

CITY OF APALACHICOLA, FLORIDA
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**CITY OF APALACHICOLA, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
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INDEPENDENT AUDITOR'S 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, 2019, 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, 2019, and the respective changes in financial position, where applicable, and the respective budgetary comparison and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S 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 30, 2020, 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 30, 2020

Tallahassee, Florida

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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 \$37,126,471 (net position). Of this amount, a deficit of \$1,824,113 is unrestricted net position for governmental activities, \$106,504 is unrestricted net position for business-type activities, \$493,075 is restricted net position for governmental activities, and \$145,791 is restricted net position for business-type activities.
- Total net position increased by \$116,304. Of this amount, an increase of \$208,771 is attributable to governmental activities and a decrease of \$92,467 is attributable to business-type activities.
- As of September 30, 2019, the general fund’s unassigned fund balance is \$927,431.
- Governmental activities’ revenues increased to \$4,155,758, while governmental activities’ expenses increased to \$3,946,987. Business-type activities’ revenues increased to \$2,593,905, while business-type activities’ expenses decreased to \$2,332,759.

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, 2019**

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 \$37,126,471 at the close of the most recent fiscal year.

A large portion of the City's net position 106% 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

	2019		
	Governmental Activities	Business-type Activities	Total
Current and Other assets	\$ 1,703,936	\$ 1,340,851	\$ 3,044,787
Capital assets	23,035,154	21,809,155	44,844,309
Total assets	<u>24,739,090</u>	<u>23,150,006</u>	<u>47,889,096</u>
Deferred outflows	<u>545,320</u>	<u>212,069</u>	<u>757,389</u>
Long-term liabilities outstanding	1,767,890	6,988,741	8,756,631
Other liabilities	268,467	43,135	311,602
Net pension liabilities	<u>1,597,227</u>	<u>621,144</u>	<u>2,218,371</u>
Total liabilities	<u>3,633,584</u>	<u>7,653,020</u>	<u>11,286,604</u>
Deferred inflows	<u>168,055</u>	<u>65,355</u>	<u>233,410</u>
Net position:			
Net investment in capital assets	22,813,809	15,391,405	38,205,214
Restricted	493,075	145,791	638,866
Unrestricted	<u>(1,824,113)</u>	<u>106,504</u>	<u>(1,717,609)</u>
Total net position	<u>\$ 21,482,771</u>	<u>\$ 15,643,700</u>	<u>\$ 37,126,471</u>

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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	23,599,834	22,688,788	46,288,622
Total assets	<u>24,437,163</u>	<u>23,420,083</u>	<u>47,857,246</u>
Deferred outflows	<u>650,105</u>	<u>248,601</u>	<u>898,706</u>
Long-term liabilities outstanding	1,654,081	6,712,549	8,366,630
Other liabilities	484,210	579,985	1,064,195
Net pension liabilities	1,514,530	578,391	2,092,921
Total liabilities	<u>3,652,821</u>	<u>7,870,925</u>	<u>11,523,746</u>
Deferred inflows	<u>160,448</u>	<u>61,592</u>	<u>222,040</u>
Net position:			
Net investment in capital assets	22,650,973	16,125,861	38,776,834
Restricted	303,630	145,791	449,421
Unrestricted	<u>(1,680,603)</u>	<u>(535,485)</u>	<u>(2,216,088)</u>
Total net position	<u>\$ 21,274,000</u>	<u>\$ 15,736,167</u>	<u>\$ 37,010,167</u>

An additional portion of the City's net position, \$493,075, 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 increased the City's net position by \$208,771 in the most recent fiscal year.

Key elements of this change include: an increase in revenue associated with insurance proceeds related to Hurricane Michael.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CITY OF APALACHICOLA, FLORIDA'S CHANGES IN NET POSITION

	2019		
	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for Services	\$ 482,269	\$ 2,600,760	\$ 3,083,029
Operating grants and contributions	595,686	0	595,686
Capital grants and contributions	17,500	0	17,500
General Revenues:			
Taxes, licenses, and permits	1,976,110	0	1,991,837
Intergovernmental and other	1,073,795	3,545	1,061,611
Transfers	10,400	(10,400)	0
Total revenues	<u>4,155,760</u>	<u>2,593,905</u>	<u>6,749,663</u>
Expenses:			
General Government	956,601	0	956,601
Transportation	939,293	0	939,293
Public Safety	535,807	0	535,807
Physical Environment	445,668	0	445,668
Economic Environment	109,808	0	109,808
Culture and recreation	927,994	0	927,994
Interest on long-term debt	31,816	0	31,816
Business-type activities	0	2,322,759	2,322,759
Total expenses	<u>3,946,987</u>	<u>2,322,759</u>	<u>6,269,746</u>
Increase (decrease) in net position	<u>208,772</u>	<u>271,147</u>	<u>479,919</u>
Net position, beginning of year	21,274,000	15,372,553	36,646,553
Net position, end of year	<u>\$ 21,482,771</u>	<u>\$ 15,643,700</u>	<u>\$ 37,126,471</u>

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

CITY OF APALACHICOLA, FLORIDA'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	0	728,576
Capital grants and contributions	187,554	0	187,554
General Revenues:			
Taxes, licenses, and permits	1,717,779	0	1,717,779
Intergovernmental and other	525,718	1,131	526,849
Transfers	77,053	(77,053)	0
Total revenues	<u>3,346,092</u>	<u>2,259,144</u>	<u>5,605,236</u>
Expenses:			
General Government	1,057,159	0	1,057,159
Transportation	919,064	0	919,064
Public Safety	630,523	0	630,523
Physical Environment	0	0	0
Economic Environment	16,766	0	16,766
Culture and recreation	972,311	0	972,311
Interest on long-term debt	37,911	0	37,911
Business-type activities	0	2,774,933	2,774,933
Total expenses	<u>3,633,734</u>	<u>2,774,933</u>	<u>6,408,667</u>
Increase (decrease) in net position	<u>(287,642)</u>	<u>(515,789)</u>	<u>(803,431)</u>
Net position, beginning of year	21,561,643	16,251,957	37,813,600
Net position, end of year	<u>\$ 21,274,000</u>	<u>\$ 15,736,167</u>	<u>\$ 37,010,167</u>

Business-type Activities

Business-type activities decreased the City's net position by \$92,467 in the most recent fiscal year.

The key element of this change was decreasing grant revenue.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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 \$1,435,469, an increase of \$896,336 in comparison with the prior year. \$927,431 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 \$106,504. The total increase in net position for the fund was \$271,147. 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 2019 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, 2019, amounts to \$38,205,214 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and roads.

Additional information on the City's capital assets can be found in Note 4, on page 30 of this report.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Long-term Debt

At the end of the current fiscal year, the City had long-term debt outstanding of \$10,774,015.

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

	Governmental Activities	Business-type Activities	Total
Bonds and Notes Payable	\$ 845,251	\$ 6,417,751	\$ 7,263,002
Line of Credit	0	0	0
Accrued Compensated Absences	116,066	37,126	153,192
OPEB Liability	806,573	332,877	1,139,450
Net Pension Liability	1,597,227	621,144	2,218,371
	<u>\$ 3,365,117</u>	<u>\$ 7,408,898</u>	<u>\$ 10,774,015</u>

Additional information on the City's long-term debt can be found in Note 5 and Note 6 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 2019 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 Kevin Begos, City Manager, City of Apalachicola, 192 Coach Wagnor Blvd. Apalachicola, FL 32320.

CITY OF APALACHICOLA, FLORIDA

BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and Cash Equivalents	\$ 942,440	\$ 462,518	\$ 1,404,958
Accounts Receivables, Net	9,388	276,383	285,771
Notes Receivable	222,759	0	222,759
Due From Other Governments	36,274	0	36,274
Prepays	0	8,235	8,235
Restricted Assets:			
Cash and Cash Equivalents	493,075	358,595	851,670
Investments	0	235,120	235,120
Capital Assets, Not Being Depreciated	10,241,948	363,057	10,605,005
Capital Assets, Being Depreciated	12,793,206	21,446,098	34,239,304
Total Assets	24,739,090	23,150,006	47,889,095
Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	545,320	212,069	757,389
Liabilities			
Current Liabilities			
Accounts Payable and Other Current Liabilities	45,708	25,258	70,966
Accrued Payroll	0	0	0
Unearned Revenue	222,759	0	222,759
Bonds and Notes Payable	89,621	0	89,621
Accrued Compensated Absences	29,017	9,282	38,299
Accrued Interest Payable	0	8,596	8,596
Noncurrent Liabilities:			
Bonds and Notes Payable	755,630	6,417,750	7,173,380
Lines of Credit	0	0	0
Accrued Compensated Absences	87,049	27,845	114,894
Utility Deposits	0	210,268	210,268
Other Post Employment Benefits	806,573	332,878	1,139,451
Net Pension Liability	1,597,227	621,144	2,218,371
Total Liabilities	3,633,584	7,653,020	11,286,604
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	168,055	65,355	233,410
Net Position			
Net Investment in Capital Assets	22,813,809	15,391,405	38,205,214
Restricted for Debt Service	493,075	145,791	638,866
Unrestricted	(1,824,113)	106,504	(1,717,609)
Total Net Position	\$ 21,482,771	\$ 15,643,700	\$ 37,126,471

See accompanying notes to Financial Statements

**CITY OF APALACHICOLA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Governmental Activities:							
General Government	\$ 956,601	\$ 25,401	\$ 194,130	\$ 12,500	\$ (724,570)	\$ 0	\$ (724,570)
Transportation	939,293	0	0	5,000	(934,293)	0	(934,293)
Public Safety	535,807	0	0	0	(535,807)	0	(535,807)
Physical Environment	445,668	0	0	0	(445,668)	0	(445,668)
Economic Environment	109,808	456,868	40,438	0	387,498	0	387,498
Culture and Recreation	927,994	0	361,117	0	(566,877)	0	(566,877)
Interest on Long-term Debt	31,816	0	0	0	(31,816)	0	(31,816)
Total Governmental Activities	3,946,987	482,269	595,686	17,500	(2,851,533)	0	(2,851,533)
Business-Type Activities	2,322,759	2,600,760	0	0	0	278,001	278,001
Total Primary Government	\$ 6,269,746	\$ 3,083,029	\$ 595,686	\$ 17,500	\$ (2,851,533)	\$ 278,001	\$ (2,573,532)

General Revenues			
Property Taxes	\$ 1,381,991	\$ 0	\$ 1,381,991
Franchise and Utility Taxes	405,984	0	405,984
Local Option Taxes	79,308	0	79,308
Licenses and Permits	108,826	0	108,826
Sales Tax and Other Shared Revenues	377,123	0	377,123
Miscellaneous	652,183	0	652,183
Interest	44,489	3,545	48,034
Transfers	10,400	(10,400)	0
Total General Revenues and Transfers	3,060,305	(6,855)	3,053,449
Change in Net Position	208,772	271,147	479,919
Net Position, Beginning of Year	21,274,000	15,372,553	36,646,553
Net Position, End of Year	\$ 21,482,771	\$ 15,643,700	\$ 37,126,471

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
BALANCE SHEET-GOVERNMENTAL FUND
SEPTEMBER 30, 2019

	General Fund	CRA Fund	Other Governmental Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalent	\$ 942,440	\$ 0	\$ 0	\$ 942,440
Investments	0	0	0	0
Accounts Receivable, Net	3,980	0	0	3,980
Due From Other Funds	5,408	0	0	5,408
Due From Other Governments	29,311	0	6,962	36,274
Notes Receivable	0	0	222,759	222,759
Restricted:				
Cash and Cash Equivalent	195,308	47,503	250,265	493,075
Certificate of Deposit	0	0	0	0
Total Assets	1,176,447	47,503	479,986	1,703,936
Liabilities and Fund Balance				
Liabilities				
Accounts Payable and Accrued Expenses	45,708	0	0	45,708
Accrued Payroll	0	0	0	0
Due To Other Funds	0	0	0	0
Unearned Revenue	0	0	222,759	222,759
Total Liabilities	45,708	0	222,759	268,467
Fund Balance				
Nonspendable				
Restricted:				
Community Redevelopment Agency	0	47,503	0	47,503
Library Trust	0	0	45,486	45,486
Raney House	9,050	0	0	9,050
MSBU	0	0	0	0
Local Option Gas Tax	0	0	17,050	17,050
HUD	0	0	194,691	194,691
Debt Service	153,036	0	0	153,036
Assigned	41,222	0	0	41,222
Unassigned	927,431	0	0	927,431
Total Fund Balance	1,130,738	47,503	257,228	1,435,469
Total Liabilities and Fund Balance	\$ 1,176,447	\$ 47,503	\$ 479,986	\$ 1,703,936

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, 2019**

Total Fund Balances of Governmental Funds \$ 1,435,469

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. 23,035,154

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	545,320	
Net pension liability	(1,597,227)	
Deferred Inflows	(168,055)	(1,219,962)

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	(116,066)	
Bonds and Note Payables	(845,251)	
Other Postemployment Benefits	(806,573)	
Line of Credit	0	(1,767,890)

Total Net Position of Governmental Activities \$ 21,482,771

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	CRA Fund	Other Governmental Fund	Total Governmental Funds
Revenues				
Taxes	\$ 1,640,517	\$ 41,974	\$ 69,677	\$ 1,752,167
Licenses and Permits	239,670	0	0	239,670
Intergovernmental Revenues	948,335	0	0	948,335
Charges for Services	497,275	0	0	497,275
Fines and Forfeitures	1,043	0	0	1,043
Miscellaneous	595,741	25,224	41,414	662,379
Investment Earnings and Other	9,698	0	34,791	44,489
Total Revenues	3,932,279	67,198	145,882	4,145,358
Expenditures				
Current:				
General Government	830,497	0	0	830,497
Public Safety	633,842	0	0	633,842
Physical Environment	412,290	0	0	412,290
Transportation	443,652	0	675	444,327
Economic Environment	0	57,549	44,036	101,584
Culture and Recreation	622,229	0	0	622,229
Capital outlay:				
General Government	49,876	0	0	49,876
Public Safety	9,350	0	0	9,350
Transportation	0	0	0	0
Culture and Recreation	0	0	0	0
Debt Service:				
Principal	123,610	0	0	123,610
Interest	31,816	0	0	31,816
Total Expenditures	3,157,163	57,549	44,711	3,259,423
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	775,115	9,649	101,171	885,936
Other Financing Sources (Uses)				
Transfers In	93,001	0	0	93,001
Transfers Out	0	0	(82,601)	(82,601)
Debt Issuance	0	0	0	0
Total Other Financing Sources (Uses)	93,001	0	(82,601)	10,400
Net Change in Fund Balances	868,116	9,649	18,571	896,336
Fund Balances, Beginning of Year	300,476	0	238,657	539,133
Fund Balance Restatement	(37,854)	37,854	0	0
Fund Balance Beginning of Year, Restated	\$ 262,622	\$ 37,854	238,657	\$ 539,133
Fund Balances, End of Year	\$ 1,130,738	\$ 47,503	\$ 257,228	\$ 1,435,469

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, 2019

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

Net Change in Fund Balances - Total Governmental Funds. \$ 896,336

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	59,226	
Depreciation Expense	(623,906)	(564,680)
<hr/>		

Proceeds from debt reported as revenue in the governmental funds but as an increase in long-term liabilities in the statement of net position. 0

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	(82,697)	
Deferred outflows related to net pension liability	(104,785)	
Deferred inflows related to net pension liability	(7,607)	(195,089)
<hr/>		

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	(72,410)	
Bonds and Note Payables	103,610	
Other Postemployment Benefits	21,004	
Line of Credit	20,000	72,204
<hr/>		

Change in Net Position of Governmental Activities	\$ 208,771
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CITY OF APALACHICOLA, FLORIDA
STATEMENT OF NET POSITION
PROPREITARY FUND
SEPTEMBER 30, 2019

	Utility Fund
Current Assets	
Cash and Cash Equivalents	\$ 462,518
Receivables (Net)	276,383
Prepays	8,235
Total Current Assets	747,136
Restricted Assets	
Debt Service	221,450
Customer Deposits	137,145
State Revolving Loan Escrow	235,120
Total Restricted Assets	593,715
Capital Assets	
Property, Plant and Equipment	38,132,198
Accumulated Depreciation	(16,323,043)
Net Capital Assets	21,809,155
Total Noncurrent Assets	22,402,870
Total Assets	23,150,006
Deferred Outflows	
Deferred Outflows Related to Pensions	212,069
Current Liabilities	
Accounts Payable and Accrued Expenses	19,850
Due To Other Funds	5,408
Current Portion of Compensated Absences	9,282
Payable from Restricted Assets:	
Accrued Interest	8,596
Utility Deposits	210,268
Total Current Liabilities	253,403
Noncurrent Liabilities	
Revenue Bonds Payable, Long-term Portion	6,417,750
Net Pension Liability	621,144
Other Postemployment Benefits	332,878
Compensated Absences	27,845
Total Noncurrent Liabilities	7,399,617
Total Liabilities	7,653,020
Deferred Inflows	
Deferred Inflows related to pensions	65,355
Net Position	
Net Investment in Capital Assets	15,391,405
Restricted for Debt Service	145,791
Unrestricted	106,504
Total Net Position	\$ 15,643,700

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, 2019

		Utility Fund
Operating Revenues		
Utility Billings	\$	2,472,043
Tap Fees		20,150
Mooring Fees		102,905
Rental Income		5,662
Miscellaneous		0
Total Operating Revenues		2,600,760
Operating Expenses		
Garbage Contract		0
Personal Services		542,845
Supplies, Gas, and Oil		213,937
Communications		8,375
Utilities		171,464
Repairs and Maintenance		85,170
Insurance		88,065
Professional Fees		48,896
Miscellaneous		36,176
Depreciation		912,810
Total Operating Expenses		2,107,738
Operating Income (Loss)		493,022
Non-Operating Revenues (Expenses)		
Investment Earnings		3,545
Interest Expense		(215,020)
Total Non-Operating Revenues (Expenses)		(211,475)
Income Before Transfers and Capital Contribution		281,547
Capital Grant Contribution		
Transfers		
Transfers In		0
Transfers Out		(10,400)
Change in Net Position		271,147
Net Position, Beginning of Year		15,372,553
Net Position, End of Year	\$	15,643,700

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Utility Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,302,527
Cash Paid to Employees	(542,845)
Cash Paid to Suppliers	(652,083)
Net Cash Provided by (Used in) Operating Activities	1,107,599
Cash Flows from Noncapital Financing Activities	
Due to Other Funds	5,408
Operating Transfers Out	(10,400)
Net Cash Provided by (Used in) Noncapital Financing Activities	(4,992)
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	33,177
Proceeds from Long-Term Debt	0
Principal Paid on Long-Term Debt	(574,417)
Interest Paid on Long-Term Debt	(215,020)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(756,260)
Cash Flows from Investing Activities	
Interest on Investments	3,545
Net Cash Provided from Investing	3,545
Net Increase (Decrease) in Cash and Cash Equivalents	349,892
Cash and Cash Equivalents, Beginning of Year	471,220
Cash and Cash Equivalents, End of Year	821,112
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Cash Flows from Operating Activities	
Operating Income (Loss)	\$ 493,022
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	912,810
Accounts Receivable	(93,297)
Deferred Outflows	36,532
Accounts Payable and Accrued Expenses	(54,388)
Compensated Absences	13,894
Customer Deposits	(21,264)
Other Post Employment Benefits	(8,667)
Net Pension Liability	(13,738)
Deferred Inflows	(10,689)
Total Adjustments	761,193
Net Cash Provided by (Used in) Operating Activities	\$ 1,254,214

See accompanying notes to Financial Statements

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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”). 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, 2019

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 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, 2019

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.
- Community Redevelopment Fund. The City set up the Community Redevelopment Fund (CRA) as a major fund for the year ending 2019. The fund is used to account for tax increment proceeds received from the City and County based on the CRA district. It is presented as a major fund in order to meet the audit requirements of Florida Statutes 163 Part III

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 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 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, 2019

Note 1– Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

General governmental revenues 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.

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.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 1– Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 1– Summary of Significant Accounting Policies (Continued)

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, 2019, 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.

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, 2019.

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, 2019.

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.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 1– Summary of Significant Accounting Policies (Continued)

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.

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, 2019

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, 2020, the date the financial statements were available to be issued.

Restatement of Prior Year Net Position and Fund Balance –

The net position of the enterprise fund was restated as a result of the restatement of the opening balance of the debt to the state revolving loan program. The fund balance of the General Fund was restated due to the equity transfer used to establish the CRA fund.

Net Position, End of Year as Originally Reported	\$ 15,736,167
Restatement of opening debt of the SRF loan	(363,614)
Net Position, End of Year, As Restated	<u>\$ 15,372,553</u>
Original fund balance per general fund	\$ 300,476
Equity transfer to establish the CRA fund	(37,854)
Restated fund balance – General Fund	<u>\$ 262,622</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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.

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, 2019, the City did not hold any investments that were considered to be an interest rate risk.

Custodial Risks

At September 30, 2019, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentrations of Credit Risk

At September 30, 2019, the City did not hold any investments that were considered to be a concentration of credit risk.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 2 – Cash and Investments (Concluded)

At September 30, 2019, the City’s cash and investments consisted of the following:

	Credit Rating	Current	1-5 Years	Total Carrying Amount
Cash, Including Money Market Fund	<i>(1)</i>	\$1,811,868	\$ 0	\$1,811,868
U.S. Government Agencies	AAA	235,120	0	235,120
Local Government Surplus Trust Fund Pool	AAAm	444,760	0	444,760
Total		<u>\$2,491,748</u>	<u>\$ 0</u>	<u>\$2,491,748</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.

Local Government Surplus Trust Fund Pool

As of September 30, 2019, the City had investments for general funds on deposit in a 2a7-like pool in the amount of \$444,760 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, 2019, 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.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 3 – Receivables

Current Receivables	\$ 17,730
Due from Other Funds	5,408
Due from Other Governments	36,274
Loan Receivables	<u>222,759</u>
Total Receivables	<u>282,170</u>
Allowance for Doubtful Accounts	<u>(13,750)</u>
Total Receivables, net	<u><u>\$ 268,420</u></u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 4 - Capital Assets

	Balance September 30, 2018	Additions	(Reductions)	Balance September 30, 2019
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 10,201,410	\$ 0	\$ 0	\$ 10,201,410
Construction in progress	3,162	37,376	0	40,538
Total Capital Assets, Not Being Depreciated	10,204,572	37,376	0	10,241,948
Capital Assets, Being Depreciated:				
Building and Improvements	2,797,357	0	0	2,797,357
Improvements other than Buildings	5,420,015	5,350	0	5,425,365
Infrastructure	8,297,655	0	0	8,297,655
Equipment and Other	3,048,748	16,500	0	3,065,248
Total Capital Assets, Being Depreciated	19,563,775	21,850	0	19,585,625
Less Accumulated Depreciation for:				
Buildings and Improvements	(876,900)	(53,363)	0	(930,263)
Improvements other than Buildings	(1,781,790)	(155,439)	0	(1,937,229)
Infrastructure	(1,196,605)	(183,874)	0	(1,380,479)
Equipment and Other	(2,313,218)	(231,230)	0	(2,544,448)
Total Accumulated Depreciation	(6,168,513)	(623,906)	0	(6,792,419)
Total Capital Assets, Being Depreciated, Net	13,395,262	(602,056)	0	12,793,206
Total Governmental Capital Assets, Net	23,599,834	(564,680)	0	23,035,154
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	363,057	0	0	363,057
Construction in Progress	0	0	0	0
Total Capital Assets, Not Being Depreciated	363,057	0	0	363,057
Capital Assets, Being Depreciated				
Buildings and Utility Systems	37,735,965	33,177	0	37,769,142
Total Capital Assets, Being Depreciated	37,735,965	33,177	0	37,769,142
Less Accumulated Depreciation for:				
Buildings and Utility Systems	(15,410,234)	(912,810)	0	(16,323,044)
Total Accumulated Depreciation	(15,410,234)	(912,810)	0	(16,323,044)
Total Capital Assets, Being Depreciated, Net	22,325,731	(879,633)	0	21,446,098
Total Business-Type Capital Assets, Net	\$ 22,688,788	\$ (879,633)	\$ 0	\$ 21,809,155

Depreciation Expense was charged to functions/program as follows:

Governmental Activities:		Business-Type Activities:	
General Government	\$ 58,869	Water	\$ 151,566
Public Safety	55,509	Sewer	755,373
Transportation	254,136	Mooring	5,871
Culture and Recreation	255,391	Total	\$ 912,810
Total	\$ 623,906		

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 5 - Long-Term Liabilities - Governmental Activities

	Balance September 30, 2018	Additions	(Reductions)	Balance September 30, 2019	Due Within One Year
\$506,500 Capital Improvement Revenue Bonds - Series 2010. Due in annual installments of \$25,480 to \$30,260 with interest at 4%, maturing in September 2039 (see (a) below).	\$ 417,500	\$ 0	\$ (13,000)	\$ 404,500	\$ 13,000
Installment purchase agreement for a fire truck for \$400,000. payable in annual installments of \$49,008, maturing June 2028.	400,000	0	(33,511)	366,489	34,810
Installment purchase agreement for a vehicle for \$26,169 payable in annual installments of \$7,910 including 5.4% interest, maturing February 2019.	17,878	0	(8,623)	9,255	9,255
Installment purchase agreement for a vehicle for \$28,785 payable in annual installments of \$7,910 including 5.4% interest, maturing February 2019.	7,506	0	(7,506)	0	0
Installment purchase agreement for a vehicle for \$25,958 payable in annual installments of \$9,219 including 4.9% interest, maturing February 2018.	\$ 9,142	\$ 0	\$ (9,142)	\$ 0	\$ 0

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

	Balance September 30, 2018	Additions	(Reductions)	Balance September 30, 2019	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.	\$ 33,370	\$ 0	\$ (16,504)	\$ 16,866	\$ 16,866
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.	63,465	0	(15,324)	48,141	15,690
Line of Credit - Hurricane Grant	20,000	0	(20,000)	0	0
Compensated Absences	43,656	72,410	0	116,066	29,017
Net Pension Liability	1,514,530	82,697	0	1,597,227	0
Other Postemployment Benefits	827,577	0	(21,004)	806,573	0
Total Governmental Activities' Long-term Obligations	\$ 3,354,624	\$ 155,107	\$ (144,614)	\$ 3,365,117	\$ 118,638

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019 was \$404,500.

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 \$25,418 at September 30, 2019.

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

Year ending September 30,	Principal
2020	\$ 90,621
2021	67,224
2022	69,943
2023	56,687
2024	57,855
2025-2029	283,422
2030-2034	130,000
2035-2039	89,500
Total	\$ 845,251

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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

	Balance September 30, 2018	Additions	(Reductions)	Balance September 30, 2019	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).	\$ 2,354,274	\$ 0	\$ (65,000)	\$ 2,289,274	\$ 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).	134,448	0	(20,000)	114,448	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).	147,630	0	(15,000)	132,630	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).	4,103,004	0	(442,749)	3,660,255	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.	8,047	0	(8,047)	0	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.	244,765	0	(23,621)	221,144	23,621
Compensated Absences	17,069	20,057	0	37,126	9,282
Net Pension Liability	578,391	42,753	0	621,144	0
Other Postemployment Benefits	341,544	0	(8,667)	332,877	0
Total Business-Type Activities' Long-Term Obligations	\$ 7,929,172	\$ 62,810	\$ (583,084)	\$ 7,408,898	\$ 434,507

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 \$114,448. Principal and interest paid for the current year were \$20,000 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 \$132,630. 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 \$2,289,274. Principal and interest paid for the current year were \$65,000 and \$72,518 respectively.
- (d) The FDEP loan is 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.

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, 1986, and 1983 bond issues total \$456,570 at September 30, 2019.

**CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

Year ending September 30,	Principal
2020	\$727,738
2021	736,767
2022	710,182
2023	545,332
2024	653,002
2025-2029	1,880,730
2030-2034	502,000
2035-2039	560,000
2040-2044	102,000
Total	\$ 6,417,751

Note 7 – Interfund Receivables, Payables, and Transfers

As of September 30, 2019, the General Fund had an interfund receivable from the Enterprise Fund of \$5,408.

Transfers are summarized below:

Transfers Out	Transfers In	Amount
Enterprise Fund	General Fund	\$ 10,400
Local Option Gas Tax	General Fund	\$ 82,601

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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, 2019 were as follows:

	Year Ended June 30, 2019		Year Ended June 30, 2020	
	FRS	HIS	FRS	HIS
Regular Class	6.54%	1.66%	6.75%	1.66%
Senior Management	22.34%	1.66%	23.69%	1.66%
Special Risk Employee Class	22.78%	1.66%	23.76%	1.66%
DROP Plan Participants	12.37%	1.66%	12.94%	1.66%

The City’s contributions for the year ended September 30, 2019, were \$151,297 to FRS and \$23,476 to HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2019, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2019, 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	\$ 1,719,925	\$ 498,446
Proportion at:		
Current Measurement Date	0.00499418%	0.004454784%
Prior Measurement Date	0.00528535%	0.004737659%
Pension Expense (Benefit)	\$ 413,067	\$ 39,352

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 8 – Pension Plans (Continued)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2019, 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	\$ 102,014	\$ 1,067
Changes of assumptions	441,751	0
Net difference between projected and actual earnings on Pension Plan Investments	0	95,155
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,838	54,648
Employer contributions subsequent to the measurement date	35,783	0
Total	\$ 645,386	\$150,870

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,054	\$ 610
Changes of assumptions	57,715	40,739
Net difference between projected and actual earnings on Pension Plan Investments	321	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	42,761	41,191
Employer contributions subsequent to the measurement date	5,152	0
Total	\$ 112,003	\$ 82,540

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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
2020	\$ 164,720	9,589
2021	56,214	11,253
2022	124,075	3,802
2023	92,938	(4,338)
2024	18,731	5,327
Thereafter	2,054	(1,321)
Total	\$ 458,732	\$ 24,312

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2019, 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% Average, Including Inflation	3.25%
Discount Rate	6.90%	3.50%
Long-term Expected Rate of Return, Net of Investment Income	6.90%	N/A
Municipal Bond	N/A	3.50%

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, 2019 were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2019:

- FRS: The long-term expected rate of return was decreased from 7.00% to 6.90% and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was decreased from 3.87% to 3.50%.
- 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, 2019

Note 8 – Pension Plans (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Geometric Return	Standard Deviation
Cash	1%	3.3%	3.3%	1.2%
Fixed income	18%	4.1%	4.1%	3.5%
Global equity	54%	8.0%	6.8%	16.5%
Real estate (property)	11%	6.7%	6.1%	11.7%
Private equity	10%	11.2%	8.4%	25.8%
Strategic investments	6%	5.9%	5.7%	6.7%
	<u>100%</u>			
Assumed Inflation-Mean			2.6%	1.7%

Discount Rate

The discount rate used to measure the total pension liability for FRS was 6.90%. 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 3.50% 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.

	FRS		
	Current		
	1% Decrease	Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 2,973,177	\$ 1,719,925	\$ 673,247

	HIS		
	Current		
	1% Decrease	Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 569,001	\$ 498,446	\$ 439,681

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019. 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, 2019, 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	0
Active Plan Members	<u>32</u>
	<u><u>33</u></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, 2019

Note 9 – Other Postemployment Benefits (Continued)

TOTAL OPEB LIABILITY

The measurement date is September 30, 2018.

The measurement period for the OPEB expense was October 1, 2017 to September 30, 2018.

The reporting period is October 1, 2018 through September 30, 2019.

The City’s Total OPEB Liability was measured as of September 30, 2018.

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, 2018 using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	2.00%
Discount Rate	4.18%
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, 2019 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 sale 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, 2019

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 4.18%. 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, 2018	\$ 1,169,121
Changes for the Year:	
Service Cost	94,819
Interest	46,765
Differences between Expected and Actual Experience	(167,084)
Changes of benefit terms	0
Contributions – Employer	0
Benefit Payments	(4,171)
Other Changes	0
Net Changes	(29,671)
Reporting Period Ending September 30, 2019	\$ 1,139,450

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 Rate	1% Increase
Total OPEB Liability (Asset)	\$ 1,256,965	\$ 1,139,450	\$ 1,018,564

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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)	\$ 966,708	\$ 1,139,450	\$ 1,348,431

Note 10- Miscellaneous Revenues

The City had miscellaneous revenues of \$588,771 as of September 30, 2019. Included in the miscellaneous revenue was \$436,000 of insurance proceeds related to Hurricane Michael. The City deposited these proceeds into an SBA checking account. The City also received FEMA disbursements that was recorded in a separate account.

Note 11 – Community Redevelopment Agency (CRA)

The Apalachicola Community Redevelopment Agency (CRA) is operated by the City and is presented as a major special revenue fund for the first time in the 2019 financial statements. In prior years it was recorded as a blended component unit within the general fund. The CRA accounts for the incremental taxes generated within the CRA district and the expenses incurred to support economic development projects within the district. The fund was established with the transfer of the opening equity in the CRA trust account.

Cash Balance, Beginning of Year	\$ 37,854
Opening Equity at the Beginning of Year	37,854

Note 12 – 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.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

Note 13 – Subsequent Events

The City has evaluated event and transactions for potential recognition or disclosure in the financial statements through June 30, 2020, the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

CITY OF APALACHICOLA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2019

CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,636,400	\$ 1,636,400	\$ 1,640,517	\$ 4,117
Licenses and Permits	83,000	83,000	239,670	156,670
Intergovernmental Revenues	327,160	327,160	948,335	621,175
Charges for Services	92,700	92,700	497,275	404,575
Fines and Forfeitures	1,000	1,000	1,043	43
Miscellaneous Revenues	64,200	64,200	595,741	531,541
Investment Earnings and Other	0	0	9,698	9,698
Total Revenues	2,204,460	2,204,460	3,932,279	1,727,819
Expenditures				
General Government	582,965	633,022	830,497	197,475
Public Safety	718,790	756,394	633,842	(122,552)
Physical Environment	0	0	412,290	412,290
Transportation	511,370	528,351	443,652	(84,699)
Economic Environment	0	0	0	0
Culture and Recreation	162,000	228,826	622,229	393,403
Capital Outlay				
General Government	3,000	787	49,876	49,089
Public Safety	16,000	9,871	9,350	(521)
Transportation	4,000	4,130	0	(4,130)
Culture and Recreation	0	0	0	0
Debt Service				
Principal	0	201,589	123,610	(77,979)
Interest	0	0	31,816	31,816
Total Expenditures	1,998,125	2,362,970	3,157,163	794,193
Excess (Deficiency) of Revenues Over (Under) Expenditures	206,335	(158,510)	775,115	933,625
Other Financing Sources (Uses)				
Transfers In	0	0	93,001	93,001
Transfers Out	(206,335)	0	0	0
Debt Issuance	0	0	0	0
Total Other Financing Sources (Uses)	(206,335)	0	93,001	93,001
Net Change in Fund Balance	0	(158,510)	868,116	1,026,626
Fund Balance, Beginning of Year Restated	0	158,510	262,622	104,112
Fund Balance, End of Year	\$ 0	\$ 0	\$ 1,130,738	\$ 1,130,738

CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CRA FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 36,000	\$ 45,000	\$ 41,974	\$ (3,026)
Licenses and Permits	0	0	0	0
Intergovernmental Revenues	225,000	225,000	0	(225,000)
Charges for Services	0	0	0	0
Fines and Forfeitures	0	0	0	0
Miscellaneous Revenues	32,000	32,000	25,224	(6,776)
Investment Earnings and Other	0	0	0	0
Total Revenues	293,000	302,000	67,198	(234,802)
Expenditures				
General Government	0	0	0	0
Public Safety	0	0	0	0
Physical Environment	0	0	0	0
Transportation	0	0	0	0
Economic Environment	293,000	283,000	57,549	(225,451)
Culture and Recreation	0	0	0	0
Capital Outlay				
General Government	0	0	0	0
Public Safety	0	0	0	0
Transportation	0	0	0	0
Culture and Recreation	0	0	0	0
Debt Service				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	293,000	283,000	57,549	(225,451)
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	19,000	9,649	(9,351)
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	(10,000)	(10,000)	0	10,000
Debt Issuance	0	0	0	0
Total Other Financing Sources (Uses)	(10,000)	(10,000)	0	10,000
Net Change in Fund Balance	(10,000)	9,000	9,649	649
Fund Balance, Beginning of Year Restated	10,000	12,000	37,854	25,854
Fund Balance, End of Year	\$ 0	\$ 21,000	\$ 47,503	\$ 26,503

CITY OF APALACHICOLA, FLORIDA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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

	2019	2018	2017	2016	2015
Florida Retirement System (FRS)					
Proportion of the Net Pension Liability (Asset)	0.0049942%	0.0052853%	0.0048474%	0.0047791%	0.0046555%
Proportionate Share of the Net Pension Liability (Asset)	\$ 1,719,925	\$ 1,591,960	\$ 1,433,819	\$ 1,206,733	\$ 601,324
Covered-Employee Payroll	\$ 1,417,997	\$ 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	121.29%	103.22%	114.95%	95.00%	48.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)					
Proportion of the Net Pension Liability (Asset)	0.004454784%	0.004737659%	0.004213900%	0.004491000%	0.004405400%
Proportionate Share of the Net Pension Liability (Asset)	\$ 498,446	\$ 501,439	\$ 450,570	\$ 523,410	\$ 449,282
Covered-Employee Payroll	\$ 1,417,997	\$ 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	35.15%	32.51%	36.12%	41.20%	36.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.63%	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.

See Independent Auditor's Report

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

	2019	2018	2017	2016	2015
Florida Retirement System (FRS)					
Contractually Required Contribution	\$ 1,719,925	\$ 1,728,562	\$ 1,630,549	\$ 111,485	\$ 113,485
Contributions in Relation to the Contractually Required Contribution	(1,719,925)	(1,728,562)	(1,630,549)	(111,485)	(113,485)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Health Insurance Subsidy Program (HIS)					
Contractually required Contribution	\$ 236,854	\$ 215,157	\$ 217,059	\$ 20,854	\$ 16,118
Contributions in Relation to the Contractually Required Contribution	(236,854)	(215,157)	(217,059)	(20,854)	(16,118)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-Employee Payroll	\$ 1,417,997	\$ 1,542,326	\$ 1,327,136	\$ 1,256,246	\$ 1,279,173
Contributions as a Percentage of Covered-Employee Payroll	121.29%	112.08%	122.86%	8.87%	8.87%
Covered-Employee Payroll	\$ 1,417,997	\$ 1,542,326	\$ 1,327,136	\$ 1,256,246	\$ 1,279,173
Contributions as a Percentage of Covered-Employee Payroll	16.70%	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.

See Independent Auditor's Report

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

**Schedule of Changes in City's Total Liability and Related Ratios
(Last 10 Fiscal Years)**

Measurement Date	9/30/2019	9/30/2018
Reporting Date	9/30/2019	9/30/2018
Total OPEB Liability		
Service Cost	\$ 94,819	\$ 102,853
Interest on the Total OPEB Liability	46,765	42,486
Changes in Benefit Terms	0	0
Changes in Assumptions	0	0
to Economic or Demographic Assumptions	(167,084)	(36,875)
Benefit Payments	(4,171)	(1,493)
Net Change in Total OPEB Liability	(29,671)	106,971
Total OPEB Liability-Beginning of Year	1,169,121	1,062,150
Total OPEB Liability-End of Year	\$ 1,139,450	\$ 1,169,121
<hr/>		
Net OPEB Liability	\$ 1,139,450	\$ 1,169,121
<hr/>		
Estimated Covered Employee Payroll	\$ 1,382,307	\$ 1,258,118
Total OPEB Liability as a percentage of Covered Employee Payroll	82.43%	92.93%
<hr/>		
Actuarial Accrued Liabilities (AAL)	\$ 1,139,450	\$ 1,169,121
Actuarial Value of Plan Assets	0	0
Unfunded actuarial accrued liabilities (UAAL)	\$ 1,139,450	\$ 1,169,121

Notes to Schedule:

10 years of data will be displayed as information becomes available.

The City has elected to make an annual contribution equal to the benefit payments. The City's net share of of new benefits is the difference between the expected benefit payments and the retiree contributions. It is referred to as "pay-as-you-go".

**CITY OF APALACHICOLA, FLORIDA
OFFICIALS
SEPTEMBER 30, 2019**

Kevin Begos
Mayor

Anita Grove
Commissioner Seat 3

John M. Bartley
Commissioner Seat 1

Brenda Ash
Mayor Pro-Tem

James L. Elliott
Commissioner Seat 2

CITY OF APALACHICOLA, FLORIDA
COMBINING FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

**CITY OF APALACHICOLA, FLORIDA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	Library	Local Option Gas Tax	HUD Revolving Loans	Total Non-Major Governmental Funds
Assets				
Cash and Cash Equivalent	\$ 0	\$ 0	\$ 0	\$ 0
Investments	0	0	0	0
Due from Other Funds	0	0	0	0
Due from Other Governments	0	6,962	0	6,962
Accounts Receivable, Net	0	0	0	0
Notes Receivable	0	0	222,759	222,759
Restricted:				
Cash and Cash Equivalent	45,486	10,088	194,691	250,265
Certificate of Deposit	0	0	0	0
Total Assets	45,486	17,050	417,450	479,986
Liabilities and Fund Balance				
Liabilities				
Accounts Payable and Accrued Expenses	0	0	0	0
Accrued Payroll	0	0	0	0
Due to Other Funds	0	0	0	0
Unearned Revenue	0	0	222,759	222,759
Total Liabilities	0	0	222,759	222,759
Fund Balance				
Nonspendable				
Restricted:				
Community Redevelopment Agency	0	0	0	0
Library Trust	45,486	0	0	45,486
Raney House	0	0	0	0
MSBU	0	0	0	0
Local Option Gas Tax	0	17,050	0	17,050
HUD	0	0	194,691	194,691
Debt Service	0	0	0	0
Assigned	0	0	0	0
Unassigned	0	0	0	0
Total Fund Balance	45,486	17,050	194,691	257,228
Total Liabilities and Fund Balance	\$ 45,486	\$ 17,050	\$ 417,450	\$ 479,986

**CITY OF APALACHICOLA, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NON MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	Library	Local Option Gas Tax	HUD Revolving loans	Total Non-Major Governmental Funds
Revenues				
Taxes	\$ 0	\$ 69,677	\$ 0	\$ 69,677
Licenses and Permits	0	0	0	0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	0
Fines and Forfeitures	0	0	0	0
Miscellaneous	41,414	0	0	41,414
Investment Earnings and Other	64	1,163	33,564	34,791
Total Revenues	41,478	70,840	33,564	145,882
Expenditures				
Current:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Transportation	0	0	675	675
Culture and Recreation	44,036	0	0	44,036
Capital Outlay:				
General Government	0	0	0	0
Public Safety	0	0	0	0
Transportation	0	0	0	0
Culture and Recreation	0	0	0	0
Debt Service:				
Principal	0	0	0	0
Interest	0	0	0	0
Total Expenditures	44,036	0	675	44,711
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	(2,558)	70,840	32,889	101,171
Other Financing Sources (Uses)				
Transfers In	0	0	0	0
Transfers Out	0	(82,601)	0	(82,601)
Debt Issuance	0	0	0	0
Total Other Financing Sources (Uses)	0	(82,601)	0	(82,601)
Net Change in Fund Balances	(2,558)	(11,761)	32,889	18,571
Fund Balances, Beginning of Year	48,044	28,811	161,802	238,657
Fund Balances, End of Year	\$ 45,486	\$ 17,050	\$ 194,691	\$ 257,228

CITY OF APALACHICOLA, FLORIDA

COMPLIANCE SECTION

SEPTEMBER 30, 2019

**INDEPENDENT AUDITOR’S 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, 2019, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2020.

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 AUDITOR'S 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 2019-001, 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 30, 2020
Tallahassee, FL

**INDEPENDENT AUDITOR’S 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, 2019, 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, 2019.

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 30, 2020
Tallahassee, 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, 2019, and have issued our report thereon dated June 30, 2020.

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 Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, 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 30, 2020, 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 reporting entity 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

(continued)

Financial Condition

Section 10.554(1)(i)5.a., and 10.556(7) *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the 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)(a), Florida Statutes (see finding 2017-003). 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(1)(i)5.b. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures for the City. 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.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Commission, and applicable 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 30, 2020

Tallahassee, FL

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Schedule of Findings

2019-001 Non-Compliance with Florida Statutes requirements regarding the City of Apalachicola CRA.

Condition: The City established a Community Redevelopment Agency in 2014. Florida Statutes are specific regarding the requirements of CRAs. The city cannot document that they have paid any of the incremental ad valorem taxes that they owe to the CRA trust fund, as of September 30, 2019 it appears that the city owes over \$230,000 in back incremental taxes owed. The CRA is required to document that they provided a copy of the CRAs annual budget to the Franklin County BCC, this documentation was not provided. There are numerous other minor areas of non-compliance, but not funding it is the primary problem.

Criteria: Florida Statute 163. Part III deals with CRA requirements. The CRA is required to establish a redevelopment trust fund, and local governments are required to deposit all tax increment funding into the account. It appears that the County has been making their share of the required payments to the CRA fund, while the City cannot document that they have paid any funds to the Trust Account.

Effect: The city is not in compliance with Florida Statute 163 Part III.

Recommendation: We Recommend that the City take the necessary steps to document compliance with the FS as soon as possible, once the required funding has taken place they can focus on the balance of other areas of non-compliance.

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.

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**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.

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.

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, 2019, that can be agreed to the general fixed asset records presented in the audit report.

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.

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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.

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

Condition: Monthly transfers for sinking fund requirements were not all 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. The city has raised the rates and is in compliance with the negotiated payment schedule, but the city is still not current in its payments.

Effect: The city is not in compliance with all the requirements of the SRF loan.

Recommendation: We Recommend that the city work with DEP to get an agreement that allows the city document compliance with all the provisions of the loan.

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.

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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.

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 AUDITOR'S 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, 2019. 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, 2019.

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 30, 2020
Tallahassee, Florida

**INDEPENDENT AUDITOR'S REPORT ON THE SCHEDULE OF RECEIPTS AND
EXPENDITURES OF FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL**

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

We have audited the financial statements of the City of Apalachicola, Florida (the City), as of and for the year ended September 30, 2019, and have issued our report thereon dated June 30, 2020, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds related to the Deepwater Horizon Oil Spill on page 67 is presented for the purpose of additional analysis as required by Chapter 288.0818, Florida Statutes, and the Rules of the Auditor General Chapter 10.557(3)(f), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Moran & Smith LLP

Moran & Smith LLP
June 30, 2020
Tallahassee, Florida

**CITY OF APALACHICOLA, FLORIDA
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
 RELATED TO THE DEEPWATER HORIZON OIL SPILL
 FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Source	Amount Received in the 2018-2019 Fiscal Year	Amount Expended in the 2018-2019 Fiscal Year
British Petroleum:		
Agreement Settlement	\$ 0	\$ 12,128
Total	\$ 0	\$ 12,128