

CITY OF APALACHICOLA, FLORIDA
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**CITY OF APALACHICOLA, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
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INDEPENDENT AUDITORS' REPORT

To the City Members of
City of Apalachicola, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Apalachicola, Florida, (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

INDEPENDENT AUDITORS' REPORT

(concluded)

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moran & Smith LLP

Moran & Smith LLP

June 26, 2019

Quincy, Florida

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Management's discussion and analysis provides an easily readable analysis of the City of Apalachicola, Florida's (City) financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

Financial Highlights

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$37,010,167 (net position). Of this amount, a deficit of \$1,680,603 is unrestricted net position for governmental activities, a deficit of \$535,485 is unrestricted net position for business-type activities, \$303,630 is restricted net position for governmental activities, and \$145,791 is restricted net position for business-type activities.
- Total net position decreased by \$1,564,033. Of this amount, a decrease of \$901,890 is attributable to governmental activities and a decrease of \$662,143 is attributable to business-type activities.
- As of September 30, 2018, the general fund's unassigned fund balance is \$64,271.
- Governmental activities' revenues decreased to \$3,346,092, while governmental activities' expenses decreased to \$3,633,735. Business-type activities' revenues decreased to \$2,259,144, while business-type activities' expenses decreased to \$2,774,933.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The 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* include the *statement of net position* and *statement of activities*, providing both long-term and short-term information about the City's overall financial condition. The *statement of net position* presents increases or decreases in net position from year to year and serves as a useful indicator of the City's improving or declining financial position. Information on how the City's net position changed during this reporting period is presented in the *statement of activities*.

The *government-wide financial statements* can be found on pages 10-11 of this report.

Fund Financial Statements

The *fund financial statements* provide financial information for the City's major funds and more detailed information about the City's activities. Individual funds have been established by the City for the purpose of grouping related accounts to maintain control over resources that have been segregated for specific purposes or objectives to account for revenues that are restricted to certain uses, or to comply with legal requirements. The two major categories of funds found in the City's *fund financial statements* include: governmental funds and proprietary funds.

Notes to the Basic Financial Statements

The *notes to basic financial statements* provide additional detail concerning the financial activities and financial balances of the City. Additional information is also included that is essential to a full understanding of the data provided in the financial statements.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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, assets and deferred outflows exceeded liabilities and deferred inflows by \$37,010,167 at the close of the most recent fiscal year.

A large portion of the City's net position 105% reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 Apalachicola, Florida's Net Position

	2018		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 837,329	\$ 731,295	\$ 1,568,624
Capital assets, net	23,599,834	22,688,788	46,288,622
Total assets	24,437,163	23,420,083	47,857,246
Deferred outflows	650,105	248,601	898,706
Long-term liabilities outstanding	1,654,081	6,712,549	8,366,627
Other liabilities	484,210	579,985	1,064,195
Net pension liability	1,514,530	578,391	2,092,921
Total liabilities	3,652,820	7,870,925	11,523,745
Deferred inflows	160,448	61,592	222,040
Net position:			
Net investment in capital assets	22,650,973	16,125,861	38,776,834
Restricted	303,630	145,791	449,421
Unrestricted	(1,680,603)	(535,485)	(2,216,088)
Total net position	\$ 21,274,000	\$ 15,736,167	\$ 37,010,167

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

City of Apalachicola, Florida's Net Position

	2017		
	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 1,415,723	\$ 214,142	\$ 1,629,865
Capital assets, net	23,438,037	23,998,810	47,436,847
Total assets	24,853,760	24,212,952	49,066,712
Deferred outflows	543,233	207,039	750,272
Long-term liabilities outstanding	742,670	1,362,525	2,105,195
Other liabilities	1,010,608	6,099,732	7,110,340
Net pension liability	1,364,387	520,002	1,884,389
Total liabilities	3,117,665	7,982,259	11,099,924
Deferred inflows	103,438	39,422	142,860
Net position:			
Net investment in capital assets	22,846,509	16,803,825	39,650,334
Restricted	445,588	219,301	664,889
Unrestricted	(1,116,207)	(624,816)	(1,741,023)
Total net position	\$ 22,175,890	\$ 16,398,310	\$38,574,200

An additional portion of the City's net position, \$284,546, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental activities decreased the City's net position by \$901,890 in the most recent fiscal year.

Key elements of this change include: a decrease in grant revenue and the implementation of new accounting pronouncement regarding pension liabilities.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

City of Apalachicola's Changes in Net Position

	2018		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 109,412	\$ 2,335,066	\$ 2,444,478
Operating grants and contributions	728,576	-	728,579
Capital grants and contributions	187,554	-	187,554
General revenues:			
Taxes, licenses and permits	1,717,779	-	1,717,779
Intergovernmental and other	525,718	1,131	526,849
Transfers	77,053	(77,053)	-
Total revenues	<u>3,346,092</u>	<u>2,259,144</u>	<u>5,605,236</u>
Expenses:			
General government	1,057,159	-	1,057,159
Public safety	630,523	-	630,523
Transportation	919,064	-	919,064
Economic environment	16,766	-	16,766
Culture and recreation	972,311	-	972,311
Interest on long-term debt	37,911	-	37,911
Business-type activities	-	2,774,933	2,774,933
Total expenses	<u>3,633,735</u>	<u>2,774,933</u>	<u>6,408,668</u>
Increase (decrease) in net position	(287,643)	(515,790)	(803,432)
Net position, beginning of year	21,561,643	16,251,957	37,813,600
Net position, end of year	<u>\$ 21,274,001</u>	<u>\$ 15,736,167</u>	<u>\$ 37,010,168</u>

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

City of Apalachicola's Changes in Net Position

	2017		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 608,223	\$ 2,177,440	\$ 2,785,663
Operating grants and contributions	647,239	-	647,239
Capital grants and contributions	1,938,872	622,445	2,561,317
General revenues:			
Taxes, licenses and permits	1,485,830	-	1,485,830
Intergovernmental and other	513,208	1,706	514,914
Transfers	6,689	(6,689)	-
Total revenues	5,200,061	2,794,902	7,994,963
Expenses:			
General government	1,320,307	-	1,320,307
Public safety	786,898	-	786,898
Transportation	777,874	-	777,874
Economic environment	52,272	-	52,272
Culture and recreation	1,009,252	-	1,009,252
Business-type activities	-	2,819,359	2,819,359
Total expenses	3,946,603	2,819,359	6,765,961
Increase (decrease) in net position	1,253,458	(24,456)	1,229,002
Net position, beginning of year	20,922,432	16,422,766	537,345,198
Net position, end of year	\$ 22,175,890	\$ 16,398,310	\$38,574,200

Business-type Activities

Business-type activities decreased the City's net position by \$662,143 in the most recent fiscal year.

They key element of this change is: decreasing grant revenue.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

The focus of the City'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'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.

As of the end of the current fiscal year, the City's governmental fund reported an ending fund balance of \$539,133, a decrease of \$427,689 in comparison with the prior year. \$64,271 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The general fund is the chief operating fund of the City.

Proprietary Funds

The City'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 (\$535,485). The total decrease in net position for the fund was \$515,790. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

GENERAL BUDGETARY HIGHLIGHTS

The City's expenditures continue to be less than amounts budgeted for expenditures. The City had one budget amendment in the 2018 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2018, amounts to \$38,776,834 (net of accumulated depreciation.) This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and roads. The City's investment in capital assets decreased \$873,500 in the current year.

Additional information on the City's capital assets can be found in Note 4, on page 31 of this report.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Long-term Debt

At the end of the current fiscal year, the City had long-term debt outstanding of \$10,851,886.

**City of Apalachicola, Florida Outstanding Debt,
Capital Improvement and Revenue Bonds**

	Governmental Activities	Business-type Activities	Total
Bonds and Notes Payable	\$ 948,861	\$ 6,554,094	\$ 7,502,955
Line of Credit	20,000	-	20,000
Accrued Compensated Absences	43,656	23,232	66,888
OPEB Liability	827,577	341,545	1,169,122
Net Pension Liability	1,514,530	578,391	2,092,921
	<u>\$ 3,354,624</u>	<u>\$ 7,497,262</u>	<u>\$ 10,851,886</u>

Additional information on the City's long-term debt can be found in Note 5 and Note 6, on pages 32-37 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

All of the following factors were considered in preparing the City's budget for the 2018 fiscal year:

- Budgeted receipt of 95% of ad-valorem assessments,
- Anticipated intergovernmental revenue based upon revenue accounting estimates calculated by the Florida Department of Revenue's Office of Tax Research
- Estimated revenue for water, sewer, and solid waste services based upon historical data and study performed by the Rural Water Association which recommends a rate increase for the next three years
- Payment of principal and interest on all Bond Series obligating water and sewer revenue; and reserve balances required by the Bond Issuance Covenants
- Vehicle and equipment needs of the City
- Wastewater and water testing requirements
- Anticipated FRS Employer Contribution Rates
- Other anticipated operating expenses including repair and maintenance of the City's lift station and water/sewer plants

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Apalachicola, 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 Ron Nalley, City Manager, City of Apalachicola, 192 Coach Wagnor Blvd. Apalachicola, FL 32320.

CITY OF APALACHICOLA, FLORIDA
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and Cash Equivalents	\$ 89,775	\$ 64,375	\$ 154,150
Accounts Receivables, net	8,692	183,086	191,778
Notes Receivable	251,752	-	251,752
Due from Other Governments	55,173	-	55,173
Prepays	-	8,235	8,235
Restricted Assets:			
Cash and Cash Equivalents	431,937	406,844	838,782
Investments	-	68,754	68,754
Capital Assets, Not Being Depreciated	10,204,572	363,057	10,567,629
Capital Assets, Being Depreciated	13,395,262	22,325,731	35,720,993
Total Assets	24,437,163	23,420,083	47,857,246
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	650,105	248,601	898,706
Liabilities			
Current Liabilities			
Accounts Payable and Other Current Liabilities	32,432	79,646	112,078
Accrued Payroll	13,952	-	13,952
Unearned Revenue	251,813	-	251,813
Bonds and Notes Payable	155,099	407,560	562,659
Lines of Credit	20,000	-	20,000
Accrued Compensated Absences	10,914	7,744	18,658
Accrued Interest Payable	-	85,035	85,035
Noncurrent Liabilities:			
Bonds and Notes Payable	793,762	6,146,534	6,940,296
Lines of Credit	-	-	-
Accrued Compensated Absences	32,742	15,488	48,230
Utility Deposits	-	208,982	208,982
Other Post Employment Benefits	827,577	341,545	1,169,122
Net Pension Liability	1,514,530	578,391	2,092,921
Total Liabilities	3,652,820	7,870,925	11,523,745
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	160,448	61,592	222,040
Net Position			
Net Investment in Capital Assets	22,650,973	16,125,861	38,776,834
Restricted for:			
Debt Service	19,084	145,791	164,875
Restricted for other purposes	284,546	-	284,546
Unrestricted	(1,680,603)	(535,485)	(2,216,088)
Total Net Position	\$ 21,274,000	\$ 15,736,167	\$ 37,010,167

See accompanying notes to Financial Statements

CITY OF BRISTOL, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
General Government	\$ 1,057,159	\$ 69,135	\$ -	\$ 85,427	\$ (902,598)	\$ -	\$ (902,598)
Transportation	919,064	-	-	31,000	(888,064)	-	(888,064)
Public Safety	630,523	1,955	31,164	-	(597,404)	-	(597,404)
Economic Environment	16,766	-	228,435	-	211,669	-	211,669
Culture and Recreation	972,311	38,323	468,977	71,127	(393,885)	-	(393,885)
Interest on Long-term Debt	37,911	-	-	-	(37,911)	-	(37,911)
Total Governmental Activities	3,633,735	109,412	728,576	187,554	(2,608,192)	-	(2,608,192)
Business- Type Activities							
Total Primary Government	2,774,933	2,335,066	-	-	-	(439,868)	(439,868)
	\$ 6,408,668	\$ 2,444,478	\$ 728,576	\$ 187,554	(2,608,192)	(439,868)	(3,048,060)
General Revenues							
Taxes							
Property Taxes					1,316,348	-	1,316,348
Franchise and Utility Taxes					284,426	-	284,426
Local Option Taxes					80,296	-	80,296
Local Business Taxes					36,708	-	36,708
Sales tax and Other Shared Revenues					305,371	-	305,371
Miscellaneous					211,325	-	211,325
Interest					9,021	1,131	10,153
Transfers					77,053	(77,053)	-
Total General Revenues and Transfers					2,320,550	(75,922)	2,244,628
Change in Net Position					(287,642)	(515,790)	(803,432)
Net Position, Beginning of Year					21,561,643	16,251,957	37,813,600
Net Position, End of Year					\$ 21,274,000	\$ 15,736,167	\$ 37,010,167

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
BALANCE SHEET-GOVERNMENTAL FUND
SEPTEMBER 30, 2018

	General Fund	Other Governmental Fund	Total Governmental Funds
Assets			
Cash and Cash Equivalent	\$ 89,775	\$ -	\$ 89,775
Investments	-	-	-
Accounts receivable, net	3,284	-	3,284
Due from other funds	5,408	-	5,408
Due from other governments	49,228	5,945	55,173
Notes receivable	-	251,752	251,752
Restricted:			
Cash and Cash Equivalent	199,164	232,773	431,937
Certificate of Deposit	-	-	-
Total Assets	<u>346,859</u>	<u>490,470</u>	<u>837,329</u>
Liabilities and Fund Balance			
Liabilities			
Accounts Payable and Accrued Expenses	32,432	-	32,432
Accrued payroll	13,952	-	13,952
Due to other funds	-	-	-
Unearned revenue	-	251,813	251,813
Total Liabilities	<u>46,383</u>	<u>251,813</u>	<u>298,197</u>
Fund Balance			
Nonspendable			
Restricted:			
Community redevelopment agency	37,041	-	37,041
Library trust	-	48,044	48,044
Raney house	8,848	-	8,848
MSBU	-	-	-
Local option gas tax	-	28,811	28,811
HUD	-	161,802	161,802
Debt service	19,084	-	19,084
Assigned	171,232	-	171,232
Unassigned	64,271	-	64,271
Total Fund Balance	<u>300,476</u>	<u>238,657</u>	<u>539,133</u>
Total Liabilities and Fund Balance	<u>\$ 346,859</u>	<u>\$ 490,470</u>	<u>\$ 837,329</u>

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Total Fund Balances of Governmental Funds		\$ 539,133
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 governmental funds.		23,599,834
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds		
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	650,105	
Net pension liability	(1,514,530)	
Deferred inflows	<u>(160,448)</u>	(1,024,873)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Annual Leave	(43,656)	
Bonds and Note Payables	(948,861)	
Other Postemployment Benefits	(827,577)	
Line of Credit	<u>(20,000)</u>	<u>(1,840,094)</u>
Total Net Position of Governmental Activities		<u><u>\$ 21,274,000</u></u>

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Other Governmental Fund	Total Governmental Funds
Revenues			
Taxes	\$ 1,506,500	\$ 80,296	\$ 1,586,796
Licenses and Permits	195,128	-	195,128
Intergovernmental Revenues	1,158,247	-	1,158,247
Charges for Services	19,460	-	19,460
Fines and forfeitures	1,955	-	1,955
Miscellaneous	197,834	18,284	216,118
Investment earnings and other	(5,685)	97,020	91,335
Total Revenues	<u>3,073,439</u>	<u>195,601</u>	<u>3,269,039</u>
Expenditures			
Current:			
General Government	980,765	-	980,765
Public Safety	687,027	-	687,027
Transportation	541,237	27,077	568,314
Economic Environment	-	16,316	16,316
Culture and Recreation	737,822	-	737,822
Capital outlay:			
General Government	159,289	-	159,289
Public Safety	425,970	-	425,970
Transportation	552	-	552
Culture and Recreation	-	-	-
Debt Service:			
Principal	591,131	211,701	802,832
Interest	37,911	-	37,911
Total Expenditures	<u>4,161,704</u>	<u>255,094</u>	<u>4,416,798</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,088,266)</u>	<u>(59,493)</u>	<u>(1,147,759)</u>
Other Financing Sources (Uses)			
Transfers in	165,357	-	165,357
Transfers out	-	(88,304)	(88,304)
Debt issuance	641,216	1,801	643,017
Total Other Financing Sources (Uses)	<u>806,573</u>	<u>(86,503)</u>	<u>720,070</u>
Net Change in Fund Balances	(281,693)	(145,996)	(427,689)
Fund Balances, Beginning of Year	<u>582,168</u>	<u>384,653</u>	<u>966,822</u>
Fund Balances, End of Year	<u>\$ 300,476</u>	<u>238,657</u>	<u>\$ 539,133</u>

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

Net Change in Fund Balances - Total Governmental Funds.	\$ (427,689)
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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. This is the amount by which depreciation expense exceeded capital outlay in the current period:

Capital Outlay	585,810	
Depreciation Expense	<u>(523,166)</u>	62,644

Proceeds from debt reported as revenue in the governmental funds but as an increase in long-term liabilities in the statement of net position.	(643,017)
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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. Changes in:

Net pension liability	(150,143)	
Deferred outflows related to net pension liability	106,872	
Deferred inflows related to net pension liability	<u>(57,009)</u>	(100,280)

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:

Accrued Annual Leave	93,589	
Bonds and Note Payables	86,539	
Other Postemployment Benefits	(75,721)	
Line of Credit	<u>716,292</u>	820,699

Change in Net Position of Governmental Activities	<u><u>\$ (287,642)</u></u>
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CITY OF APALACHICOLA, FLORIDA
STATEMENT OF NET POSITION
PROPREITARY FUND
SEPTEMBER 30, 2018

	<u>Utility Fund</u>
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 64,375
Receivables (Net)	183,086
Prepays	8,235
Total Current Assets	<u>255,697</u>
Noncurrent Assets	
Restricted Assets:	
Debt Service	197,863
Customer Deposits	208,982
State Revolving Loan Escrow	68,754
Total Restricted Assets	<u>475,598</u>
Capital Assets	
Property, Plant and Equipment	38,099,021
Accumulated Depreciation	(15,410,233)
Net Capital Assets	<u>22,688,788</u>
Total Noncurrent Assets	<u>23,164,386</u>
Total Assets	<u>23,420,083</u>
Deferred Outflows	
Deferred Outflows related to pensions	<u>248,601</u>
Liabilities	
Current Liabilities	
Accounts Payable and Accrued Expenses	74,238
Due To Other Funds	5,408
Current Portion of Compensated Absences	7,744
Payable from Restricted Assets:	
Current Portion of Long-term Debt	407,560
Accrued Interest	85,035
Utility Deposits	208,982
Total Current Liabilities	<u>788,966</u>
Noncurrent Liabilities	
Revenue Bonds Payable, Long-term Portion	6,146,534
Net Pension Liability	578,391
Other Postemployment Benefits	341,545
Compensated Absences	15,488
Total Noncurrent Liabilities	<u>7,081,958</u>
Total Liabilities	<u>7,870,925</u>
Deferred Inflows	
Deferred Inflows related to pensions	<u>61,592</u>
Net Position	
Net Investment in Capital Assets	16,125,861
Restricted for Debt Service	145,791
Unrestricted	(535,485)
Total Net Position	<u>\$ 15,736,167</u>

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Utility Fund</u>
Operating Revenues	
Utility Billings	\$ 2,177,528
Tap Fees	45,850
Mooring fees	111,496
Rental Income	191
Miscellaneous	-
Total Operating Revenue	<u>2,335,066</u>
Operating Expenses	
Garbage contract	414,198
Personal Services	609,000
Supplies, Gas, and Oil	164,123
Communications	9,736
Utilities	184,896
Repairs and maintenance	131,111
Insurance	85,513
Professional fees	118,022
Miscellaneous	13,473
Depreciation	908,977
Total Operating Expenses	<u>2,639,050</u>
Operating Income (Loss)	<u>(303,985)</u>
Non-Operating Revenues (Expenses)	
Investment earnings	1,131
Interest expense	(135,883)
Total Non-Operating Revenues (Expenses)	<u>(134,752)</u>
Income Before Transfers and Capital Contribution	<u>(438,737)</u>
Capital Grant Contribution	
Transfers	
Transfers In	-
Transfers Out	(77,053)
Change in Net Position	<u>(515,790)</u>
Net Position, Beginning of Year	<u>16,251,957</u>
Net Position, End of Year	<u>\$ 15,736,167</u>

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Utility Fund</u>
Cash Flows from Operating Activities	
Cash received from customers	\$ 2,126,084
Cash paid to employees	(609,000)
Cash paid to suppliers	(1,077,899)
Net Cash Provided by (Used in) Operating Activities	<u>439,186</u>
Cash Flows from Noncapital Financing Activities	
Due to other funds	5,408
Operating transfers out	(77,053)
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(71,645)</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	19,163
Proceeds from long-term debt	89,639
Principal paid on long-term debt	(218,013)
Interest paid on long-term debt	(156,565)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(265,776)</u>
Cash Flows from Investing Activities	
Interest on investments	1,131
Net Cash Provided from Investing	<u>1,131</u>
Net Increase (Decrease) in Cash and Cash Equivalents	102,896
Cash and Cash Equivalents, Beginning of Year	368,324
Cash and Cash Equivalents, End of Year	<u>\$ 471,220</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</u>	
Cash Flows from Operating Activities	
Operating Income (Loss)	\$ (303,985)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided by (Used in) Operating Activities:	
Depreciation	908,977
Accounts Receivable	3,815
Deferred outflows	(41,562)
Accounts payable and accrued expenses	(114,245)
Compensated Absences	(6,163)
Customer deposits	(14,475)
Other post employment benefits	31,251
Net pension liability	(13,738)
Deferred inflows	(10,689)
Total adjustments	<u>743,170</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 439,186</u>

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The City of Apalachicola, Florida (City) is located in northwest Florida along the Apalachicola Bay and River. The City operates under an elected Mayor-Commissioner and four-member Board of Commissioners (Board) and serves approximately 2,200 residents. The City provides a full range of municipal services, including fire and police protection, public works activities, park and recreation, transportation and general administrative services. In addition, the City operates a water, sewer, and garbage collection utility as well as docking facilities.

This report includes financial statements of the funds and activities of the City. The Summary of Significant Accounting Policies for the City consists of the primary government, organization for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the Summary of Significant Accounting Policies' financial statements to be misleading or incomplete. A legally separate organization should be reporting as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent of the primary government. A legally separate tax exempt organization should be reported as a component unit of a Summary of Significant Accounting Policies if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) the economic resources received or held by an individual organization that the specific primary government, or its component, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities are, in substance, part of the government's operations and are reported with similar funds of the primary government (see note below for description). Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The City has two component units as defined by GASB Statement 61, *The Financial Summary of Significant Accounting Policies: Omnibus – an Amendment of GASB Statements No. 14 and No. 34* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553.

The Apalachicola Community Redevelopment Agency (Agency) is operated by the City. The Agency was created on January 3, 1989, by City Ordinance 88-11 pursuant to Florida Statute 163.387. As of March 2017, the City Commissioners serve as the board members of the Agency plus an additional two voting members and one nonvoting member which are determined by the City Commissioners. The Agency is presented as a governmental fund type with fiscal year end of September 30 and is reported as a blended component unit within the general fund.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1 – Summary of Significant Accounting Policies (Continued)

Apalachicola Main Street, Inc. (Organization) is operated by a separate nonprofit corporation. The Organization was approved in 2011 as a participant in the Florida Main Street program. The one City Commissioner and the City Administrator are on the Board but do not have a voting majority as they are two of eleven board members and the Organization is not fiscally dependent on the City. Furthermore, while the Organization is a tax exempt organization and the economic resources are almost entirely for the benefit of the City constituents, the City does not have the ability to otherwise access or control the resources received by the Organization. As such, the Organization is not considered a component unit of the City.

The City appoints the governing Board for the Apalachicola Housing Authority (Authority), which makes the Authority a related organization. However, the Authority is not considered a component unit since it is not financially accountable to or fiscally dependent on the Board.

There are no entities for which there were positive responses to specific criteria used for establishing oversight responsibility that were excluded for the City's financial statements.

The financial statements of the City have been prepared in conformity with the U.S. generally accepted accounting principles (GAAP) as applied to government entities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies applicable to the City are described below.

Government-wide and Fund Financial Statements

The government-wide 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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units, if any, for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and, (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1– Summary of Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

- General Fund – The general fund is the City’s primary operating fund. It is used to account for all resources traditionally associated with governments except those required to be accounted for in other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The majority of current operating expenditures of the City other than proprietary fund activities are financed through revenues received by the general fund.

The City reports the following major proprietary fund:

- Enterprise Fund – This fund is used to account for the operations of the City’s water, sewer, and garbage system, and Scipio Creek and Battery Park docking facilities, which are financed in a manner similar to private business enterprises, where the cost, including depreciation, of providing services to the general public on a continuing basis are financed or recovered primarily through user charges.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. 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 City 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 with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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 principle ongoing operations. The principle operating revenues of the City’s enterprise funds are charges to customers for water, sewer and garbage services and Scipio Creek and Battery Park docking facilities. Operating expenses of the enterprise fund include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1– Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

General governmental revenue and expenditures accounted for in budgetary funds are controlled by a budgetary accounting system in accordance with various legal requirements which govern the City's operations. Budgets are monitored at varying levels of classification detail; however, expenditures cannot legally exceed total appropriations at the individual fund level. All budget changes that affect the total of a fund's budget must be approved by the City Commission.

The budgetary information presented for the general fund is prepared on the modified accrual basis. Encumbrances are not recorded. Unexpended items at year-end must be reappropriated in the subsequent year.

Cash and Cash Equivalents

For the purpose of the statement of cash flows the City considers bank deposits, nonnegotiable certificates of deposit and all highly liquid debt instruments with an original maturity of three months or less to be cash and cash equivalents.

Receivables

Customer accounts receivable are recorded at their net realizable value, reduced by an allowance for doubtful accounts. Unbilled amounts are not recorded.

Due From (To) Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

Inventories

Inventory items of materials and supplies, which are not significant in amount, are considered expended when purchased.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1– Summary of Significant Accounting Policies (Continued)

Restricted Assets

Certain proceeds of the City's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants or other legal agreements. The revenue bond sinking funds are used to report resources set aside to pay debt service if the sources of the pledged revenues do not generate sufficient funds to satisfy the debt service requirements. The renewal and replacement funds are used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements. The City typically uses restricted assets before using unrestricted assets, but reserves the right to selectively defer the use thereof to a future project or replacement equipment acquisition. Restricted cash is also used to report resources set aside to refund customer deposits.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, rights of way, storm water system, sidewalks, and similar items) are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment with initial, individual costs that exceed \$750 and estimated useful lives of over one year are recorded as capital assets. Infrastructure, such as buildings, roads, bridges, and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if original cost is unknown. Donated capital assets are recorded at acquisition cost at the date of donation.

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

Depreciation is provided on the straight-line basis generally over the following estimated useful lives:

Buildings	30-50 years
Improvements other than buildings	10-50 years
Machinery and equipment	5-15 years
Infrastructure	30-50 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. For assets constructed with governmental fund resources, interest during construction is not capitalized.

Unearned Revenues

Unearned revenues reported in government-wide financial statements represent revenues received in advance of the earnings process. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable, but not available, in accordance with the modified accrual basis of accounting.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1– Summary of Significant Accounting Policies (Continued)

Compensated Absences

The City maintains a policy that permits employees to accumulate earned but unused vacation and sick pay benefits that will be paid to employees upon separation from City service if certain criteria are met. These benefits, plus their related tax and retirement costs are classified as compensated absences. Employees may be paid for unused vacation hours accrued up to a maximum amount. Payment of unused sick leave, upon termination, is also provided for up to varying amounts.

Both the current and long-term portion of compensated absences are accrued and reported in the government-wide financial statements. No expenditure is reported in the government fund level statements for these amounts until payment is made. Proprietary fund types accrue sick leave and vacation benefits in the period they are earned. Compensated absences liability is based on current rates of pay.

Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation

method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for general operations. The City's millage rate for the year ended September 30, 2018, was 9.6043 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year based on the assessed value as of January 1 of the tax year, the lien date.

Property tax revenue is recognized when taxes are received by the City. Because delinquent taxes collected after September 30 are not material, delinquent taxes due are not accrued at year end.

All taxes become payable on November 1, of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

Property taxes are collected by the Franklin County Tax Collector. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates.

**CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 1– Summary of Significant Accounting Policies (Continued)

Fund Balances

GASB Statement 54 requires the use of the following terminology and classifications of fund balance:

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2018.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance is restricted by creditors for repayment of debt issued, enabling legislation, and donor restrictions.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances approved by the City Commission. There are no committed funds as of September 30, 2018.

Assigned – This category includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official.

Unassigned – This category is the residual classification for the City’s fund balances.

Net Position, Deferred Inflows of Resources, and Deferred Outflows of Resources

Net position is classified in three categories. The general meaning of each is as follows:

Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Unrestricted - indicates that portion of net position that is available for future periods.

**CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 1– Summary of Significant Accounting Policies (Continued)

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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) Pension Plan and the Retirees' Health Insurance Subsidy (HIS) Program and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by FRS and HIS. The financial statements for FRS and HIS are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with GAAP. Contributions are recognized as revenues when due, pursuant to the statutory and contractual requirements.

Restricted Assets

Certain assets of the various funds are required by resolutions or ordinances to be set aside and used for specific purposes; thus, they are not available to be used for general operations. When both restricted and unrestricted resources are available for use, it is the government's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1– Summary of Significant Accounting Policies (Concluded)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances

Encumbrances represent commitments in the form of purchase orders which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances do not represent expenditures or liabilities. The City does not record encumbrances outstanding at year-end.

External Investment Pools

The City maintains deposits in the Local Government Surplus Funds Trust Fund (pool), hereinafter Florida PRIME, administered by the State of Florida State Board of Administration (SBA). This external investment pool, has adopted operating procedures consistent with the requirements for a “2a-7 like” pool and the fair value of the assets in the pool is equal to the value of the pool shares. Such investments are stated at amortized cost.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, long- term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position.

Prepaid

Payments made to vendors for services that will benefit future periods, such as insurance, are recorded as prepaids in both the government-wide and fund financial statements.

Dates of Management’s Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through June 26, 2019, the date the financial statements were available to be issued.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1– Summary of Significant Accounting Policies (Concluded)

Adoption of New Accounting Pronouncement

During the year ended September 30, 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, for Other Post-Employment Benefits (OPEB). This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources and expenses. For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan's fiduciary net position at the net OPEB liability on the statement of net position. Previously, a liability was recognized only to the extent that contributions made to each plan were exceeded by the actuarially calculated contributions for those plans. Additionally, Statement No. 75 sets forth note disclosure and required supplementary disclosure requirements for defined contribution OPEB. As part of implementation of this new accounting pronouncement the City restated net position, see below for the restatement amount.

Restatement of Prior Year Net Position

The City received a disclaimer of opinion from the prior year auditors. As a result of audit evidence provided to support opening balances, the opening net position is restated for the following items:

Net Position, End of Year as Originally Reported	\$ 22,175,890
General Fixed Assets not added to the Statement of Net Position	99,153
General Long Term Debt not added to the Statement of Net Position	(17,703)
Reconciling item related to deferred revenue not posted correctly	(341,079)
Restatement of OPEB Liability	(354,618)
Net Position, End of Year, As Restated	<u>\$ 21,561,643</u>

Note 2 – Cash and Investments

Deposits

All cash resources of the City are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a prorata basis.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 2 – Cash and Investments (Continued)

Investments

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01, in the Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, in an interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02 and in direct obligations of the U.S. Treasury.

Credit Risks

The credit risk of certain investments, such as investment pools managed by other outside parties, cannot be categorized because the City's investments are not evidenced by specific, identifiable investment securities.

Interest Rate Risks

At September 30, 2018, the City did not hold any investments that were considered to be an interest rate risk.

Custodial Risks

At September 30, 2018, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentrations of Credit Risk

At September 30, 2018, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2018, the City's cash and investments consisted of the following:

	Credit Rating	Current	1-5 Years	Total Carrying Amount
Cash, Including Money Market Fund	(1)	\$1,116,736	\$ -	\$1,116,736
U.S. Government Agencies	AAA	68,754	-	68,754
Local Government Surplus Trust Fund Pool	AAAm	52,079	-	52,079
Total		<u>\$1,237,569</u>	<u>\$ -</u>	<u>\$1,237,569</u>

(1) These funds are not rated. Investments in these funds are restricted to cash, short-term obligations of the U.S. government and government backed securities.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 2 – Cash and Investments (Concluded)

Local Government Surplus Trust Fund Pool

As of September 30, 2018, the City had investments for general funds on deposit in a 2a7-like pool in the amount of \$52,079 with the SBA.

Investments are stated at amortized cost in accordance with GASB 79. Per GASB 79, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements.

Chapter 218.409(8)(a), Florida Statutes, states, "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48-hour limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the Executive Director may extend the moratorium until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

As of September 30, 2018, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

Note 3 – Receivables

Current Receivables	\$ 17,034
Due from Other Funds	5,408
Due from Other Governments	55,173
Loan Receivables	251,752
Total Receivables	<u>329,367</u>
Allowance for Doubtful Accounts	<u>(13,750)</u>
Total Receivables, net	<u>\$315,617</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 4 - Capital Assets

	Balance September 30, 2017	Additions	(Reductions)	Balance September 30, 2018
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 10,201,410	\$ -	\$ -	\$ 10,201,410
Construction in progress	-	3,162	-	3,162
Total Capital Assets, Not Being Depreciated	<u>10,201,410</u>	<u>3,162</u>	<u>-</u>	<u>10,204,572</u>
Capital Assets, Being Depreciated:				
Building and Improvements	2,719,697	77,660	-	2,797,357
Improvements other than Buildings	5,391,549	28,466	-	5,420,015
Infrastructure	8,297,655	-	-	8,297,655
Equipment and Other	2,572,226	476,522	-	3,048,748
Total Capital Assets, Being Depreciated	<u>18,981,127</u>	<u>582,648</u>	<u>-</u>	<u>19,563,775</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(826,126)	(50,774)	-	(876,900)
Improvements other than Buildings	(1,629,198)	(152,592)	-	(1,781,790)
Infrastructure	(1,012,731)	(183,874)	-	(1,196,605)
Equipment and Other	(2,177,292)	(135,926)	-	(2,313,218)
Total Accumulated Depreciation	<u>(5,645,347)</u>	<u>(523,166)</u>	<u>-</u>	<u>(6,168,513)</u>
Total Capital Assets, Being Depreciated, Net	<u>24,626,474</u>	<u>59,482</u>	<u>-</u>	<u>13,395,262</u>
Total Governmental Capital Assets, Net	<u><u>34,827,884</u></u>	<u><u>62,644</u></u>	<u><u>-</u></u>	<u><u>23,599,834</u></u>
<u>Business-Type Activities:</u>				
Capital Assets, Not Being Depreciated:				
Land	363,057	-	-	363,057
Construction in progress	-	-	-	-
Total Capital Assets, Not Being Depreciated	<u>363,057</u>	<u>-</u>	<u>-</u>	<u>363,057</u>
Capital Assets, Being Depreciated				
Buildings and utility systems	37,716,802	19,163	-	37,735,965
Total Capital Assets, Being Depreciated	<u>37,716,802</u>	<u>19,163</u>	<u>-</u>	<u>37,735,965</u>
Less Accumulated Depreciation for:				
Buildings and utility systems	(14,501,257)	(908,977)	-	(15,410,234)
Total Accumulated Depreciation	<u>(14,501,257)</u>	<u>(908,977)</u>	<u>-</u>	<u>(15,410,234)</u>
Total Capital Assets, Being Depreciated, Net	<u>23,215,545</u>	<u>(889,814)</u>	<u>-</u>	<u>22,325,731</u>
Total Business-Type Capital Assets, Net	<u><u>\$ 23,578,602</u></u>	<u><u>\$ (889,814)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 22,688,788</u></u>

Depreciation Expense was charged to functions/program as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 49,364	Water	\$ 151,566
Public Safety	46,546	Sewer	751,540
Transportation	213,102	Mooring	5,871
Culture and Recreation	214,154	Total	<u>\$ 908,977</u>
Total	<u><u>\$ 523,166</u></u>		

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 5 - Long-term Liabilities - Governmental Activities

	<u>Balance September 30, 2017</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2018</u>	<u>Due Within One Year</u>
\$506,500 Capital Improvement Revenue Bonds - Series 2010. Due in annual installments of \$25,480 to \$30,260 with interest at 4%. Matures in September 2039 (see (a) below).	\$ 430,500	\$ -	\$ (13,000)	\$ 417,500	\$ 13,000
Installment purchase agreement for a fire truck for \$222,950 payable in annual installments of \$29,564 with interest at 5.49%. Matures in October 2020.	9,684	-	(9,684)	-	-
Installment purchase agreement for a fire truck for \$400,000. payable in annual installments of \$49,008. Matures June 2028.	-	400,000	-	400,000	85,000
Installment purchase agreement for a vehicle for \$26,169 payable in annual installments of \$7,910 including 5.4% interest, maturing February 2019.	-	26,169	(8,291)	17,878	8,623
Installment purchase agreement for a vehicle for \$28,785 payable in annual installments of \$7,910 including 5.4% interest, maturing February 2019.	14,629	-	(7,123)	7,506	7,506
Installment purchase agreement for a vehicle for \$25,958 payable in annual installments of \$9,219 including 4.9% interest, maturing February 2018.	8,787	-	(8,787)	-	-
Installment purchase agreement for a vehicle for \$25,958 payable in annual installments of \$9,219 including 4.9% interest, maturing February 2018.	17,703	-	(8,561)	9,142	9,142

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 5 - Long-term Liabilities - Governmental Activities (Continued)

	Balance September 30, 2017	Additions	(Reductions)	Balance September 30, 2018	Due Within One Year
Installment purchase agreement for a tractor and rotary cutter for \$65,239 payable in annual installments of \$17,285 including 2.34% interest, maturing November 2019.	\$ 49,497	\$ -	\$ (16,127)	\$ 33,370	\$ 16,504
Installment purchase agreement for a tractor and rotary cutter for \$78,431 payable in annual installments of \$16,841 including 2.39% interest, maturing November 2021.	78,431	-	(14,967)	63,465	15,324
Line of Credit - Secured CD	201,086	-	(201,086)	-	-
Line of Credit - Grant Secured	318,358	22,848	(341,206)	-	-
Line of Credit - Hurricane Grant	-	194,000	(174,000)	20,000	20,000
Compensated Absences	137,245	-	(93,589)	43,656	10,914
Net Pension Liability	1,364,387	150,143	-	1,514,530	-
Other Postemployment Benefits	751,856	75,721	-	827,577	-
Total Governmental Activities' Long-term Obligations	<u>\$ 3,382,163</u>	<u>\$ 868,881</u>	<u>\$ (896,420)</u>	<u>\$ 3,354,624</u>	<u>\$ 186,013</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 5 – Long-term Liabilities – Governmental Activities (Concluded)

- (a) The series 2010 general fund capital improvement revenue bonds are secured by alcoholic beverage income, fines and forfeiture income and MSBU funds. Current year principal and interest payments on the bonds are 49 percent of pledged revenues. The total principal outstanding at September 30, 2018 was \$417,500.

There are limitations and restrictions contained in the bond indentures, including the establishment of specific debt service sinking fund and reserve accounts. The City is not in compliance with all aspects of the bond indenture. The sinking fund and reserve account balance for the Series 2010 bond issue totals \$19,085 at September 30, 2018.

Future debt service requirements for the City's long-term debt obligations of the governmental activities are summarized below:

<u>Year ending September 30,</u>	<u>Principal</u>
2019	\$ 103,913
2020	90,621.00
2021	67,224.00
2022	69,943.00
2023	56,687.00
2024-2028	355,473.00
2029-2033	120,000.00
2034-2038	85,000.00
Total	<u>\$ 948,861</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 6 - Long-term Liabilities - Business-type Activities

	Balance September 30, 2017	Additions	(Reductions)	Balance September 30, 2018	Due Within One Year
\$3,073,000 Water and Sewer Revenue Bonds - Series 2003. Due in annual installments of \$16,417 to \$592,000 with interest at 3%. Matures in 2043 (see (c) below).	\$ 2,417,274	\$ -	\$ (63,000)	\$ 2,354,274	\$ 65,000
\$390,000 Water and Sewer Revenue Bonds - Series 1983, due in annual installments of \$2,000 to \$29,000 from September 1, 1987 to September 1, 2024, with interest at 5%. (see (a) below).	152,448	-	(18,000)	134,448	20,000
\$361,630 Water and Sewer Revenue Bonds - Series 1986, due in annual installments of \$3,000 to \$21,630 from September 1, 1989 to September 1, 2026, with interest at 6%. (see (b) below).	162,630	-	(15,000)	147,630	15,000
Note payable to the State of Florida Revolving Loan Fund for sewer system construction costs. Semiannual payments of \$225,898 including interest on the loan increments at 3% to 4% maturing June 2026 - (see (d) below).	3,759,143	-	(85,380)	3,673,763	293,557
Installment purchase agreement for a vehicle for \$30,857 payable in annual installments of \$8,480 including 5.4% interest, maturing February 2019.	15,682	-	(7,635)	8,047	8,047
Installment purchase agreement for water meters for \$267,600 payable in annual installments of \$32,139 including 3.48% interest, maturing November 2026.	267,600	-	(22,835)	244,765	23,621
Compensated Absences	23,232	-	(6,163)	17,069	4,267
Net Pension Liability	520,002	58,389	-	578,391	-
Other Postemployment Benefits	310,294	31,250	-	341,544	-
Total Business-type Activities' Long-term Obligations	<u>\$ 7,628,305</u>	<u>\$ 89,639</u>	<u>\$ (218,013)</u>	<u>\$ 7,499,931</u>	<u>\$ 429,492</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 6 – Long-term Liabilities – Business-type Activities (Continued)

- (a) The series 1983 water and sewer revenue bonds are secured by a first lien on the gross revenues of the water and sewer system and a first lien on the City's public service taxes and guaranteed entitlement revenues. Current year principal and interest payments on the bonds are 11 percent of pledged revenues. The total principal to be paid on the bonds is \$134,448. Principal and interest paid for the current year were 18,000 and \$11,614 respectively.
- (b) The series 1986 water and sewer revenue bonds are secured by a junior lien on the above-mentioned revenues. Current year principal and interest payments on the bonds are 11 percent of pledged revenues. The total principal remaining to be paid on the bonds is \$147,630. Principal and interest paid for the current year were \$15,000 and \$9,758 respectively.
- (c) The series 2003 water and sewer revenue bonds were issued on parity with the 1983 and 1986 water and sewer revenue bonds. Current year principal and interest payments on the bonds are 63 percent of pledged revenues. The total principal remaining to be paid on the bonds is \$2,354,274. Principal and interest paid for the current year were \$63,000 and \$72,518 respectively.
- (d) The FDEP has a lien on the funds and earnings in the Capital City Trust Company escrow account, which is the source of funds for repayment of the State of Florida Revolving Loan Trust Fund loan. In addition, there exists a supplemental pledge of net water and sewer system revenues which is subordinate to payment of the 1983 and 1986 water and sewer bonds. The FDEP loan is also subordinate to the Series 2003 water and sewer revenue bonds issued in connection with the 2002-2003 water system improvements. The total principal remaining to be paid on the notes

(e)

There are a number of limitations and restrictions contained in the bond indentures, including the establishment of specific debt service sinking fund and reserve accounts.

The sinking fund and reserve account balances relating to the Series 2003, 1983, and 1986 bond issues total \$411,125 at September 30., 2018.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 6 – Long-term Liabilities – Business-type Activities (Concluded)

<u>Year ending September 30,</u>	<u>Principal</u>
2019	\$ 470,133
2020	477,738
2021	496,767
2022	513,182
2023	545,101
2024-2028	2,457,732
2029-2033	477,000
2034-2038	558,000
2039-2043	567,274
Total	<u>\$ 6,562,927</u>

Note 7 – Interfund Receivables, Payables, and Transfers

As of September 30, 2018, the General Fund had an interfund receivable from the Enterprise Fund of \$5,408.

Transfers are summarized below:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Enterprise Fund	General Fund	\$ 77,053
Local Option Gas Tax	General Fund	\$ 61,389

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 8 – Pension Plans

Defined Benefit Plans

Plan Description

The City participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability and death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (844) 377-1888.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multi-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retirees' Health Insurance Subsidy (HIS) Program is a cost-sharing, multi-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. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

Benefits under FRS 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.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 8 – Pension Plans (Continued)

Contributions

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City's contribution rates for the year ended September 30, 2018 were as follows:

	Year Ended June 30, 2018		Year Ended June 30, 2019	
	FRS	HIS	FRS	HIS
Regular Class	6.26%	1.66%	6.54%	1.66%
Senior Management	21.05%	1.66%	22.34%	1.66%
Special Risk Employee Class	21.61%	1.66%	22.78%	1.66%
DROP Plan Participants	11.60%	1.66%	12.37%	1.66%

The City's contributions for the year ended September 30, 2018, were \$151,940 to FRS and \$25,472 to HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2018, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuation date July 1, 2018. The City's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net Pension Liability	\$ 1,591,974	\$ 501,439
Proportion at:		
Current Measurement Date	0.0052853%	0.004737659%
Prior Measurement Date	0.0048474%	0.004213899%
Pension Expense (Benefit)	\$ 274,181	\$ 42,510

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 8 – Pension Plans (Continued)

Deferred Outflows/Inflows of Resources Related to Pensions

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

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 134,864	\$ 4,895
Changes of assumptions	520,180	-
Net difference between projected and actual earnings on Pension Plan Investments	-	122,999
Changes in proportion and differences between employer contributions and proportionate share of contributions	82,413	20,570
Employer contributions subsequent to the measurement date	39,341	-
Total	<u>\$ 776,798</u>	<u>\$148,464</u>

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,677	\$ 852
Changes of assumptions	55,766	53,016
Net difference between projected and actual earnings on Pension Plan Investments	302	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,750	19,707
Employer contributions subsequent to the measurement date	6,413	-
Total	<u>\$ 121,908</u>	<u>\$ 73,575</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 8 – Pension Plans (Continued)

Deferred outflows or resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2019. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement period ending June 30,	FRS	HIS
2019	\$ 205,397	\$ 11,064
2020	150,966	10,846
2021	35,851	13,424
2022	107,755	4,713
2023	74,924	(3,892)
Thereafter	14,100	5,765
Total	<u>\$ 588,993</u>	<u>\$ 41,920</u>

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2018, was determined by an actuarial valuation dated July 1, 2018, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary Increase	3.25%	3.25%
Investment Rate of Return	7.00%	N/A
Discount Rate	7.00%	3.87%
Municipal Bond	N/A	3.87%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation date June 30, 2018 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2018:

- FRS: The long-term expected rate of return was decreased from 7.10% to 7.00% and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 3.58% to 3.87%.
- The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For FRS, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 8 – Pension Plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Geometric Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed income	18%	4.4%	4.3%	4.0%
Global equity	54%	7.6%	6.3%	17.0%
Real estate (property)	11%	6.6%	6.0%	11.3%
Private equity	10%	10.7%	7.8%	26.5%
Strategic investments	6%	6.0%	5.7%	8.6%
	<u>100%</u>			
Assumed Inflation-Mean			2.6%	1.9%

Discount Rate

The discount rate used to measure the total pension liability for FRS was 7.00%. FRS' 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 is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

	<u>FRS</u>		
	<u>Current</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Employer's proportionate share of the net pension liability	\$2,905,420	\$1,591,975	\$501,080
	<u>HIS</u>		
	<u>Current</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Employer's proportionate share of the net pension liability	\$571,110	\$501,439	\$443,365

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 8 – Pension Plans (Concluded)

Pension Plans' Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Defined Contribution Plan

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class.

Note 9 – Other Postemployment Benefits

Plan Description

The City of Apalachicola's Retiree Health Care Plan (Plan) is a single-employer defined benefit postemployment health care plan that covers eligible retired employees of the City.

The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue medical insurance coverage as a participant in the City's plan. The plan is funded on a pay-as-you-go basis and is not administered as a formal qualifying trust. There were no plan assets as of September 30, 2018. For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust. All amounts have been determined on the same basis as they are reported by the City.

Employees Covered by Benefit Terms

At September 30, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members, or Beneficiaries Currently Receiving Benefits	1
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	<u>37</u>
	<u>38</u>

Benefits Provided

The City pays 100% of the retiree's monthly medical premium before and after age 65. The retiree must pay the full premium for eligible dependent coverage. Retirees are covered for their lifetime and eligible dependents are also covered for their lifetime as long as they continue to pay the premium.

Retirees participating in the dental insurance plans offered by the City are required to contribute 100% of the Active premiums. As such, the projected employee premiums for the dental program are assumed to cover the entire cost of the program.

**CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 9 – Other Postemployment Benefits (Continued)

TOTAL OPEB LIABILITY

The measurement date is September 30, 2017.

The measurement period for the OPEB expense was October 1, 2016 to September 30, 2017.

The reporting period is October 1, 2017 through September 30, 2018.

The City's Total OPEB Liability was measured as of September 30, 2017.

Note – The City's Total OPEB Liability for the City's ledger adjustment was measured as of September 30, 2016 using a discount rate of 4%. The Total OPEB Liability was "rolled-back" from September 30, 2017 at 4%, thus producing no experience gain or loss for the period from October 1, 2016 to September 30, 2017.

Actuarial Assumptions

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2017 using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	4.00%
Discount Rate	3.64%
Initial Trend Rate	8.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman's July 1, 2018 Florida Retirement System (FRS) valuation report.

Mortality – Active Lives:

For female lives, 100% of the Combined Healthy White-Collar table was used. For male (non-special risk) lives, a 50% Combined Healthy White-Collar table, 50% Combined Healthy Blue-Collar table blend was used. For male special risk lives, a 10% Combined Healthy White-Collar table, 90% Combined Healthy Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality – Inactive Healthy Lives:

For female lives, 100% of the Annuitant White-collar table was used. For male (non-special risk) lives, a 50% Annuitant White-Collar table, 50% Annuitant Blue-Collar table blend was used. For male special risk lives, a 10% Annuitant White-Collar table, 90% Annuitant Blue-Collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB.

Mortality – Disabled Lives:

For female (non-special risk) lives, 100% of the Disabled Female table was used, set forward two years. For female special risk lives, a 60% Disabled Female table, 40% Annuitant White-Collar table with no setback blend was used. For male (non-special risk) lives, 100% of the Disabled Male table was used, set back four years. For male special risk lives, a 60% Disabled Male table, 40% Annuitant White-Collar table with no setback blend was used. Disabled mortality has not been adjusted for mortality improvement.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 9 – Other Postemployment Benefits (Continued)

Discount Rate:

Given the City's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 3.64%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

CHANGE IN TOTAL OPEB LIABILITY

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2017	\$ 1,062,150
Changes for the Year:	
Service Cost	102,853
Interest	42,486
Differences between Expected and Actual Experience	-
Changes of assumptions	(36,875)
Changes of benefit terms	-
Contributions – Employer	-
Benefit Payments	(1,493)
Other Changes	-
Net Changes	106,971
Reporting Period Ending September 30, 2018	\$ 1,169,121

Changes in assumptions reflect a change in the discount rate from 4.5% for the reporting period ended September 30, 2017, to 4% for the reporting period ended September 30, 2018.

Sensitivity of the Total OPEB Liability to changes in the Discount Rate

The following presents the Total OPEB Liability of the City, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% Decrease	Current Discount	1% Increase
	3%	Rate 4%	5%
Total OPEB Liability (Asset)	\$ 1,294,408	\$ 1,169,121	\$ 1,037,178

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 9 – Other Postemployment Benefits (Concluded)

Sensitivity of the Total OPEB Liability to changes in the Healthcare Cost Trend Rates

The following presents the Total OPEB Liability of the City, as well as what the City's Total OPEB Liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (Asset)	\$ 979,674	\$ 1,169,121	\$ 1,401,954

Note 10 – Community Redevelopment Agency

The Apalachicola Community Redevelopment Agency is operated by the City and is presented as a blended component unit within the general fund.

Cash Balance, Beginning of Year	\$ 28,364
Amount Received from Franklin County	35,427
Amount Paid for Personal Services	(24,770)
Amount Paid for Operating Expense	(3,594)
Restricted Cash Balance, End of Year	<u>\$ 35,427</u>

Note 11 – Commitments, Contingencies, and Risk Management

The City is a defendant in various litigation which has been turned over the City's insurance carrier for defense. Settlements, if any, are not anticipated to exceed the policy amounts of insurance carried by the City.

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; error or omissions; injuries to employees and/or public; or damage to property of others. The City carries comprehensive coverage on certain vehicles and equipment, as long as deemed economically justifiable. The City also carries liability insurance on the aforementioned vehicles and equipment.

Note 12 – Subsequent Events

On October 10, 2018 the eye of hurricane Michael, a category 5 hurricane, passed over the Panhandle of Florida causing devastating destruction and property damage to buildings and businesses throughout the area. At the time of the issuance of these financial statements the impact of the damages and their effects on the City's financial statements cannot be determined.

CITY OF APALACHICOLA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2018

CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 1,530,932	\$ 1,530,932	\$ 1,506,500	\$ (24,432)
Licenses and Permits	83,000	83,000	195,128	112,128
Intergovernmental Revenues	327,160	327,160	1,158,247	831,087
Charges for services	92,700	92,700	19,460	(73,240)
Fines and forfeitures	1,000	1,000	1,955	955
Miscellaneous Revenues	64,200	64,200	197,834	133,634
Investment earnings and other	-	-	(5,685)	(5,685)
Total Revenues	2,098,992	2,098,992	3,073,439	974,447
Expenditures				
General Government	582,965	633,022	980,765	(347,743)
Public Safety	718,790	756,394	687,027	69,367
Transportation	511,370	528,351	541,237	(12,886)
Economic Environment	-	-	-	-
Culture and Recreation	162,000	228,826	737,822	(508,996)
Capital outlay				
General Government	3,000	787	159,289	(158,502)
Public Safety	16,000	9,871	425,970	(416,099)
Transportation	4,000	4,130	552	3,578
Culture and Recreation	-	-	-	-
Debt Service				
Principal		201,589	591,131	(389,542)
Interest	-	-	37,911	(37,911)
Total Expenditures	1,998,125	2,362,970	4,161,704	(1,798,734)
Excess (Deficiency) of Revenues Over				
(Under) Expenditures	100,867	(263,978)	(1,088,266)	(824,288)
Other Financing Sources (Uses)				
Transfers in	-	-	165,357	165,357
Transfers out	-	-	-	-
Debt issuance	-	-	641,216	641,216
Total Other Financing Sources (Uses)	-	-	806,573	-
Net Change in Fund Balance	100,867	(263,978)	(281,693)	(824,288)
Fund Balance, Beginning of Year	-	-	582,168	582,168
Fund Balance, End of Year	\$ 100,867	\$ (263,978)	\$ 300,476	\$ (242,119)

**CITY OF APALACHICOLA, FLORIDA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Note 1 – 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 their procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Council receives a proposed operating budget for the next fiscal year. 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. 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 governing council.
5. 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 APALACHICOLA, FLORIDA
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2018	2017	2016	2015
Florida Retirement System (FRS)				
Proportion of the net pension liability (asset)	0.0052853%	0.0048474%	0.4779100%	0.00465550%
Proportionate share of the net pension liability (asset)	\$ 1,591,960	\$ 1,433,819	\$ 1,206,733	\$ 601,324
Covered-employee payroll	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306	\$ 1,233,891
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	103.22%	114.95%	95.00%	48.73%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)				
Proportion of the net pension liability (asset)	0.004737659%	0.004213900%	0.004491000%	0.004405400%
Proportionate share of the net pension liability (asset)	\$ 501,439	\$ 450,570	\$ 523,410	\$ 449,282
Covered-employee payroll	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306	\$ 1,233,891
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.51%	36.12%	41.20%	36.41%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

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

	2018	2017	2016	2015
Florida Retirement System (FRS)				
Contractually required contribution	\$ 1,728,562	\$ 1,630,549	\$ 1,11,485	\$ 113,485
Contributions in relation to the contractually required contribution	(1,728,562)	(1,630,549)	(111,485)	(113,485)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,542,326	\$ 1,327,136	\$ 1,256,246	\$ 1,279,173
Contributions as a percentage of covered-employee payroll	112.08%	122.86%	8.87%	8.87%
Health Insurance Subsidy Program (HIS)				
Contractually required contribution	\$ 215,157	\$ 217,059	\$ 20,854	\$ 16,118
Contributions in relation to the contractually required contribution	(215,157)	(217,059)	(20,854)	(16,118)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,542,326	\$ 1,327,136	\$ 1,256,246	\$ 1,279,173
Contributions as a percentage of covered-employee payroll	13.95%	16.36%	1.66%	1.26%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available.

**CITY OF APALACHICOLA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
YEAR ENDED SEPTEMBER 30, 2018**

**Schedule of Changes in City's Total Liability and Related Ratios
(For the Year Ended September 30, 2018)
Last 10 Years**

	<u>Total OPEB Liability</u>	<u>OPEB Expense</u>
Beginning Balance	\$ 1,062,150	\$ -
Employer Contributions Made After September 30, 2017	-	-
Total OPEB Liability Factors:		
Service Cost	102,853	102,853
Interest	42,486	42,486
Changes in Benefit Terms	-	
Differences between Expected and Actual Experience with Regards to Economic or Demographic Assumptions	(36,875)	(36,875)
Current Year Amortization of Experience Difference		
Change in Assumptions About Future Economic or Demographic Factors or Other Inputs	-	-
Current Year Amortization of Change in Assumptions	-	-
Benefit Payments	(1,493)	(1,493)
Net Change	<u>106,971</u>	<u>106,971</u>
Ending Balance	<u>\$ 1,169,121</u>	<u>\$ 106,971</u>
Actuarial Accrued Liabilities (AAL)	\$ 1,169,121	
Actuarial Value of Plan Assets	-	
Unfunded actuarial accrued liabilities (UAAL)	<u>\$ 1,169,121</u>	
Covered Payroll	\$ 1,258,118	
UAAL as a percentage of covered payroll	92.93%	

Notes to Schedule:

The Plan is not funded through a trust, however, certain "Pay-As-You-Go" related costs must still be considered Employer contributions made after September 30, 2017 must be reported as a deferred outflow for plans using

**CITY OF APALACHICOLA, FLORIDA
OFFICIALS
SEPTEMBER 30, 2018**

Van W. Johnson, Sr.
Mayor

Anita Grove
Commissioner Seat 3

John M. Bartley
Commissioner Seat 1

Brenda Ash
Mayor Pro-Tem

James L. Elliott
Commissioner Seat 2

Ron Nalley
City Manager

CITY OF APALACHICOLA, FLORIDA
COMBINING FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

CITY OF APALACHICOLA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>Library</u>	<u>Local option Gas Tax</u>	<u>HUD Revolving loans</u>	<u>Total Non-Major Governmental Funds</u>
Assets				
Cash and Cash Equivalent	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Due from other funds	-	-	-	-
Due from Other Governments	-	5,945	-	5,945
Accounts receivable, net	-	-	-	-
Notes receivable	-	-	251,752	251,752
Restricted:	-	-	-	-
Cash and Cash Equivalent	48,044	22,866	161,863	232,773
Certificate of Deposit	-	-	-	-
Total Assets	<u>48,044</u>	<u>28,811</u>	<u>413,615</u>	<u>490,470</u>
Liabilities and Fund Balance				
Liabilities				
Accounts Payable and Accrued Expenses	-	-	-	-
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Unearned revenue	-	-	251,813	251,813
Total Liabilities	<u>-</u>	<u>-</u>	<u>251,813</u>	<u>251,813</u>
Fund Balance				
Nonspendable				
Restricted				
Community redevelopment agency	-	-	-	-
Library trust	48,044	-	-	48,044
Raney house	-	-	-	-
MSBU	-	-	-	-
Local option gas tax	-	28,811	-	28,811
HUD	-	-	161,802	161,802
Debt service	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balance	<u>48,044</u>	<u>28,811</u>	<u>161,802</u>	<u>238,657</u>
Total Liabilities and Fund Balance	<u>\$ 48,044</u>	<u>\$ 28,811</u>	<u>\$ 413,615</u>	<u>\$ 490,470</u>

CITY OF APALACHICOLA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Library	Local option Gas Tax	HUD Revolving loans	Total Non-Major Governmental Funds
Revenues				
Taxes	\$ -	\$ 80,296	\$ -	\$ 80,296
Licenses and Permits	-	-	-	-
Intergovernmental Revenues	-	-	-	-
Charges for Services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	18,284	-	-	18,284
Investment earnings and other	59	370	96,591	97,020
Total Revenues	<u>18,344</u>	<u>80,667</u>	<u>96,591</u>	<u>195,601</u>
Expenditures				
Current:				
General Government	-	-	-	-
Public Safety	-	-	-	-
Transportation	-	-	27,077	27,077
Culture and Recreation	16,316	-	-	16,316
Capital outlay	-	-	-	-
General Government	-	-	-	-
Public Safety	-	-	-	-
Transportation	-	-	-	-
Culture and Recreation	-	-	-	-
Debt Service:	-	-	-	-
Principal	211,701	-	-	211,701
Interest	-	-	-	-
Total Expenditures	<u>228,017</u>	<u>-</u>	<u>27,077</u>	<u>255,094</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(209,673)</u>	<u>80,667</u>	<u>69,514</u>	<u>(59,493)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	(88,304)	-	(88,304)
Debt issuance	1,801	-	-	1,801
Total Other Financing Sources (Uses)	<u>1,801</u>	<u>(88,304)</u>	<u>-</u>	<u>(86,503)</u>
Net Change in Fund Balances	<u>(207,872)</u>	<u>(7,637)</u>	<u>69,514</u>	<u>(145,996)</u>
Fund Balances, Beginning of Year	<u>255,917</u>	<u>36,448</u>	<u>92,288</u>	<u>384,653</u>
Fund Balances, End of Year	<u>\$ 48,044</u>	<u>\$ 28,811</u>	<u>\$ 161,802</u>	<u>\$ 238,657</u>

CITY OF APALACHICOLA, FLORIDA

COMPLIANCE SECTION

SEPTEMBER 30, 2018

**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 City Council,
City of Apalachicola, Florida:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of City of Apalachicola, Florida (the "City"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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. We consider the deficiencies described in the accompanying schedule of prior year findings to be material weaknesses, 2017-001 through 2017-004.

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. We consider the deficiencies described in the accompanying schedule of prior year findings to be significant deficiencies, 2017-005 through 2017-007.

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 may exist that have not been identified.

**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**
(concluded)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of prior year findings as items 2017- 004 through 2017- 007.

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 City'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.

Moran & Smith LLP

Moran & Smith LLP
June 26, 2019
Quincy, FL

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415 FLORIDA STATUTES**

To the Honorable City Council,
City of Apalachicola, Florida:

We have examined the City of Apalachicola, Florida (the "City"), compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2018, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2018.

This report 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, and the City and its management, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moran & Smith LLP

Moran & Smith LLP
June 26, 2019
Quincy, FL

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Honorable City Council,
City of Apalachicola, Florida:

Report on the Financial Statements

We have audited the financial statements of the City of Apalachicola, Florida (the "City") as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated June 26, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Florida Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for The Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated June 26, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings. Specifically, findings 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007 are from the prior year.

Official Title and Legal City

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 Summary of Significant Accounting Policies be disclosed in the management letter, unless disclosed in the notes to the financial statements. The name or official title and legal City of the primary government and component unit are disclosed in the notes to the financial statements.

INDEPENDENT AUDITOR'S MANAGEMENT LETTER
(concluded)

Financial Condition

Section 10.554(1)(i)5.a., and 10.556(7) *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the City has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did meet the conditions described in Section 218.503(1), Florida Statutes. This condition was met, in part, as a result of the deteriorating financial conditions as defined by Rule 10.554(1)(f), *Rules of the Auditor General*.

Pursuant to Sections 10.554(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The City's financial condition is deteriorating. See finding 2017-003 for a description of the deteriorating financial condition.

Other Matters

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

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

Purpose of this Letter

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

Moran & Smith LLP

Moran & Smith LLP

June 26, 2019

Quincy, FL

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Schedule of Findings

PRIOR YEAR

2017-001 Segregation of duties (Prior years 2016-001 and 2015-001) (Initially reported in 2004)

Condition: due to the small number of staff, the city doesn't have proper segregation of duties in many areas. Due to the lack of segregation of duties and limited internal controls the city administrator currently has the ability to issue and approve cash disbursements; reconcile the cash accounts; input, edit, approve accounting journal entries; and prepare the financial information.

Criteria: To provide effective control and help prevent deposits from being stolen, each of these duties should be separated.

Effect: This situation provides opportunity for errors and unauthorized transactions to not be detected in a timely manner.

Recommendation: We recommend that the City segregate duties as much as possible and implement mitigating controls where segregation of duties is not possible.

Views of Responsible Officials and Planned Corrective Action: As stated in the prior audit reports, this issue results from the limited number of employees in the city office. The duties of city office personnel are continually being reviewed by city administration in an effort to provide internal control and in an effort to work toward a more effective and efficient overall operational structure.

2017-002 Significant Adjustments to the Financial Records (Prior years 2016-0002 and 2015 -002) (Initially reported in 2007)

Condition: Adjustments were needed in order for the financial statements to conform to generally accepted accounting principles.

Criteria: The requirement is for the city to be able to provide materially correct financial information.

Effect: The auditors proposed a number of journal entries which the city reviewed and approved.

Recommendation: While we realize no adjustments required may not be possible, we recommend that the accounting staff continue to strive toward minimizing the number of proposed audit adjustments that have been required.

Views of Responsible Officials and Planned Course of Action: While we have determined it is not economically feasible for the city to invest in the substantial resources that would be required to produce financial statements that require no audit adjustments, we will strive to minimize the number of necessary proposed adjustments.

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Schedule of Findings (continued)

2017-003 Deteriorating Financial Condition (Prior years 2016-003) (Initially reported in 2016)

Condition: As part of our financial condition assessment, we determined that the city was experiencing a deteriorating financial condition. This included consistent operating losses from year to year, decreases in cash balances, and decreases in fund balance and net position.

Criteria: Conditions that may cause a financial emergency as defined in 218 .503(1), are considered a deteriorating financial condition.

Effect: The conditions described above resulted in the city determining that they were unable to pay the full amount due on one of their notes payable.

Recommendation: we recommend that the city continue to improve procedures to increase revenues and decrease expenses to improve cash balances and operating results. This will allow for bills to be paid timely and improve the financial condition of the city.

Views of Responsible Officials and Planned Corrective Action: The city is currently working with their creditor to develop a plan that can be mutually agreed upon to make the payments more affordable for the city. The city will also continue to look for ways to increase revenues and reduce costs.

2017-004 Property and Equipment Records and Disposal Procedures (Initially reported in 2017)

Condition: Property and equipment records were not complete per the requirements set by the state of Florida and the property and equipment is not being properly tagged. An inventory was not taken during the year ended September 30, 2017.

Criteria: A documented physical inventory and inspection of property and equipment should be conducted at least annually. This is required by the state of Florida per rule 691-73. A reconciliation should be completed between the current year additions on the property listing and the capital outlay accounts for the year. The inventory log should be reviewed for errors. Finally, a tag system should be implemented and used throughout the city to keep track of the city's assets.

Effect: By not tracking assets appropriately the city may fail to detect and correct errors in property and equipment records in a timely manner. There is also a possibility of property theft or misplacement without the city's knowledge or overstatement of property and equipment for assets not being disposed of in a timely manner. Finally, the city may not have the necessary records associated with funding sources to verify assets are disposed of as required by grantors, when applicable.

Recommendation: We recommend that the city work to improve procedures related to tracking assets, including their disposal in accordance with the requirements set forth in State of Florida Rule 691-73.

Views of Responsible Officials and Planned Corrective Action: The city will do as recommended.

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Schedule of Findings (continued)

2017-005 Sinking Reserve Board Accounts Not Funded as Required (Initially reported in 2017)

Condition: Monthly transfers for sinking fund requirements were not made during the year.

Criteria: The City's bond agreements specify amounts that must be transferred on a monthly basis into restricted cash accounts for the purpose of making the annual bond payments.

Effect: The City is not in compliance with bond requirements.

Recommendation: We recommend the city review the bond documents to determine what the requirements are for each bond and make transfers as required.

Views of Responsible Officials and Planed Corrective Action: The City will do as recommended.

2017-006 Non Compliance with requirements set forth in the state revolving loan agreement (Initially reported in 2017)

Condition: The City was not in Compliance with requirements set forth in the State Revolving Loan Agreement.

Criteria: The agreement indicated the city shall maintain rates and charges for the services furnished by the water and sewer systems which will be sufficient to provide, in each fiscal year, supplemental pledged revenues equal to or exceeding 1.15 times the sum of the city's share of the semiannual payments due in such fiscal year.

Effect: The city is not in compliance with bond requirements.

Recommendation: We Recommend that the city work to increase revenues and decrease expenses to increase water and sewer rates to meet the requirements set forth in this agreement.

Views of the Responsible Officials and Planned Corrective Action: The City has already approved significant increases in rates for the fiscal year 2018/2019 budget to work towards meeting this requirement.

2017-007 Operating Expenditures Exceed Budget (Initially Reported in 2017)

Condition: General fund expenditures exceed the approved budget in total and specifically in general government, public safety, and culture and recreation as well as in capital outlays, and debt service in the general fund, and in culture and recreation and capital outlays in the library fund.

Criteria: Costs compared to budget should be closely monitored throughout the year and at year end. Florida Statutes require that the budget be amended when actual amounts are expected to exceed budget amounts.

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Schedule of Findings (concluded)

Effect: By exceeding the budget the City has violated the requirements of Florida Statutes.

Recommendation: We Recommend regular review of budget variances and amendments to the budget as needed.

Views of Responsible Official and Planned Corrective Action: The City is continuing to make efforts to work towards staying within our budget and when not able to do so, we will review and amended the budget as necessary.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 288.8018 FLORIDA STATUTES**

To the Honorable City Council,
City of Apalachicola, Florida:

We have examined the City of Apalachicola, Florida's (the City's) compliance with the requirements of Section 288.8018, Florida Statutes, *Gulf Coast Audits*, for the year ended September 30, 2018. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's compliance with the requirements of Section 288.8018, Florida Statutes, *Gulf Coast Audits*, is in accordance with criteria, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with Section 288.8018, Florida Statutes, *Gulf Coast Audits*. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the City's compliance with Section 288.8018, Florida Statutes, *Gulf Coast Audits*, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

Moran & Smith LLP

Moran & Smith LLP
June 26, 2019
Quincy, Florida

CITY OF APALACHICCOLA, FLORIDA
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
RELATED TO THE DEEPWATER HORIZON OIL SPILL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Source</u>	<u>Amount Received in the 2017-2018 Fiscal Year</u>	<u>Amount Expended in the 2017-2018 Fiscal Year</u>
British Petroleum:		
Agreement Settlement	\$ -	\$ 15,269
Total	<u>\$ -</u>	<u>\$ 15,269</u>