

**CITY OF SOPCHOPPY, FLORIDA
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SEPTEMBER 30, 2023**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of Financial Statements***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Sopchoppy, Florida (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities, and Utility Fund, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, and Utility Fund of the City as of September 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund for the City, as of September 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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

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

The amounts by which these departures would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses of the governmental activities, business-type activities, and Utility Fund has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City's internal control. Accordingly, no such opinion is expressed.

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

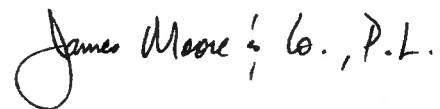
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 27, 2024, on our consideration of City of Sopchoppy, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Sopchoppy, Florida's internal control over financial reporting and compliance.



Tallahassee, Florida
June 27, 2024

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

As management of the City of Sopchoppy, Florida, we offer readers of this narrative overview and analysis of the financial activities of the City of Sopchoppy, Florida for the fiscal year ended September 30, 2023.

Overview of the Financial Statements

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

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

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

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

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

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

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sopchoppy, Florida, 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 of Sopchoppy, Florida can be divided into two categories: governmental funds and proprietary funds.

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

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 – 36 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Sopchoppy, Florida's budgetary and pension information. Required supplementary information can be found on pages 37 – 41 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Sopchoppy, Florida, assets and deferred outflows exceeded liabilities and deferred inflows by \$14,273,870 at the close of the most recent fiscal year.

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

Government-wide Financial Analysis (Continued)

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

City of Sopchoppy, Florida's Net Position

	2023		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 944,611	\$ 6,523,390	\$ 7,468,001
Capital assets	1,915,671	6,963,888	8,879,559
Total assets	<u>2,860,282</u>	<u>13,487,278</u>	<u>16,347,560</u>
Deferred outflows	3,098	358,291	361,389
Long-term liabilities outstanding	19,736	1,717,505	1,737,241
Other liabilities	7,994	659,502	667,496
Total liabilities	<u>27,730</u>	<u>2,377,007</u>	<u>2,404,737</u>
Deferred inflows	260	30,082	30,342
Net position:			
Net investment in capital assets	1,915,671	6,357,441	8,273,112
Restricted	-	585,019	585,019
Unrestricted	919,719	4,496,020	5,415,739
Total net position	<u>\$ 2,835,390</u>	<u>\$ 11,438,480</u>	<u>\$ 14,273,870</u>
	2022		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,075,569	\$ 6,125,420	\$ 7,200,989
Capital assets	1,689,281	7,140,496	8,829,777
Total assets	<u>2,764,850</u>	<u>13,265,916</u>	<u>16,030,766</u>
Deferred outflows	7,286	201,426	208,712
Long-term liabilities outstanding	32,840	1,566,414	1,599,254
Other liabilities	1,997	464,429	466,426
Total liabilities	<u>34,837</u>	<u>2,030,843</u>	<u>2,065,680</u>
Deferred inflows	1,303	36,017	37,320
Net position:			
Net investment in capital assets	1,689,281	6,324,031	8,013,312
Restricted	-	545,080	545,080
Unrestricted	1,046,715	4,531,371	5,578,086
Total net position	<u>\$ 2,735,996</u>	<u>\$ 11,400,482</u>	<u>\$ 14,136,478</u>

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

An additional portion of the City of Sopchoppy, Florida's net position (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance is an *unrestricted net position* of \$5,359,320. At the end of the current fiscal year, the City of Sopchoppy, Florida is able to report a positive balance in net position for its business-type activities.

Governmental activities Governmental activities increased the City of Sopchoppy, Florida's net position by \$99,394.

City of Sopchoppy, Florida's Changes in Net Position

	2023		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 54,839	\$ 2,308,555	\$ 2,363,394
Operating grants and contributions	-	-	-
Capital grants and contributions	39,023	-	39,023
General revenues:			
Property taxes	62,230	-	62,230
Sales and use taxes	20,722	-	20,722
Intergovernmental and other	89,336	59,139	148,475
Transfers	81,710	(81,710)	-
Total revenues	<u>347,860</u>	<u>2,285,984</u>	<u>2,633,844</u>
Expenses:			
General government	97,589	-	97,589
Public Safety	1,039	-	1,039
Transportation	30,055	-	30,055
Culture and recreation	119,783	-	119,783
Water	-	2,247,986	2,247,986
Total expenses	<u>248,466</u>	<u>2,247,986</u>	<u>2,496,452</u>
Change in net position	99,394	37,998	137,392
Net position, beginning of year	<u>2,735,996</u>	<u>11,400,482</u>	<u>14,136,478</u>
Net position, end of year	<u>\$ 2,835,390</u>	<u>\$ 11,438,480</u>	<u>\$ 14,273,870</u>

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

The City of Sopchoppy, Florida's Changes in Net Position (Continued)

	2022		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 49,345	\$ 2,168,282	\$ 2,217,627
Operating grants and contributions	246,420	-	246,420
Capital grants and contributions	41,067	-	41,067
General revenues:			
Property taxes	58,694	-	58,694
Sales and use taxes	24,510	-	24,510
Intergovernmental and other	76,112	27,000	103,112
Transfers	73,957	(73,957)	-
Total revenues	<u>570,105</u>	<u>2,121,325</u>	<u>2,691,430</u>
Expenses:			
General government	116,223	-	116,223
Public Safety	1,039	-	1,039
Transportation	45,628	-	45,628
Culture and recreation	134,545	-	134,545
Water	-	1,707,795	1,707,795
Total expenses	<u>297,435</u>	<u>1,707,795</u>	<u>2,005,230</u>
Change in net position	272,670	413,530	686,200
Net position , beginning of year	2,463,326	10,986,952	13,450,278
Net position , end of year	<u>\$ 2,735,996</u>	<u>\$ 11,400,482</u>	<u>\$ 14,136,478</u>

Business-type activities Business-type activities increased the City of Sopchoppy, Florida's net position by \$37,998.

Key element of this increase are as follows:

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

Financial Analysis of the Government's Funds

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

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

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

As of the end of the current fiscal year, the City of Sopchoppy, Florida's governmental fund reported ending fund balance of \$936,617, a decrease of \$136,955 in comparison with the prior year. Of this total amount, \$936,617 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Various infrastructure and improvement projects constitutes majorit

The general fund is the chief operating fund of the City of Sopchoppy, Florida. At the end of the current fiscal year, unassigned and total fund balance of the general fund was \$936,617. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures.

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

Unrestricted net position of the Utility fund at the end of the year amounted to \$4,496,020. The total increase in net position for the fund was \$37,998. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Sopchoppy, Florida's business-type activities.

General Fund Budgetary Highlights

The City had no amendments to the budget during the 2023 fiscal year. Variances in the budget and actual resulted mainly from not budgeting for potential grant expenses and revenues.

Capital Asset and Debt Administration

Capital assets The City of Sopchoppy, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2023, amounts to \$8,879,559 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads.

Additional information on the City of Sopchoppy, Florida's capital assets can be found in Note 6 on page 27 of this report.

Long-term debt - At the end of the current fiscal year, the City of Sopchoppy, Florida had debt outstanding of \$606,447.

**CITY OF SOPCHOPPY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

The City of Sopchoppy, Florida's Long-term Outstanding Debt

	2023
	Business-type activities
Note payable	\$ 606,447
Total	\$ 606,447
	2022
	Business-type activities
Revenue bond	\$ 5,000
Note payable	811,465
Total	\$ 816,465

Additional information on the City of Sopchoppy, Florida's long-term debt can be found in Note 6 on page 28 of this report.

Economic Factors and Next Year's Budgets and Rates

Changes in state budgets and legislation may make financial forecasting difficult; however, past performance, expected growth or slowdowns, and expected tax decreases are all factors considered in preparing the City of Sopchoppy, Florida's budget for the 2024 fiscal year.

Requests for Information

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

**CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 878,620	\$ 5,408,370	\$ 6,286,990
Certificates of deposit	-	243,995	243,995
Receivables, net	-	241,349	241,349
Grants receivable	56,790	-	56,790
Due from other governments	9,151	-	9,151
Inventory	-	15,000	15,000
Prepays and other assets	-	29,657	29,657
Restricted assets:			
Cash and cash equivalents	50	585,019	585,069
Capital assets, not being depreciated	439,744	309,451	749,195
Capital assets, being depreciated, net	1,475,927	6,654,437	8,130,364
Total assets	<u>\$ 2,860,282</u>	<u>\$ 13,487,278</u>	<u>\$ 16,347,560</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>\$ 3,098</u>	<u>\$ 358,291</u>	<u>\$ 361,389</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 7,994	\$ 164,814	\$ 172,808
Customer deposits	-	494,688	494,688
Noncurrent liabilities			
Due within one year	2,576	225,053	227,629
Due in more than one year	8,379	477,003	485,382
Net pension liability	8,781	1,015,449	1,024,230
Total liabilities	<u>\$ 27,730</u>	<u>\$ 2,377,007</u>	<u>\$ 2,404,737</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>\$ 260</u>	<u>\$ 30,082</u>	<u>\$ 30,342</u>
NET POSITION			
Net investment in capital assets	\$ 1,915,671	\$ 6,357,441	\$ 8,273,112
Restricted			
Stormwater construction	56,419	585,019	641,438
Unrestricted	863,300	4,496,020	5,359,320
Total net position	<u>\$ 2,835,390</u>	<u>\$ 11,438,480</u>	<u>\$ 14,273,870</u>

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
General government	\$ 97,589	\$ -	\$ 39,023	\$ (58,566)	\$ -	\$ (58,566)
Public safety	1,039	-	-	(1,039)	-	(1,039)
Transportation	30,055	-	-	(30,055)	-	(30,055)
Culture and recreation	119,783	54,839	-	(64,944)	-	(64,944)
Total governmental activities	248,466	54,839	39,023	(154,604)	-	(154,604)
Business-type activities:						
Water	2,247,986	2,308,555	-	-	60,569	60,569
Total business-type activities	2,247,986	2,308,555	-	-	60,569	60,569
Total government	\$ 2,496,452	\$ 2,363,394	\$ 39,023	(154,604)	60,569	(94,035)
General revenues:						
Franchise and utility service taxes				62,230	-	62,230
Sales and use taxes				20,722	-	20,722
Communications service tax				3,835	-	3,835
Intergovernmental revenue				42,130	-	42,130
Miscellaneous				38,262	-	38,262
Unrestricted investment earnings				5,109	59,139	64,248
Total general revenues				172,288	59,139	231,427
Transfers				81,710	(81,710)	-
Total general revenues and transfers				253,998	(22,571)	231,427
Change in net position				99,394	37,998	137,392
Net position, beginning of year				2,735,996	11,400,482	14,136,478
Net position, end of year				\$ 2,835,390	\$ 11,438,480	\$ 14,273,870

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

**CITY OF SOPCHOPPY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUND
SEPTEMBER 30, 2023**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 878,620
Grants receivable	56,790
Due from other governments	9,151
Restricted assets:	
Cash and cash equivalents	50
Total Assets	<u><u>\$ 944,611</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 7,994
Total liabilities	<u>7,994</u>
FUND BALANCE	
Restricted	
Fourth of July	56,419
Depot	632
Unassigned	879,566
Total fund balance	<u>936,617</u>
Total Liabilities and Fund Balance	<u><u>\$ 944,611</u></u>

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

CITY OF SOPCHOPPY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Fund balances - total governmental funds \$ 936,617

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets not being depreciated	439,744	
Capital assets being depreciated	2,459,013	
Accumulated depreciation	<u>(983,086)</u>	1,915,671

Net pension liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds:

Deferred outflows	3,098	
Net pension liability	(8,781)	
Deferred inflows	<u>(260)</u>	(5,943)

Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences	<u>(10,955)</u>	(10,955)
----------------------	-----------------	----------

Net position of governmental activities \$ 2,835,390

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund
Revenues	
Taxes, licenses and permits	\$ 89,129
Intergovernmental	42,130
Charges for services	54,839
Grants	39,023
Interest income	5,109
Miscellaneous	35,920
Total revenues	266,150
Expenditures	
Current:	
General government	97,445
Transportation	29,310
Culture and recreation	69,454
Capital outlay	288,606
Total expenditures	484,815
Excess (deficiency) of expenditures over revenues	(218,665)
Other Financing Sources	
Transfer in	81,710
Change in fund balance	(136,955)
Fund balance, beginning of year	1,073,572
Fund balance, end of year	\$ 936,617

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

**CITY OF SOPCHOPPY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net change in fund balance - governmental fund		\$ (136,955)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	(62,216)	
Capital outlay	288,606	226,390
Net pension liability expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Changes in:		
Net pension liability	15,067	
Deferred outflows related to pensions	(4,188)	
Deferred inflows related to pensions	1,043	11,922
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(1,963)
Change in net position of governmental activities		\$ 99,394

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

**CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2023**

	<u>Enterprise - Utility Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 5,408,370
Certificate of deposit	243,995
Receivables, net of allowance for uncollectible accounts	241,349
Prepays and other assets	29,657
Inventory	15,000
Restricted assets:	
Cash and cash equivalents	585,019
Total current assets	<u>6,523,390</u>
Noncurrent assets:	
Capital assets, not being depreciated	309,451
Capital assets, net of accumulated depreciation	6,654,437
Total noncurrent assets	<u>6,963,888</u>
Total assets	<u>\$ 13,487,278</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>\$ 358,291</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	\$ 164,631
Interest payable	183
Revenue bond and notes payable, current portion	209,878
Compensated absences, current portion	15,175
Customer deposits	494,688
Total current liabilities	<u>884,555</u>
Noncurrent liabilities:	
Net pension liability	1,015,449
Revenue bond and notes payable, long-term portion	396,569
Compensated absences, long-term portion	80,434
Total noncurrent liabilities	<u>1,492,452</u>
Total liabilities	<u>\$ 2,377,007</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	<u>\$ 30,082</u>
NET POSITION	
Net investment in capital assets	\$ 6,357,441
Restricted	585,019
Unrestricted	4,496,020
Total net position	<u>\$ 11,438,480</u>

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

CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Enterprise - Utility Fund</u>
Operating revenues	
Charges for services	\$ 2,308,555
Total operating revenues	<u>2,308,555</u>
Operating expenses	
Salaries	843,045
Employee benefits	215,471
Contract services	85,867
Office	92,017
Depreciation	271,563
Miscellaneous	35,301
Professional fees	70,722
Repairs and maintenance	490,926
Telephone and utilities	121,384
Training	5,097
Total operating expenses	<u>2,231,393</u>
Operating income	<u>77,162</u>
Nonoperating revenues (expenses)	
Interest income	59,139
Interest expense	(16,593)
Total nonoperating revenues (expenses)	<u>42,546</u>
Income before transfers	<u>119,708</u>
Transfers out	(81,710)
Change in net position	<u>37,998</u>
Total net position, beginning of year	11,400,482
Total net position, end of year	<u><u>\$ 11,438,480</u></u>

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

**CITY OF SOPCHOPPY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

	<u>Enterprise - Utility Fund</u>
Cash flows from operating activities	
Cash received from customers and others	\$ 2,308,941
Cash paid to suppliers	(707,529)
Cash paid to employees	(860,207)
Net cash provided by operating activities	<u>741,205</u>
Cash flows from noncapital financing activities	
Transfer to other funds	(81,710)
Net cash used in noncapital financing activities	<u>(81,710)</u>
Cash flows from investing activities	
Purchase of certificates of deposit	(1,823)
Interest revenues	59,139
Net cash provided by investing activities	<u>57,316</u>
Cash flows from capital and related financing activities	
Acquisitions and construction of capital assets	(94,955)
Principal payments on long-term debts	(210,018)
Interest paid	(16,593)
Net cash used in capital and related financing activities	<u>(321,566)</u>
Net change in cash and cash equivalents	<u>395,245</u>
Cash and cash equivalents, beginning of year	5,598,144
Cash and cash equivalents, end of year	<u><u>\$ 5,993,389</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 77,162
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	271,563
Changes in asset and liabilities:	
Accounts receivable	386
Prepays	(8,768)
Inventory	7,480
Accounts payable and accrued expenses	149,762
Customer deposits	45,311
Compensated absences	4,926
Net pension liability	356,183
Deferred outflows	(156,865)
Deferred inflows	(5,935)
Total adjustments	<u>664,043</u>
Net cash provided by operating activities	<u><u>\$ 741,205</u></u>
Cash and cash equivalents classified as:	
Unrestricted	\$ 5,408,370
Restricted	585,019
	<u><u>\$ 5,993,389</u></u>

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

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

(a) **Reporting entity**—City of Sopchoppy, Florida (the "City") is a municipal corporation formed under the laws of Florida, House Bill No. 1523, June 23, 1955, and is governed by an elected mayor and a four-member council. As required by accounting principles generally accepted in the United States of America, these financial statements present only the City since there are no entities for which the City is considered to be financially accountable.

(b) **Description of government wide financial statements**—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental* activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

(c) **Basis of presentation - 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, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

(d) **Basis of presentation - fund financial statements**—The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

The *general fund* is the government'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 City reports the following major proprietary fund:

The *enterprise - utility fund* accounts for the activities of the government's water collection operations.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

(e) **Measurement focus and basis of accounting**—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 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.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

(f) **Budgetary information**—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

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

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

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

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

(h) **Deposits**—The City’s cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

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

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

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

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

(l) **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 expenditures during the reporting period. Actual results could differ from those estimates.

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

(n) **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.

(o) **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.

(p) **Fund balance policies**—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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

(q) **Deferred outflows/inflows of resources**—In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note 9.

(r) **Pensions**—For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and additions to/deductions from FRS's fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(s) **Certificates of deposit**—Certificates of deposit are held locally in commercial banks with maturity dates greater than three months of date acquired by the City.

(t) **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.

(u) **Proprietary funds operating and nonoperating revenues and expenses**—Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as *nonoperating* revenues and expenses.

(v) **Reconciliation of government-wide and fund financial statements**

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

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(2) **Deposits and Investments:**

Custodial credit risk—deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned. The bank balances are covered by Federal depository insurance or by collateral held by the City’s custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes.

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

(3) **Investments:**

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

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

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

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

(4) **Receivables:**

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

	<u>General</u>	<u>Utility</u>	<u>Total</u>
Accounts receivable	\$ -	\$ 243,599	\$ 243,599
Grants receivable	56,790	-	56,790
Due from other governments	9,151	-	9,151
Less: Allowance for uncollectible	-	(2,250)	(2,250)
Net total receivables	<u>\$ 65,941</u>	<u>\$ 241,349</u>	<u>\$ 307,290</u>

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(5) **Capital Assets:**

Capital asset activity for the year ended September 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 402,633	\$ -	\$ -	\$ 402,633
Construction in progress	75,102	46,107	(84,098)	37,111
Total capital assets, not being depreciated	<u>477,735</u>	<u>46,107</u>	<u>(84,098)</u>	<u>439,744</u>
Capital assets, being depreciated:				
Buildings and improvements	678,117	210,996	-	889,113
Equipment	62,574	-	-	62,574
Park improvements	1,391,725	115,601	-	1,507,326
Total capital assets, being depreciated	2,132,416	326,597	-	2,459,013
Less accumulated depreciation	(920,870)	(62,216)	-	(983,086)
Total capital assets, being depreciated, net	<u>1,211,546</u>	<u>264,381</u>	<u>-</u>	<u>1,475,927</u>
Capital assets, net	<u>\$ 1,689,281</u>	<u>\$ 310,488</u>	<u>\$ (84,098)</u>	<u>\$ 1,915,671</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 269,541	\$ -	\$ -	\$ 269,541
Construction in progress	-	39,910	-	39,910
Total capital assets, not being depreciated	<u>269,541</u>	<u>39,910</u>	<u>-</u>	<u>309,451</u>
Capital assets, being depreciated:				
Buildings, utility systems, and improvements	10,519,622	-	-	10,519,622
Machinery and equipment	739,321	55,045	-	794,366
Total capital assets, being depreciated	11,258,943	55,045	-	11,313,988
Less accumulated depreciation for:	(4,387,988)	(271,563)	-	(4,659,551)
Total capital assets, being depreciated, net	<u>6,870,955</u>	<u>(216,518)</u>	<u>-</u>	<u>6,654,437</u>
Capital assets, net	<u>\$ 7,140,496</u>	<u>\$ (176,608)</u>	<u>\$ -</u>	<u>\$ 6,963,888</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 10,103
Public safety	1,039
Transportation	745
Culture and recreation	50,329
Total	<u>\$ 62,216</u>
Business-type activities:	
Water	\$ 271,563
Total	<u>\$ 271,563</u>

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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

Business-type activities:

Note payable:

Note payable at September 30, 2023 was comprised of the following:

Promissory note to bank, payable in monthly installments through July 27, 2026, plus interest at 2.25%, collateralized by net revenues of the water system.	\$ 606,447
Less current amount	209,878
Notes payable, less current portion	<u>\$ 396,569</u>

Debt service requirements to maturity are as follows:

Year Ending September 30,	Principal	Interest
2024	\$ 209,878	\$ 11,482
2025	214,650	6,711
2026	181,919	1,870
	\$ 606,447	\$ 20,063

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental activity:					
Compensated absences	\$ 8,992	\$ 3,869	\$ 1,906	\$ 10,955	\$ 2,576
Governmental activity long-term liabilities	\$ 8,992	\$ 3,869	\$ 1,906	\$ 10,955	\$ 2,576
Business-type activities:					
Revenue bond	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -
Long-term note payable	811,465	-	205,018	606,447	209,878
Compensated absences	90,683	16,153	11,227	95,609	15,175
Business-type activity long-term liabilities	\$ 907,148	\$ 16,153	\$ 221,245	\$ 702,056	\$ 225,053

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(7) Transfers to/from Other Funds:

The composition of interfund transfers as of September 30, 2023, is as follows:

Transfers are used to move revenues between funds to reflect operating activities of the fund with the primary government:

	Transfers In	Transfers out
General Fund	\$ 81,710	\$ -
Utility Fund	-	81,710
Total	\$ 81,710	\$ 81,710

The interfund amounts were used to cover operational costs during the fiscal year.

(8) Contingent Liabilities:

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

(9) FRS Pension Plan:

Plan Description and Administration

The City participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(9) **FRS Pension Plan:** (Continued)

Benefits Provided and Employees Covered

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

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

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

Financial Statements

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

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

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(9) **FRS Pension Plan:** (Continued)

Contributions

The City participates in certain classes of FRS membership. Each class had descriptions and contribution rates in effect during the year ended September 30, 2023, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan & Class</u>	<u>Through June 30, 2023</u>	<u>After June 30, 2023</u>
Regular Class	11.91%	13.57%
Senior Management	31.57%	34.52%
Special Risk	27.83%	32.67%
DROP – Applicable to members above	18.60%	21.13%

Current-year employer HIS contributions were made at a rate of 1.74% of covered payroll through June 30, 2023, and 2.00% thereafter, which are included in the above rates.

Actual contributions made for City employees participating in FRS and HIS for the year ended September 30, 2023 were as follows:

	<u>2023</u>
Contributions – FRS	\$ 99,457
Contributions – HIS	10,513
Employee Contributions – FRS	18,125

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

At September 30, 2023, the City reported a liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 781,494
HIS	242,736
Total	<u>\$ 1,024,230</u>

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(9) **FRS Pension Plan:** (Continued)

The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At September 30, 2023 and September 30, 2022, the City's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2023	2022
FRS	0.001961246%	0.001459940%
HIS	0.001528436%	0.001320845%

For the plan year ended September 30, 2023, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$	194,146
HIS		97,284
Total	\$	291,430

Deferred outflows/inflows related to pensions:

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 73,376	\$ -	\$ 3,553	\$ (570)
Changes of assumptions	50,944	-	6,381	(21,034)
Net different between projected and actual investment earnings	32,637	-	125	-
Change in proportionate share	134,979	(6,724)	31,011	(2,014)
Contributions subsequent to measurement date	25,534	-	2,849	-
	\$ 317,470	\$ (6,724)	\$ 43,919	\$ (23,618)

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(9) **FRS Pension Plan:** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

	FRS	HIS	Total
2024	\$ 51,174	\$ 4,685	\$ 55,859
2025	22,962	4,211	27,173
2026	159,721	3,736	163,457
2027	39,804	1,589	41,393
2028	11,550	2,277	13,827
Thereafter	-	955	955
Total	\$ 285,211	\$ 17,453	\$ 302,664

Actuarial assumptions:

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.70%. This rate is consistent from the prior year rate of 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.65% was used to determine was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.54%. Mortality assumptions for both plans were based on the PUB-2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

**CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

(9) **FRS Pension Plan:** (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Long-term expected rate of return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2023, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	2.9%
Fixed income	19.8%	4.5%
Global equities	54.0%	8.7%
Real estate	10.3%	7.6%
Private equity	11.1%	11.9%
Strategic investments	3.8%	6.3%
Total	<u>100.0%</u>	

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

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

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.70%	\$ 1,334,951	\$ 781,494	\$ 318,461
HIS	3.65%	276,924	242,736	214,397

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(10) **Other Postemployment Benefits:**

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

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

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

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

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

(11) **Risk Management:**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

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

CITY OF SOPCHOPPY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

(12) **Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2023, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 101, *Compensated Absences*, in June 2022. GASB Statement No. 101 amends the existing guidance related to the calculation and disclosures surrounding the liability for compensated absences. The provisions for GASB 101 are effective for fiscal years beginning after December 15, 2023.
- (b) GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. GASB 102 requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints. The provisions for GASB 102 are effective for fiscal years beginning after June 15, 2024.

CITY OF SOPCHOPPY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2023

CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes, licenses and permits	\$ 68,149	\$ 68,149	\$ 89,129	\$ 20,980
Intergovernmental	41,872	41,872	42,130	258
Charges for service	22,600	22,600	54,839	32,239
Grants	480,487	480,487	39,023	(441,464)
Interest income	500	500	5,109	4,609
Miscellaneous	12,500	12,500	35,920	23,420
Total revenues	<u>626,108</u>	<u>626,108</u>	<u>266,150</u>	<u>(359,958)</u>
Expenditures				
Current:				
General government	74,000	74,000	97,445	(23,445)
Public safety	1,500	1,500	-	1,500
Transportation	38,200	38,200	29,310	8,890
Culture and recreation	140,300	140,300	69,454	70,846
Capital outlay	762,712	762,712	288,606	474,106
Total expenditures	<u>1,016,712</u>	<u>1,016,712</u>	<u>484,815</u>	<u>531,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(390,604)</u>	<u>(390,604)</u>	<u>(218,665)</u>	<u>171,939</u>
Other financing sources				
Transfers in	80,000	80,000	81,710	1,710
Total other financing sources	<u>80,000</u>	<u>80,000</u>	<u>81,710</u>	<u>1,710</u>
Net change in fund balance	<u>(310,604)</u>	<u>(310,604)</u>	<u>(136,955)</u>	<u>173,649</u>
Fund balance, beginning of year	1,073,572	1,073,572	1,073,572	-
Fund balance, end of year	<u>\$ 762,968</u>	<u>\$ 762,968</u>	<u>\$ 936,617</u>	<u>\$ 173,649</u>

The accompanying note to schedule of revenues, expenditures
and changes in fund balance - budget and actual is an integral part of this schedule.

**CITY OF SOPCHOPPY, FLORIDA
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

A. **Budgetary Information:**

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

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

1. Prior to October 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Revisions that alter the total expenditures of any fund must be approved by the City Council.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund. The legal level of budgetary control is the fund level.
6. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS)										
Proportion of the net pension liability (asset)	0.001961246%	0.001459946%	0.001430013%	0.001351672%	0.001333526%	0.001486093%	0.001382953%	0.001320436%	0.001320435%	0.001312369%
Proportionate share of the net pension liability (asset) (covered payroll)	\$ 781,494	\$ 543,215	\$ 108,021	\$ 585,835	\$ 459,248	\$ 447,619	\$ 409,068	\$ 328,866	\$ 170,552	\$ 80,074
	605,682	481,459	435,057	417,311	399,619	409,698	360,387	363,403	359,951	360,505
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	129.03%	112.83%	24.87%	140.38%	114.92%	109.26%	113.51%	90.50%	47.38%	22.21%
Plan fiduciary net position as a percentage of the total pension liability	82.38%	82.89%	96.46%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
Health Insurance Subsidy Program (HIS)										
Proportion of the net pension liability (asset)	0.001528436%	0.001320845%	0.001228638%	0.001702387%	0.00194883%	0.001254360%	0.001130329%	0.001177187%	0.001186463%	0.001213343%
Proportionate share of the net pension liability (asset) (covered payroll)	\$ 242,736	\$ 139,899	\$ 150,711	\$ 146,809	\$ 133,695	\$ 132,763	\$ 120,860	\$ 137,196	\$ 121,001	\$ 113,451
	605,682	481,459	435,057	417,311	399,619	409,698	360,387	363,403	359,951	360,505
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	40.08%	29.06%	34.64%	35.18%	33.46%	32.41%	33.54%	37.75%	33.62%	31.47%
Plan fiduciary net position as a percentage of the total pension liability	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

CITY OF SOPCHOPPY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<u>Florida Retirement System (FRS)</u>										
Contractually required contribution	\$ 99,457	\$ 62,298	\$ 54,477	\$ 44,910	\$ 41,349	\$ 42,352	\$ 36,002	\$ 31,762	\$ 32,193	\$ 28,746
Contributions in relation to the contractually required contribution	(99,457)	(62,298)	(54,477)	(44,910)	(41,349)	(42,352)	(36,002)	(31,762)	(32,193)	(28,746)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 604,166	\$ 481,459	\$ 435,057	\$ 417,311	\$ 399,619	\$ 409,698	\$ 360,387	\$ 363,403	\$ 359,951	\$ 360,505
Contributions as a percentage of covered payroll	16.46%	12.94%	12.52%	10.76%	10.35%	10.34%	9.99%	8.55%	8.94%	7.97%
<u>Health Insurance Subsidy Program (HIS)</u>										
Contractually required contribution	\$ 10,513	\$ 7,992	\$ 7,222	\$ 6,929	\$ 6,635	\$ 6,802	\$ 5,982	\$ 6,034	\$ 4,535	\$ 4,157
Contributions in relation to the contractually required contribution	10,513	(7,992)	(7,222)	(6,929)	(6,635)	(6,802)	(5,982)	(6,034)	(4,535)	(4,157)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 604,166	\$ 481,459	\$ 435,057	\$ 417,311	\$ 399,619	\$ 409,698	\$ 360,387	\$ 1,556,193	\$ 1,484,731	\$ 1,505,514
Contributions as a percentage of covered payroll	1.74%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.26%	1.20%

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sopchoppy, Florida (the City), as of and for the year ended September 30, 2023, 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, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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.

James Moore & Co., P.L.

Tallahassee, Florida
June 27, 2024

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

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

Report on the Financial Statements

We have audited the financial statements of the City of Sopchoppy, Florida, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated June 27, 2024.

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

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, and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Report on Internal Control over Compliance in Accordance with Chapter 10.550 Rules of the Florida Auditor General; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, 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, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. There are no component units of City of Sopchoppy, Florida to be disclosed as required by accounting principles generally accepted in the United States of America.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the local governmental entity 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 of Sopchoppy, Florida 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 for the City of Sopchoppy, Florida. It is management's responsibility to monitor the City of Sopchoppy, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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, the Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
June 27, 2024

**CITY OF SOPCHOPPY
OFFICIALS
SEPTEMBER 30, 2023**

CITY COUNCIL

Lara Edwards, Mayor
Michele Harden
Fred McClendon
Roger McKenzie
Glenn Rudd

CITY CLERK

Ashley Schilling

CITY ATTORNEY

Daniel Cox

INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

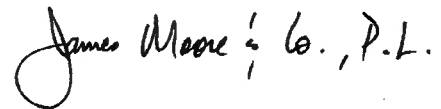
To the Honorable Mayor and Members of City Council,
City of Sopchoppy, Florida:

We have examined the City of Sopchoppy, Florida's (the City) compliance with Section 218.415, Florida Statutes, Local Government Investment Policies (the Statute), for the year ended September 30, 2023. The City's management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination. Our responsibility is to obtain reasonable assurance by evaluating the City's compliance with those requirements and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our evaluation based on our examination.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by evaluating whether the City complied with Section 218.415, Florida Statutes, Local Government Investment Policies, for the year ended September 30, 2023, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of evaluation of the City's compliance based on our examination during the year ended September 30, 2023. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.



Tallahassee, Florida
June 27, 2024