicles	2,126,908	110,456	10,568	-	2,226,796
Total accumulated depreciation	18,488,059	1,326,766	10,568	-	19,804,257
Total capital assets being depreciated, net	\$ 34,401,118	\$ (484,119)	\$ -	\$ -	\$ 33,916,999

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

<i>For the year ended September 30,</i>	2021
Governmental activities	
General government	\$ 98,014
Public safety	77,009
Public works	191,774
Culture and recreation	25,983
Total depreciation expense - governmental activities	\$ 392,780
Business-type Activities	
Water	\$ 181,677
Sewer	1,098,381
Sanitation	18,473
Natural Gas	28,235
Total depreciation expense - business-type activities	\$ 1,326,766

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Revenue bonds	\$ 700,790	\$ -	\$ 21,258	\$ 679,532	\$ 21,841
Notes	74,459	23,118	25,501	72,076	25,686
Compensated absences	621,176	143,988	94,387	670,777	40,247
Total	\$ 1,396,425	\$ 167,106	\$ 141,146	\$ 1,422,385	\$ 87,774
Business-type activities					
Revenue bonds	\$ 1,714,900	\$ -	\$ 1,613,900	\$ 101,000	\$ 2,500
Notes	1,918,922	2,723,767	61,129	4,581,560	86,297
Compensated absences	339,947	95,491	94,000	341,438	20,486
Total	\$ 3,973,769	\$ 2,819,258	\$ 1,769,029	\$ 5,023,998	\$ 109,283

Debt service requirements on long-term debt at September 30, 2021 are as follows:

<i>Year ending September 30,</i>	Governmental Activities			
	Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest
2022	\$ 21,841	\$ 32,228	\$ 25,686	\$ 2,400
2023	23,451	31,192	26,456	1,629
2024	24,090	30,117	6,441	812
2025	25,759	28,937	6,703	550
2026	26,460	27,716	6,790	277
2027-2031	153,037	118,446	-	-
2032-2036	186,289	79,110	-	-
2037-2041	198,605	31,007	-	-
2042-2046	20,000	947	-	-
Total	\$ 679,532	\$ 379,700	\$ 72,076	\$ 5,668

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

Year ending <i>September 30,</i>	Business-type Activities			
	Revenue Bonds		Notes	
	Principal	Interest	Principal	Interest
2022	\$ 2,500	\$ 4,517	\$ 86,297	\$ 8,194
2023	2,600	4,405	72,446	7,111
2024	2,700	4,300	73,300	6,434
2025	2,800	4,168	74,176	5,736
2026	2,900	4,043	63,468	5,016
2027-2031	16,600	18,158	324,208	21,088
2032-2036	20,600	14,106	336,343	14,086
2037-2041	25,600	9,057	314,313	6,627
2042-2046	24,700	2,822	224,566	2,590
2047-2051	-	-	317,000	693
Total	\$ 101,000	\$ 65,576	\$ 1,886,117	\$ 77,575

Notes payable at September 30, 2021 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.	\$ 24,712
Capital City Bank – A note payable in annual installments of \$7,253.56 including interest at 4.07%. The note matures on February 3, 2026 and is secured by a vehicle.	32,103
Capital City Bank – A note payable in annual installments of \$8,004 including interest at 3.20%. The note matures on July 1, 2023 and is secured by a vehicle.	15,261
	\$ 72,076

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

	Business-Type Activities
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.	\$ 7,407
Capital City Bank – A note payable in annual installments of \$12,100.83 including interest at 4.15%. The note matures on June 1, 2026 and is secured by a vehicle.	42,033
Capital City Bank – A note payable in annual installments of \$9,775.35 including interest at 3.15%. The note matures on March 15, 2023 and is secured by a vehicle.	18,652
Capital City Bank – A note payable in annual installments of \$9,633 including interest at 3.32%. The note matures on May 1, 2021 and is secured by a vehicle.	9,298
 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 \$50,246 beginning September 2021 with a stated interest rate of .17%. The remaining principal and interest payments on this debt as of September 30, 2021 totaled \$1,433,307. Principal and interest paid for the year ended September 30, 2021 and total pledged revenues were \$3,735 and \$333,902, respectively.	 1,400,288
 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 loan is payable in semi-annual principal and interest installments of \$45,431 beginning March 2021 with a stated interest rate of .17%. The remaining principal and interest payments on this debt as of September 30, 2021 totaled \$448,831. Principal and interest paid for the year ended September 30, 2021 and total pledged revenues were \$22,168 and \$333,902, respectively. Principal and interest payments were 5.48% of the pledged revenue for the year ended September 30, 2021.	 408,426

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

Florida Department of Environmental Protection – A Clean Water State Revolving Fund Loan issued May 15, 2021 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, 2021 totaled \$2,829,002. Principal and interest paid for the year ended September 30, 2021 and total pledged revenues were \$0 and \$333,902, respectively. Principal and interest payments were 0% of the pledged revenue for the year ended September 30, 2021. The loan has not closed and does not have an agreed upon payment schedule as of September 30, 2021. The total balance has been reported as long-term debt. 2,695,456

Total	\$ 4,581,560
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Bonds Payable

Bonds payable at September 30, 2021 are comprised of the following:

	<u>Governmental Activities</u>
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. \$ 382,532	382,532
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. 297,000	297,000
Total	\$ 679,532

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (continued)

Bonds Payable (continued)

	Business-Type Activities
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.	101,000

The City has pledged future water and sewer system net revenues to repay \$5,284,702 in revenue bonds issued in 2002, 2003, and 2006 and the state revolving funds notes. 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 debt required approximately 19 percent of such net revenues for the year ended September 30, 2021. Principal and interest paid for the current year and total customer net revenues were \$59,119 and \$333,902, respectively.

Net Position and Fund Balances

Restricted net position is comprised of the following at September 30, 2021:

	Governmental	Business-Type
Restricted to capital improvements	\$ 724,415	\$ 169,709
Restricted to debt service	59,210	11,173
Restricted to economic development	348,448	-
Total	\$ 1,132,073	\$ 180,882

A net position deficit of \$293,746 exists in the natural gas fund resulting from the rising costs of natural gas. The City has adjusted natural gas fees beginning in fiscal year 2021.

City of Chipley, Florida
Notes to Financial Statements

Note 2: DETAILED NOTES ON ALL FUNDS (Continued)

Net Position and Fund Balances (continued)

	General Fund	Community Redevelopment Agency	Nonmajor Government Funds	Total Governmental Funds
Restricted				
Capital Improvements	\$ 724,415	\$ -	\$ -	\$ 724,415
Debt Service	-	-	59,210	59,210
Economic development	-	348,448	-	348,448
Committed:				
Cemetery	72,981	-	-	72,981
Volunteer Fire Department	-	-	11,235	11,235
Assigned:				
Recreation	22,121	-	-	22,121
Unassigned	1,240,364	-	-	1,240,364
Total	\$ 2,059,881	\$ 348,448	\$ 70,445	\$ 2,478,774

Note 3: RETIREMENT PLANS

Florida Retirement System Pension Plan

Substantially all full-time City employees are participants in 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.

City of Chipley, Florida
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

Participating employer contributions are based upon state-wide rates established by the State of Florida. These rates are applied to employee salaries as follows: regular employees-10.82% DROP Program-18.34%, special risk employees-25.89%, senior management-29.01% and elected officials-51.42%. 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, 2021, was \$294,161, and equal to the actuarially determined contributions for the year. The City's contributions to the HIS for the year ended September 30, 2021, was \$35,018, 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 pension plan and HIS was \$2,108,768 for the year ended September 30, 2021. The City's total payroll was \$2,210,223 for the same period. Net pension liabilities are generally liquidated by the general fund.

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

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions. At September 30, 2021, the City reported a liability of \$565,762 for its proportionate share of the collective net pension liability for the Florida Retirement System Pension Plan (the "Pension Plan"). The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2021, the City's proportion of the Pension Plan was 0.007490%, which was a decrease of 0.000134% from its proportion measured as of June 30, 2020.

For the year ended September 30, 2021, the City recognized pension expense of \$257,001 for the Pension Plan. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:

City of Chipley, Florida
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,972	\$ -
Changes of assumptions	387,122	-
Net difference between projected and actual earnings on pension plan investments	-	(1,973,799)
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,726	(210,376)
Employer contributions subsequent to the measurement date	83,970	-
Total	\$ 600,790	\$ (2,184,175)

\$83,970 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, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Year Ended
September 30,

2022		\$ (428,250)
2023		(428,250)
2024		(428,250)
2025		(428,249)
2026		45,644

Actuarial assumptions. The total pension liability for the Pension Plan was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Investment rate of return*	6.80%
Projected salary increases	3.25%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of July 1, 2021 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, 2018.

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

City of Chipley, Florida
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return*	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Total	100%			

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

* Includes assumed rate of inflation of 2.40%

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 6.80% for the Pension Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.80%) or 1-percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
City's proportionate share of collective net pension liability	\$ 2,530,121	\$ 565,762	\$ (1,076,224)

Note 3: RETIREMENT PLANS (Continued)

Florida Retirement System Pension Plan (continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued System Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 *Report for the System* prepared as of June 30, 2021. The auditor's report dated January 15, 2021 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, 2021 along with supporting schedules is also available. The additional financial and actuarial information is available from the following website:

http://www.dms.myflorida.com/workforce_operations/retirement/publications.

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 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. 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, 2021, the City reported a liability of \$724,733 for its proportionate share of the collective net pension liability. For the HIS, the net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The City's proportion of the collective net pension liability was based on the employers' shares of contributions to the HIS relative to the total employer contributions of all participating employers. At June 30, 2021, the City's proportion of the HIS was 0.005908%, which was an increase of 0.000122% from its proportion measured as of June 30, 2020.

For the year ended September 30, 2021, the City recognized pension benefit of \$26,365 for the HIS. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to the HIS from the following sources:

City of Chipley, Florida
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Health Insurance Subsidy Program (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,251	\$ (304)
Changes of assumptions	56,948	(29,861)
Net difference between projected and actual earnings on pension plan investments	756	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	30,046	(13,206)
Employer contributions subsequent to the measurement date	9,443	-
Total	\$ 121,444	\$ (43,371)

\$9,443 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, 2022. Amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS will be recognized in the pension's expense as follows:

Year Ended
September 30,

2022	\$	12,758
2023		12,758
2024		12,758
2025		12,758
2026		12,569
Thereafter		5,029

The total pension liability for the HIS 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	2.40%
Investment rate of return*	2.16%
Projected salary increases	3.25%

* Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of July 1, 2020 for the HIS were based on the results of an investigation of the economic and demographic experience for the Florida Retirement System (the "FRS") based upon participant data as of June 30, 2018.

City of Chipley, Florida
Notes to Financial Statements

Note 3: RETIREMENT PLANS (Continued)

Health Insurance Subsidy Program (continued)

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

The long-term expected rate of return for the HIS 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 was 2.16%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion rate is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS 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 2.16% for the HIS as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.16%) or 1-percentage point higher (3.16%) than the current rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
City's proportionate share of collective net pension liability	\$ 837,862	\$ 724,733	\$ 632,049

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued System Comprehensive Annual Financial Report for the fiscal year ended June 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 *Report for the System* prepared as of June 30, 2021. The auditor's report dated January 15, 2021 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, 2021 along with supporting schedules is also available. The additional financial and actuarial information is available from the following website:

http://www.dms.myflorida.com/workforce_operations/retirement/publications.

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (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.

As of September 30, 2021, 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, 2021, OPEB membership consisted of the following:

Summary of Employer Census Data

Number of active members	30
Number of retired and disabled members	-
Number of spouses receiving benefits	-

City of Chipley, Florida
Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the September 30, 2021 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- Discount rate investment rate of return - 3.75%
- 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, 2021 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, 2021, the City reported a total OPEB liability of \$44,303. The GASB 75 information has been provided as of the September 30, 2021 measurement date.

The discount rate used for this purpose was 3.75% 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.

<i>As of and for the year ended September 30,</i>	2021	2020
Total OPEB liability - beginning	\$ 66,393	\$ 66,825
Changes due to:		
Service costs	4,855	2,489
Interest	5,477	2,407
Differences between expected and actual experience	(21,362)	-
Changes in assumptions and methods	(573)	-
Benefit payments	(10,487)	(5,328)
Net changes in total OPEB liability	(22,090)	(432)
Total OPEB liability - ending	\$ 44,303	\$ 66,393

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, 2019. These calculations are based in the Individual Entry Age, Level Dollar Closed cost method required by GASBC P52.

City of Chipley, Florida
Notes to Financial Statements

Note 4: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

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 (2.75%)	Current Discount Rate (3.75%)	1% Increase (4.75%)
Net OPEB Liability	\$ 38,992	\$ 44,303	\$ 50,495

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Net OPEB Liability	\$ 37,787	\$ 44,303	\$ 52,187

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

On September 30, 2021, 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
Liability (Gain)/Loss	\$ 80,338	\$ (111,173)
Changes of assumptions	6,301	(14,064)
	<u>\$ 86,639</u>	<u>\$ (125,237)</u>

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:

Year Ended September 30,	Deferred Outflows of Resources
2022	\$ (2,989)
2023	(2,989)
2024	(2,989)
2025	(2,989)
2026	(2,989)
Thereafter	(23,653)
Total	\$ (38,598)

City of Chipley, Florida
Notes to Financial Statements

Note 5: COMMITMENTS AND CONTINGENCIES

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, 2021, 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, 2021 as follows:

Contract amounts	\$ 12,190,419
Amount expended through September 30, 2021	1,712,729
<hr/>	
Remaining commitment on contract	<u>\$ 10,477,690</u>

Note 6: RISK MANAGEMENT

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

Note 7: 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, 2021. Accordingly, no accruals for loss contingency have been made in the accompanying financial statements.

Note 8: MAJOR SUPPLIER

All natural gas sold by the natural gas fund is purchased from a single supplier, Florida Gas Utility. Purchases totaled \$166,230. Florida Gas Utility is currently the City's sole supplier of natural gas.

City of Chipley, Florida
Required Supplementary Information

**Schedule of Changes in OPEB
Liability, Related Ratios, and Notes to Schedule
Last Four Fiscal Years (1)**

<i>As of and for the year ended September 30,</i>	2021	2020	2019	2018
Total OPEB liability - beginning	\$ 66,393	\$ 66,825	\$ 176,397	\$ 170,973
Changes due to:				
Service costs	4,855	2,489	5,318	2,749
Interest	5,477	2,407	16,796	6,736
Differences between expected and actual experience	(21,362)	-	(112,265)	-
Changes in assumptions and methods	(573)	-	1,300	7,598
Benefit payments	(10,487)	(5,328)	(20,721)	(11,659)
Net changes in total OPEB liability	(22,090)	(432)	(109,572)	5,424
Total OPEB liability - ending	\$ 44,303	\$ 66,393	\$ 66,825	\$ 176,397
Covered-employee payroll for the measurement period	\$ 1,273,979	\$ 1,291,689	\$ 1,242,008	\$ 1,335,483
OPEB liability as a percentage of covered-employee payroll	3.48%	5.14%	5.38%	13.21%
Plan net fiduciary position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	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 method	Level Dollar, Closed
Remaining amortization period	10 years
Asset valuation method	N/A
Medical inflation	5.00%
Investment return	3.75%
Retirement age	100% at normal retirement eligibility date
Mortality	SOA RP-2014 total dataset mortality table

City of Chipley, Florida
Required Supplementary Information

**Schedule of Employer's Proportionate Share
of the Net Pension Liability
Florida Retirement System Pension Plan
Last Seven Fiscal Years (1)**

<i>As of and for the year ended June 30,</i>	2021(1)	2020(1)	2019(1)	2018(1)	2017(1)	2016(1)	2015(1)
Employer's proportion of the net pension liability	0.007490%	0.007624%	0.008506%	0.008221%	0.008400%	0.008848%	0.008602%
Employer's proportionate share of the net pension liability	\$ 565,762	\$ 3,304,271	\$ 2,929,453	\$ 2,476,158	\$ 2,485,639	\$ 2,234,242	\$ 1,111,018
Covered payroll*	\$ 2,077,855	\$ 2,000,926	\$ 1,991,905	\$ 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	27.23%	165.14%	147.07%	137.20%	140.37%	125.28%	62.37%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%

(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.

*Covered payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2021, the measurement period is the twelve month period beginning July 1, 2020.

City of Chipley, Florida
Required Supplementary Information

Schedule of Employer Contributions
Florida Retirement System Pension Plan
Last Seven Years (1)

<i>As of and for the year ended September 30,</i>	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution**	\$ 294,161	\$ 271,390	\$ 261,467	\$ 242,646	\$ 261,073	\$ 220,909	\$ 205,049
Contributions in relation to the actuarially determined contribution	294,161	271,390	261,467	242,646	261,073	220,909	205,049
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll*	\$ 2,108,768	\$ 2,050,433	\$ 1,985,261	\$ 1,841,915	\$ 1,819,586	\$ 1,798,143	\$ 1,885,154
Contributions as a percentage of covered payroll	13.95%	13.24%	13.17%	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 2021, the period is October 1, 2020 through September 30, 2021.

**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.

City of Chipley, Florida
Required Supplementary Information

**Schedule of the Employer's Proportionate
Share of the Net Pension Liability
Health Insurance Subsidy Program
Last Seven Fiscal Years (1)**

<i>As of and for the year ended June 30,</i>	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	0.005908%	0.005786%	0.005833%	0.005544%	0.005521%	0.005790%	0.005865%
Employer's proportionate share of the net pension liability	\$ 724,733	\$ 706,413	\$ 652,694	\$ 586,772	\$ 590,320	\$ 674,775	\$ 598,119
Covered payroll*	2,077,855	2,000,926	1,991,905	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	34.88%	35.30%	32.77%	32.51%	33.34%	37.84%	33.58%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

(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.

*Covered payroll during measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2021, the measurement period is the twelve month period beginning July 1, 2020.

City of Chipley, Florida
Required Supplementary Information

**Schedule of Employer Contributions
Health Insurance Subsidy Program
Last Seven Fiscal Years (1)**

<i>For the year ended September 30,</i>	2021(1)	2020(1)	2019(1)	2018(1)	2017(1)	2016(1)	2015(1)
Contractually required contribution**	\$ 35,018	\$ 34,258	\$ 32,331	\$ 30,519	\$ 30,205	\$ 29,849	\$ 31,294
Contributions in relation to the actuarially determined contribution	35,018	34,258	32,331	30,519	30,205	29,849	31,294
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll*	\$ 2,108,768	\$ 2,050,433	\$ 1,985,261	\$ 1,841,915	\$ 1,819,586	\$ 1,798,143	\$ 1,885,154
Contributions as a percentage of covered payroll	1.66%	1.67%	1.63%	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 2021, the period is October 1, 2020 through September 30, 2021.

**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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: FLORIDA RETIREMENT SYSTEMS (FRS)

The following actuarial assumptions changed in 2021:

- Actuarial valuation date updated from June 30, 2020 to June 30, 2021.

Note 2: HEALTH INSURANCE SUBSIDY PROGRAM (HIS)

The following actuarial assumptions changed in 2021:

- The municipal rate used to determine total pension liability was decreased from 2.21% to 2.16%.

Note 3: OTHER POST EMPLOYMENT BENEFIT PLAN (OPEB)

The following actuarial assumptions changed in 2021:

The retiree election rates for age 65 have been reduced from 25% of 15% for single to 10% of 15%, and from 4% with dependent to 1.5%. The retiree election rates for over age 65 have been reduced from 4% to 1.5% for both single and with dependent.

**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

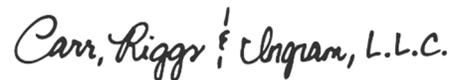
Compliance and Other Matters

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

Purpose of this Report

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

Very truly yours,



CARR, RIGGS & INGRAM, LLC
Enterprise, Alabama
June 27, 2022



Carr, Riggs & Ingram, LLC
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Enterprise, AL 36330

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**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, 2021. 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, 2021.

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.

Very truly yours,

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

CARR, RIGGS & INGRAM, LLC
Enterprise, Alabama
June 27, 2022



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND 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 Federal Program and State Project

We have audited the City of Chipley, Florida's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2021. The City's major federal programs and 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 federal and state statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, 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 federal program or 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 federal program and state project. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program and 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 federal programs and state projects for the year ended September 30, 2021.

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 federal program or 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 federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, Rules of the Auditor General; but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Very truly yours,

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

CARR, RIGGS & INGRAM, LLC
Enterprise, Alabama
June 27, 2022

City of Chipley, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance

Federal Agency			Passed	
Pass-Through Entity			Through to	
Federal Program	ALN	Grant I.D. Number	Subrecipients	Expenditures
U.S. Department of Homeland Security				
Pass-through Florida Department of Emergency Management				
Disaster Grants - Public Assistance	97.036	Z0890	\$ -	\$ 210,721
Disaster Grants - Public Assistance	97.036	Z2581	-	275,458
Department total			-	486,179
U.S. Department of Agriculture				
Pass-through Florida Department of Agriculture and Consumer Services				
Waste Disposal Systems for Rural Communities	10.760		-	62,206
U.S. Department of Housing and Urban Development				
Pass-through Florida Department of Economic Opportunity				
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	19DB-ON-02-77-02-N12	-	601,570
U.S. Department of Treasury				
Pass-through Washington County, Florida				
COVID-19 Coronavirus Relief Fund	21.019	COVID-19	-	190,778
U.S. Department of Justice				
Pass-through Florida Department of Law Enforcement				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	COVID-19 2020-CESF-WASH-1-C9-087	-	27,469
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	COVID-19 2021-CESF-WASH-1-5A-009	-	49,975
Subtotal for ALN 16.034			-	77,444
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2021-JAGD-WASH-1-4R-046	-	1,000
Direct Award				
Equitable Sharing Program	16.922	N/A	-	22,816
Department total			-	101,260
Total Expenditures of Federal Awards			\$ -	\$ 1,441,993

- Continued -

See independent auditors' report and accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

City of Chipley, Florida
Schedule of Expenditures of Federal Awards
and State Financial Assistance (Continued)

State Agency			Passed	
Pass-Through Entity			Through to	
State Project	CSFA	Grant I.D. Number	Subrecipients	Expenditures
<hr/>				
Florida Department of Environmental Protection				
Small Community Wastewater Facility Grant	37.075	WSG670112	\$ -	\$ 1,386,897
Florida Recreation Development Assistance Program	37.017	A21047	-	1,500
Wastewater Treatment Facility Construction	37.077	WW670111	-	2,695,456
<hr/>				
Department total			-	4,083,853
<hr/>				
Florida Department of Transportation				
Small County Outreach Program	55.009	442049-1-54-01-G1287	-	2,327
Small County Outreach Program	55.009	446063-1-54-01-G1P27	-	550,858
<hr/>				
Department total			-	553,185
<hr/>				
Florida Department of Economic Opportunity				
Regional Rural Development and Rural Infrastructure Fund	40.042	D0163	-	75,900
<hr/>				
Total Expenditures of State Financial Assistance			\$ -	\$ 4,712,938
<hr/> <hr/>				

See independent auditors' report and accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

City of Chipley, Florida
Notes to Schedule of Expenditures of
Federal Awards and State Financial Assistance
For the Year Ended September 30, 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes federal and state spending of the City and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the City, it is not intended and does not represent the financial position of the City.

Note 2: INDIRECT COST

The City has not elected to use the 10% de minimis indirect cost rate.

Note 3: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES

The City did not have any federal loans or loan guarantees outstanding during the year ended September 30, 2021. The City had an ending loan balance of \$2,695,456 as of September 30, 2021 related to financing of the Florida Department of Environmental Protection state project under CSFA 37.077.

Note 4: SUB-RECIPIENTS

During the year ended September 30, 2021 the City had no sub-recipients.

Note 5: NONCASH ASSISTANCE AND OTHER

The City did not receive any noncash assistance or federally funded insurance during the year ended September 30, 2021.

Note 6: 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 experience, the City does not believe that such disallowance, if any, would have a material effect on the financial position of the City.

City of Chipley, Florida
Notes to Schedule of Expenditures of
Federal Awards and State Financial Assistance
For the Year Ended September 30, 2021

Note 7: FEDERAL AND STATE PASS-THROUGH FUNDS

The City is also a sub-recipient of federal and state funds that have been subjected to testing and are reported as expenditures and listed as federal or state pass-through funds. Federal awards and state financial assistance other than those indicated as “pass-through” are considered direct.

City of Chipley, Florida
Schedule of Findings and Questioned Costs – Federal Programs
and State Projects
For the Year Ended September 30, 2021

Section I: Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued on whether the financial statements were prepared in accordance with GAAP | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No |
| 4. Identification of major programs | |

Assistance Listing Number (ALN)	Federal Program
14.228	Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii
5. Dollar threshold used to distinguish between type A and type B programs	\$750,000
6. Auditee qualified as low-risk under 2CFR 200.520	Yes

State Projects

- | | |
|--|------------|
| 1. Type of auditors' report issued on compliance for major projects | Unmodified |
| 2. Internal control over major projects: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General | None noted |
| 4. Identification of major projects | |

City of Chipley, Florida
Schedule of Findings and Questioned Costs – Federal Programs
and State Projects
For the Year Ended September 30, 2021

CSFA	Federal Program
37.075	Small Community Wastewater Facility Grant
37.077	Wastewater Treatment Facility Construction
5. Dollar threshold used to distinguish between type A and type B projects	\$750,000

Section II: Financial Statements Findings

No such findings noted.

Section III: Federal Award Findings and Questioned Costs

No such findings noted.

Section IV - State Projects Findings and Questioned Costs

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

Section V – Summary Schedule of Prior Audit Findings

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal programs or State projects (Sections 10.557(3)(e)5. and 10.656(3)(d)5., Rules of the Auditor General).



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INDEPENDENT AUDITORS' 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, 2021, and have issued our report thereon dated June 27, 2022.

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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program 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 27, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Financial Condition

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

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

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

Additional Matters

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.

Very truly yours,

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

CARR, RIGGS & INGRAM, LLC
Enterprise, Alabama
June 27, 2022