

# City of Apalachicola, Florida

## Financial Statements

September 30, 2014



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City of Apalachicola, Florida  
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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the City Commission  
City of Apalachicola, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Apalachicola, Florida as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### 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 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Apalachicola, Florida, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 8 and the Schedule of Funding Progress for the Retirees' Health Insurance Other Postemployment Benefits Plan and Schedule of Employer Contributions for the Retirees' Health Insurance Other Postemployment Benefits Plan on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *State of Florida Rules of the Auditor General* and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards and state financial assistance 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 nonmajor fund financial statements and the schedule of expenditures of federal awards 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 17, 2015, 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 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.

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

Certified Public Accountants  
Panama City Beach, Florida  
June 17, 2015

## **Management's Discussion and Analysis**

## Management's Discussion and Analysis

Management's discussion and analysis provides an easily readable analysis of the City of Apalachicola's 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 of the City exceeded total liabilities by \$39,218,282 (net position). Of this amount, \$485,384 is unrestricted net position for governmental activities and \$101,514 is unrestricted net position for business-type activities, \$574,502 is restricted net position for governmental activities, \$832,378 is restricted net position for business-type activities.
- Total net position increased by \$1,530,546. Of this amount, an increase of \$1,709,585 is attributable to governmental activities and a decrease of \$179,039 is attributable to business-type activities.
- As of September 30, 2014, the general fund's unassigned fund balance was \$775,174 or 15% of total general fund expenditures.
- Governmental activities revenues increased to \$5,066,145 or 37%, while governmental activities expenses increased 5% to \$3,356,560. Business-type activities revenues increased to \$2,531,763 or 44%, while business-type activities expenses increased minimally to \$2,634,619.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. The *government-wide financial statements* present an overall picture of the City's financial position and results of operations. The *fund financial statements* present financial information for the City's major funds. The *notes to financial statements* provide additional information concerning the City's finances that are not otherwise disclosed in the government-wide statements or fund financial statements.

### 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* present increases or decreases in net position over time and serve 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*.

### 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 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.

### Financial Analysis of the City

#### Statement of Net Position

The following schedule provides a summary of the assets, liabilities and net position of the City at September 30, 2014 and 2013. The City is able to report positive balances in all three categories of total net position.

#### Statements of Net Position

September 30,	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,421,074	\$ 2,238,198	\$ 367,955	\$ 388,889	\$ 2,789,029	\$ 2,627,087
Noncurrent assets	20,458,608	18,421,331	25,948,244	26,328,495	46,406,852	44,749,826
Other assets	-	-	5,620	81,803	5,620	81,803
<b>Total assets</b>	<b>22,879,682</b>	<b>20,659,529</b>	<b>26,321,819</b>	<b>26,799,187</b>	<b>49,201,501</b>	<b>47,458,716</b>
Current liabilities	1,063,005	628,810	781,027	691,550	1,844,032	1,320,360
Noncurrent liabilities	859,448	907,629	7,155,185	7,542,991	8,014,633	8,450,620
<b>Total liabilities</b>	<b>1,922,453</b>	<b>1,536,439</b>	<b>7,936,212</b>	<b>8,234,541</b>	<b>9,858,665</b>	<b>9,770,980</b>
Deferred inflows of resources	124,554	-	-	-	124,554	-
Net position – net investment in capital assets	19,772,789	17,667,590	17,451,715	17,138,291	37,224,504	34,805,881
Net position – restricted	574,502	700,646	832,378	1,168,107	1,406,880	1,868,753
Net position – unrestricted	485,384	754,854	101,514	258,248	586,898	1,013,102
<b>Total net position</b>	<b>\$ 20,832,675</b>	<b>\$ 19,123,090</b>	<b>\$ 18,385,607</b>	<b>\$ 18,564,646</b>	<b>\$ 39,218,282</b>	<b>\$ 37,687,736</b>

## Statement of Activities

The following schedule provides a summary of the changes in net position for the years ended September 30, 2014 and 2013.

### Statements of Activities

Years Ended September 30,	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Program revenues</b>						
Charges for services	\$ 195,707	\$ 262,946	\$ 1,840,370	\$ 1,816,826	\$ 2,036,077	\$ 2,079,772
Operating grants/contributions	609,446	669,345	-	-	609,446	669,345
Capital grants/contributions	2,316,858	809,687	798,859	36	3,115,717	809,723
<b>General revenues</b>						
Property taxes	1,110,794	1,123,467	-	-	1,110,794	1,123,467
Local option gas tax	54,836	50,448	-	-	54,836	50,448
Franchise and utility tax	157,706	161,539	-	-	157,706	161,539
Local business tax	34,205	31,224	-	-	34,205	31,224
Sales tax and other shared revenues	251,177	240,833	-	-	251,177	240,833
Investment earnings	19,759	21,803	2,534	3,723	22,293	25,526
Miscellaneous	205,657	251,506	-	-	205,657	251,506
Transfers	110,000	63,000	(110,000)	(63,000)	-	-
<b>Total revenues and transfers</b>	<b>5,066,145</b>	<b>3,685,798</b>	<b>2,531,763</b>	<b>1,757,585</b>	<b>7,597,908</b>	<b>5,443,383</b>
<b>Expenses</b>						
General government	1,065,537	1,025,646	-	-	1,065,537	1,025,646
Public safety	788,920	727,625	-	-	788,920	727,625
Transportation	700,659	666,717	-	-	700,659	666,717
Economic environment	30	-	-	-	30	-
Culture and recreation	801,414	784,824	-	-	801,414	784,824
Water	-	-	470,277	446,556	470,277	446,556
Sewer	-	-	1,732,860	1,758,574	1,732,860	1,758,574
Garbage	-	-	370,774	367,281	370,774	367,281
Mooring	-	-	60,708	59,460	60,708	59,460
<b>Total expenses</b>	<b>3,356,560</b>	<b>3,204,812</b>	<b>2,634,619</b>	<b>2,631,871</b>	<b>5,991,179</b>	<b>5,836,683</b>
<b>Change in net position</b>	<b>\$ 1,709,585</b>	<b>\$ 480,986</b>	<b>\$ (102,856)</b>	<b>\$ (874,286)</b>	<b>\$ 1,606,729</b>	<b>\$ (393,300)</b>

## Financial Analysis of the City's Funds

### Analysis of Government-wide Financial Statements

Approximately ninety-five percent (95%) of the City's net position reflects its investment in capital assets (e.g. land, buildings, improvements, infrastructure, vehicles and equipment) less any outstanding related debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. \$1,406,800 of the City's net position is

subject to external restrictions on how they may be used. The balance of unrestricted net position, \$586,898 may be used to meet the City's ongoing obligations to citizens and creditors.

### **Analysis of General Fund Budgetary Variations**

For the year ended September 30, 2014, actual revenues were less than anticipated by \$882,225 and actual expenditures were less than anticipated by \$544,906. This was due to fewer grant expenditures than originally anticipated in the final budget which reduced intergovernmental revenue as well.

### **Capital Assets and Long-Term Debt Activity**

#### **Capital Assets Activity**

As of September 30, 2014, the City's total net investment in capital assets for its governmental activities was \$19,772,789 and for its business-type activities was \$17,451,715 for a total investment of \$37,224,504. This investment in capital assets includes the cost of land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure less accumulated depreciation and associated debt. Additional information on the City's capital assets can be found in the notes to the financial statements.

#### **Long-Term Debt Activity**

As of September 30, 2014, the City has a total long-term debt amount outstanding of \$8,527,928. Additional information on the City's long-term debt can be found in the notes to the financial statements.

#### **Other Significant Matters**

During the 2013-2014 year, the City continues to feel the impact of ad valorem tax cuts and the reduction in sales tax. However, the tourism industry in the City continues to improve and the City's gross receipts in other taxes, licenses, and services remains fairly consistent compared to previous years, showing a slight increase. We are currently exploring options to update our revenue enhancement program and its subsequent implementation in the near future as part of our five-year strategic planning process to improve our self-sustainability efforts.

The City of Apalachicola continues to focus its energy toward citywide infrastructure improvement projects, continuation of public waterfront access and recreational/cultural grant related projects. Projects that were recently completed consist of a new public restroom in the downtown area and Phase II of the Downtown Streetscape Project and renovation of the city owned mooring basin which houses our commercial fishing fleet. One of our major surface water quality/stormwater projects that provided improvement to the Battery Park Outfall has been finalized and three additional similar projects are planned to begin in 2015, Highway 98/16<sup>th</sup> Street, Prado and Avenue I Outfalls. Additional improvements to our wastewater treatment plant and collection system have continued, affording the City the opportunity to take wastewater effluent from the adjacent surface water discharge, while providing irrigation for publicly owned parks, ballfields, and cemeteries located within and around the City. The second phase of this project will offer reuse water to our customers for irrigation purposes on their private property, which will be underway in the near future. Most significantly, permitting has been secured for the installation of a Filtronics filtration unit and granular activated carbon vessels at our water treatment plant, this filtering system will terminate the Trihalomethan exceedance experienced by the City over the past several years. Engineering and design have been completed and the City has secured funding to begin construction efforts.

The City continues its work on an updated sustainable capital improvement plan that will become incorporated into our five-year strategic plan, the initial process for this plan is underway with our continued objective to focus on the City's long-range goal of addressing future improvements and self-sustainability for the betterment of our community.

This report was prepared by City Administration. Questions concerning this report or requests for additional information should be addressed to Lee Mathes, City Clerk, City of Apalachicola, 1 Avenue E, Apalachicola, Florida 32320.

**City of Apalachicola, Florida**  
**Statement of Net Position**

<b>September 30, 2014</b>	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,084,220	\$ 131,498	\$ 1,215,718
Investments	140,363	2,123	142,486
Receivables, net			
Accounts	120,276	127,071	247,347
Notes	396,547	-	396,547
Prepays	-	8,404	8,404
Due from other governmental units	679,668	98,859	778,527
Restricted assets			
Cash and cash equivalents	-	392,069	392,069
Investments	-	621,178	621,178
Interest receivable	-	3,040	3,040
Capital assets			
Nondepreciable	12,168,788	363,057	12,531,845
Depreciable, net	8,289,820	24,568,900	32,858,720
Other assets			
Deposits	-	5,620	5,620
Total assets	22,879,682	26,321,819	49,201,501
<b>Liabilities</b>			
Accounts payable	446,741	222,666	669,407
Accrued payroll	19,314	4,241	23,555
Internal balances	84,241	(84,241)	-
Long-term liabilities			
Customer deposits	-	183,909	183,909
Due within one year			
Short-term loans	403,407	-	403,407
Accrued interest payable	-	50,459	50,459
Notes payable	51,384	312,540	363,924
Bonds payable	11,000	84,000	95,000
Compensated absences	46,918	7,453	54,371
Due in more than one year			
Compensated absences	93,834	14,905	108,739
Other postemployment benefits	142,179	56,578	198,757
Notes payable	168,935	4,170,350	4,339,285
Bonds payable	454,500	2,913,352	3,367,852
Total liabilities	1,922,453	7,936,212	9,858,665

(Continued)

See accompanying notes

**City of Apalachicola, Florida**  
**Statement of Net Position (Continued)**

	Primary Government		
September 30, 2014	Governmental Activities	Business-type Activities	Total
<b>Deferred inflows</b>			
Grant funds received in advance	\$ 124,554	\$ -	\$ 124,554
Total deferred inflows	124,554	-	124,554
<b>Net position</b>			
Net investment in capital assets	19,772,789	17,451,715	37,224,504
Restricted			
Debt service	14,062	633,210	647,272
Renewal and replacement	-	199,168	199,168
Other purposes	560,440	-	560,440
Unrestricted	485,384	101,514	586,898
Total net position	\$ 20,832,675	\$ 18,385,607	\$ 39,218,282

See accompanying notes

**City of Apalachicola, Florida**  
**Statement of Activities**

Year Ended September 30, 2014	Program Revenues				Net (Expenses) Revenues and Changes in Net Position Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Functions/Programs</b>							
<b>Primary Government</b>							
Governmental activities							
General government	\$ 1,065,537	\$ 194,561	\$ 146,551	\$ 2,272,904	\$ 1,548,479	\$ -	\$ 1,548,479
Public safety	788,920	1,146	43,866	-	(743,908)	-	(743,908)
Transportation	700,659	-	-	43,954	(656,705)	-	(656,705)
Economic environment	30	-	-	-	(30)	-	(30)
Culture and recreation	801,414	-	419,029	-	(382,385)	-	(382,385)
Total governmental activities	3,356,560	195,707	609,446	2,316,858	(234,549)	-	(234,549)
Business-type activities							
Water, sewer, garbage and mooring	2,634,619	1,840,370	-	798,859	-	4,610	4,610
<b>Total primary government</b>	<b>\$ 5,991,179</b>	<b>\$ 2,036,077</b>	<b>\$ 609,446</b>	<b>\$ 3,115,717</b>	<b>(234,549)</b>	<b>4,610</b>	<b>(229,939)</b>
General revenues							
Taxes							
Property taxes					1,110,794	-	1,110,794
Local option taxes					54,836	-	54,836
Franchise and utility service tax					157,706	-	157,706
Local business tax					34,205	-	34,205
Sales tax and other shared revenues					251,177	-	251,177
Miscellaneous					205,657	-	205,657
Investment earnings					19,759	2,534	22,293
Total general revenues					1,834,134	2,534	1,836,668
Transfers					110,000	(110,000)	-
Total general revenues and transfers					1,944,134	(107,466)	1,836,668
Change in net position					1,709,585	(102,856)	1,606,729
Net position - beginning of year					19,123,090	18,564,646	37,687,736
Restatement adjustment					-	(76,183)	(76,183)
Net position - beginning (as restated)					19,123,090	18,488,463	37,611,553
Net position - end of year					\$ 20,832,675	\$ 18,385,607	\$ 39,218,282

See accompanying notes

**City of Apalachicola, Florida**  
**Balance Sheet**  
**Governmental Funds**

<b>September 30, 2014</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 621,772	\$ 462,448	\$ 1,084,220
Investments	16,842	123,521	140,363
Due from other funds	64,441	239	64,680
Due from other governmental units	679,668	-	679,668
Accounts receivable, net	120,276	-	120,276
Notes receivable	-	396,547	396,547
<b>Total assets</b>	<b>\$ 1,502,999</b>	<b>\$ 982,755</b>	<b>2,485,754</b>
<b>Liabilities</b>			
Accounts payable	\$ 443,741	\$ 3,000	446,741
Accrued payroll	19,075	239	19,314
Due to other funds	84,480	64,441	148,921
Unearned revenue	-	396,548	396,548
<b>Total liabilities</b>	<b>547,296</b>	<b>464,228</b>	<b>1,011,524</b>
<b>Deferred inflows</b>			
Grant funds received in advance	124,554	-	124,554
<b>Total deferred inflows</b>	<b>124,554</b>	<b>-</b>	<b>124,554</b>
<b>Fund balance</b>			
Restricted			
Library trust	-	447,270	447,270
Raney house	8,789	-	8,789
Ballfield for reuse project	33,124	-	33,124
Local option gas tax	-	14,638	14,638
HUD	-	56,619	56,619
Debt service	14,062	-	14,062
Unassigned	775,174	-	775,174
<b>Total fund balance</b>	<b>831,149</b>	<b>518,527</b>	<b>1,349,676</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$ 1,502,999</b>	<b>\$ 982,755</b>	
Amounts reported for governmental activities in the statement of net position are different because			
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			20,458,608
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.			(1,372,157)
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.			396,548
<b>Net position of governmental activities</b>			<b>\$ 20,832,675</b>

See accompanying notes



**City of Apalachicola, Florida**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

<b>Year Ended September 30, 2014</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Taxes	\$ 1,308,793	\$ 48,748	\$ 1,357,541
Licenses and permits	161,192	-	161,192
Intergovernmental	3,177,481	-	3,177,481
Charges for services	33,369	-	33,369
Fines and forfeitures	1,146	-	1,146
Investment earnings and other	183,037	54,979	238,016
<b>Total revenues</b>	<b>4,865,018</b>	<b>103,727</b>	<b>4,968,745</b>
<b>Expenditures</b>			
Current operating			
General government	1,008,582	-	1,008,582
Public safety	661,914	-	661,914
Transportation	602,816	-	602,816
Economic environment	-	30	30
Culture and recreation	540,724	50,974	591,698
Capital outlay			
General government	2,349,229	-	2,349,229
Public safety	13,025	-	13,025
Economic environment	-	107,098	107,098
Culture and recreation	3,013	2,553	5,566
Debt service	128,200	-	128,200
<b>Total expenditures</b>	<b>5,307,503</b>	<b>160,655</b>	<b>5,468,158</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(442,485)</b>	<b>(56,928)</b>	<b>(499,413)</b>
<b>Other financing sources (uses)</b>			
Transfers in	186,137	31,000	217,137
Transfers out	(31,000)	(76,137)	(107,137)
Debt issuance	250,000	-	250,000
<b>Total other financing sources (uses)</b>	<b>405,137</b>	<b>(45,137)</b>	<b>360,000</b>
<b>Net change in fund balances</b>	<b>(37,348)</b>	<b>(102,065)</b>	<b>(139,413)</b>
<b>Fund balances - beginning</b>	<b>868,497</b>	<b>620,592</b>	<b>1,489,089</b>
<b>Fund balances - ending</b>	<b>\$ 831,149</b>	<b>\$ 518,527</b>	<b>\$ 1,349,676</b>

See accompanying notes

**City of Apalachicola, Florida**

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

**Year Ended September 30, 2014**

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Differences in amounts reported for governmental activities in the statement of activities

Net change in fund balances - total governmental funds	\$ (139,413)
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	2,474,918
Depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.	(437,641)
Proceeds from debt is reported as revenue in the governmental funds but as an increase in long-term liabilities in the statement of net position.	(250,000)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net position.	87,025
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 (i.e. compensated absences, accrued interest, and other postemployment benefits).	(12,704)
Expenditures for revolving loans issued and revenue for loan repayments are reported in the governmental funds, and recorded through notes receivable activity in the statement of net position.	(12,600)
Change in net position of governmental activities	\$ 1,709,585

See accompanying notes

**City of Apalachicola, Florida**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund**

Year Ended September 30, 2014	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,329,230	\$ 1,359,465	\$ 1,308,793	\$ (50,672)
Licenses and permits	143,500	160,950	161,192	242
Intergovernmental	270,100	3,682,813	3,177,481	(505,332)
Charges for services	-	396,764	33,369	(363,395)
Fines and forfeitures	2,400	1,300	1,146	(154)
Investment earnings and other	47,000	145,951	183,037	37,086
Total revenues	1,792,230	5,747,243	4,865,018	(882,225)
<b>Expenditures</b>				
Current operating				
General government	579,726	1,522,487	1,008,582	513,905
Public safety	626,928	638,830	661,914	(23,084)
Transportation	588,458	902,225	602,816	299,409
Culture and recreation	47,050	478,651	540,724	(62,073)
Capital outlay				
General government	6,000	2,195,720	2,349,229	(153,509)
Public safety	16,000	33,315	13,025	20,290
Transportation	12,000	2,826	-	2,826
Culture and recreation	3,000	3,013	3,013	-
Debt service	98,350	75,342	128,200	(52,858)
Total expenditures	1,977,512	5,852,409	5,307,503	544,906
<b>Excess (deficit) of revenues over (under) expenditures</b>	(185,282)	(105,166)	(442,485)	(337,319)
<b>Other financing sources (uses)</b>				
Transfers in	97,600	97,234	186,137	88,903
Transfers out	(31,000)	(31,000)	(31,000)	-
Debt issuance	-	-	250,000	250,000
Total other financing sources (uses)	66,600	66,234	405,137	338,903
<b>Net change in fund balance</b>	(118,682)	(38,932)	(37,348)	1,584
<b>Fund balance - beginning</b>	868,497	868,497	868,497	-
<b>Fund balance - ending</b>	\$ 749,815	\$ 829,565	\$ 831,149	\$ 1,584

See accompanying notes

**City of Apalachicola, Florida**  
**Statement of Net Position**  
**Proprietary Fund**

	<b>Business-type Activities</b>
<b>September 30, 2014</b>	<b>Water and Sewer Fund</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 131,498
Investments	2,123
Accounts receivable, net	127,071
Due from other funds	84,241
Due from other governmental units	98,859
Prepaid expenses	8,404
Total current assets	452,196
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	
Revenue bonds	208,160
Customer deposits	183,909
Interest receivable	3,040
Investments	
State revolving loan escrow	621,178
Total restricted assets	1,016,287
Property, plant and equipment	
Property, plant and equipment	36,739,694
Accumulated depreciation	(11,807,737)
Net property, plant and equipment	24,931,957
Other assets	
Deposits	5,620
Total other assets	5,620
Total noncurrent assets	25,953,864
Total assets	26,406,060

(Continued)

See accompanying notes

**City of Apalachicola, Florida**  
**Statement of Net Position (Continued)**  
**Proprietary Fund**

	<b>Business-type Activities</b>	
<b>September 30, 2014</b>	<b>Water and Sewer Fund</b>	
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$	222,666
Accrued payroll		4,241
Accrued interest		50,459
Bonds payable - current		84,000
Notes payable - current		312,540
Compensated absences		7,453
Total current liabilities		681,359
Noncurrent liabilities		
Customer deposits		183,909
Bonds payable		2,913,352
Notes payable		4,170,350
Other postemployment benefits		56,578
Compensated absences		14,905
Total noncurrent liabilities		7,339,094
Total liabilities		8,020,453
<b>Net position</b>		
Net investment in capital assets		17,451,715
Restricted		
Debt service		633,210
Renewal and replacement		199,168
Unrestricted		101,514
Total net position		\$ 18,385,607

See accompanying notes

City of Apalachicola, Florida  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund

	Business-type Activities
	Water and Sewer Fund
<b>Year Ended September 30, 2014</b>	
<b>Operating revenue</b>	
Utility billings	\$ 1,710,873
Tap fees	27,500
Mooring fees	79,024
Rental income	22,973
<b>Total operating revenue</b>	<b>1,840,370</b>
<b>Operating expenses</b>	
Personal services	443,613
Garbage collection services	370,774
Water and sewer operations contractual services	4,032
Supplies, gas and oil	227,245
Communications	9,109
Utilities	186,058
Repairs and maintenance	128,463
Insurance	72,258
Professional fees	27,786
Miscellaneous	25,746
Depreciation	883,554
<b>Total operating expenses</b>	<b>2,378,638</b>
<b>Operating loss</b>	<b>(538,268)</b>
<b>Nonoperating revenues (expenses)</b>	
Investment income	2,534
Interest expense/fees	(255,981)
<b>Total nonoperating revenues (expenses)</b>	<b>(253,447)</b>
<b>Loss before contributions and transfers</b>	<b>(791,715)</b>
<b>Contributions and transfers</b>	
Capital contributions - grants	798,859
Transfers out	(110,000)
<b>Total contributions and transfers</b>	<b>688,859</b>
<b>Change in net position</b>	<b>(102,856)</b>
<b>Net position - beginning</b>	<b>18,564,646</b>
Restatement adjustment	(76,183)
<b>Net position - beginning - restated</b>	<b>18,488,463</b>
<b>Net position - ending</b>	<b>\$ 18,385,607</b>

See accompanying notes

**City of Apalachicola, Florida**  
**Statement of Cash Flows**  
**Proprietary Fund**

**Year Ended September 30, 2014**

**Business-type Activities**

**Operating activities**

Receipts from customers	\$ 1,764,271
Payments to suppliers and others	(860,245)
Payments to employees	(432,125)
Interest paid on long-term debt	(259,034)
Interest received	4,500

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Net cash provided by operating activities	217,367
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**Noncapital financing activities**

Decrease in due from other funds	(81,570)
Transfers out	(110,000)

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Net cash used by noncapital financing activities	(191,570)
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**Capital and related financing activities**

Capital contributions - grants	798,859
Acquisition of capital assets	(811,657)
Principal repayments of revenue bonds and notes payable	(385,321)

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Net cash used by capital and related financing activities	(398,119)
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**Investing activities**

Proceeds from sales and maturities of investments	311,572
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Net cash provided by investing activities	311,572
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<b>Decrease in cash and cash equivalents</b>	<b>(60,750)</b>
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<b>Cash and cash equivalents - beginning</b>	<b>584,317</b>
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<b>Cash and cash equivalents - ending</b>	<b>\$ 523,567</b>
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Classified as

Current assets - cash and cash equivalents	\$ 131,498
Restricted assets - cash and cash equivalents	392,069

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<b>Cash and cash equivalents - ending</b>	<b>\$ 523,567</b>
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(Continued)

See accompanying notes

**City of Apalachicola, Florida**  
**Statement of Cash Flows (Continued)**  
**Proprietary Fund**

**Year Ended September 30, 2014**

**Business-type Activities**

**Reconciliation of loss before contributions and transfers  
to net cash provided by operating activities**

Loss before contributions and transfers	\$ (791,715)
Adjustments to reconcile loss before contributions and transfers to net cash provided by operating activities	
Depreciation	883,554
(Increase) decrease in assets	
Accounts receivable, net	9,941
Prepaid expenses	43,918
Due from other governmental units	(98,859)
Interest receivable	1,966
Increase (decrease) in liabilities	
Accounts payable	147,308
Accrued payroll	1,569
Accrued interest	(3,053)
Compensated absences	3,550
Customer deposits	12,819
Other postemployment benefits	6,369
<hr/>	
Net cash provided by operating activities	\$ 217,367

See accompanying notes



## City of Apalachicola, Florida Notes to Basic Financial Statements

### NOTE 1 – REPORTING ENTITY

The City of Apalachicola, Florida (City) is located in northwest Florida along the Apalachicola Bay and River. The City operates under an elected Mayor-Commissioner and four-member Board of Commissioners (Board) and serves approximately 4,000 residents. The City provides a full range of municipal services, including fire and police protection, public works activities, parks and recreation, transportation and general administrative services. In addition, the City operates a water, sewer and garbage collection utility.

This report includes financial statements of the funds of the City. The reporting entity for the City consists of the primary government, organizations 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 reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported 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 on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity 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 units, 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 Reporting Entity: 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, which are required to be included in these financial statements.

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.

The Apalachicola Community Redevelopment Agency is an advisory committee appointed by the Board and conducts no financial transactions and is not considered a component unit.

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

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) as applied to government entities. The Governmental 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally 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.

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

- Water and sewer fund - This fund is used to account for the operations of the City's water, sewer, and garbage system, and Scipio Creek and Battery Park docking facilities, which are financed in a manner similar to private business enterprises, where the costs, 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.

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as with accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise funds are charges to customers for water, sewer and garbage services and Scipio Creek and Battery Park docking facilities. Operating expenses of the enterprise fund include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***Budgets and Budgetary Accounting***

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

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

***Cash and Cash Equivalents***

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

***Receivables***

Customer accounts receivable are recorded at their net realizable value, reduced by an allowance for uncollectible accounts. The allowance for the enterprise funds at September 30, 2014, was \$142,013. Unbilled amounts are not recorded.

The allowance for the general fund as of September 30, 2014 was \$12,000.

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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 expenditures when purchased.

***Restricted Assets***

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

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, rights of way, stormwater 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***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.

***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, 2014, was 9.6852 mills.

The tax levy of the City is established by the City Commission prior to October 1 of each year.

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

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

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

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Fund balances***

The City has implemented GASB Statement 54 employing the following terminology and classifications for 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, 2014.

**Restricted** – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of September 30, 2014 of \$574,502 is restricted by creditors for repayment of debt issued, enabling legislation, and/or 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, 2014.

**Assigned** – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. There are no assigned funds as of September 30, 2014.

**Unassigned** – This category is the residual classification for the City's fund balances. The balance as of September 30, 2014 was \$775,174.

***Net position***

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renames the components of net position which were previously considered net assets.

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 balances 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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was implemented in the current year. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows or 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.

***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the City has no transactions that meet the definition of deferred outflow of resources.

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. At this time, the City has one transaction which meets the definition of a deferred inflow of resources. The City received grant funds in advance where they have met all of the requirements of the grant except the time 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.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

***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.

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Prepays***

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.

***Amortization***

Loan finance costs are being amortized over the lives of the respective loans using the straight-line method.

***Subsequent Events***

Management of the City has evaluated subsequent events through June 17, 2015, the date the financial statements were available to be issued.

**NOTE 3 – 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 pro-rata basis.

***Investments***

Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

- 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.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02.
- 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.



**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

***Interest Rate Risks***

At September 30, 2014, the City did not hold any investments that were considered to be an interest rate risk.

***Custodial Risks***

At September 30, 2014, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

At September 30, 2014, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2014, the City's cash and investments consisted of the following:

	<b>Credit Rating</b>	<b>Current</b>	<b>1-5 Years</b>	<b>Total Carrying Amount</b>
Cash including money market fund	<i>(1)</i>	\$ 1,777,156	\$ -	\$ 1,777,156
U.S. Government agencies	AAA	200,274	251,535	451,809
Local Government Surplus Trust Fund Pool	AAAm	142,486	-	142,486
<b>Total</b>		<b>\$ 2,119,916</b>	<b>\$ 251,535</b>	<b>\$ 2,371,451</b>

*(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***

The Florida PRIME portion of the pool (\$142,486) is considered a SEC 2a7-like fund and the account balance is the fair value of the investment.

Credit quality disclosure – Florida PRIME is rated by Standard and Poor's. The current rating is AAAm.

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 4 – CAPITAL ASSETS**

Changes in capital assets of the governmental activities are summarized as follows:

	September 30, 2013	Increases	Decreases	September 30, 2014
<b>Capital assets, not being depreciated</b>				
Land	\$ 10,039,410	\$ -	\$ -	\$ 10,039,410
Construction in progress	381,837	2,081,096	(333,555)	2,129,378
<b>Total capital assets not being depreciated</b>	<b>10,421,247</b>	<b>2,081,096</b>	<b>(333,555)</b>	<b>12,168,788</b>
<b>Capital assets being depreciated</b>				
Buildings	1,709,253	-	-	1,709,253
Improvements other than buildings	5,078,316	36,862	-	5,115,178
Machinery and equipment	2,198,442	24,567	(74,252)	2,148,757
Infrastructure	2,896,156	665,948	-	3,562,104
<b>Total capital assets being depreciated</b>	<b>11,882,167</b>	<b>727,377</b>	<b>(74,252)</b>	<b>12,535,292</b>
<b>Less accumulated depreciation</b>				
Buildings	654,094	43,008	-	697,102
Improvements other than buildings	1,069,248	138,015	-	1,207,263
Machinery and equipment	1,707,299	171,153	(74,252)	1,804,200
Infrastructure	451,442	85,465	-	536,907
<b>Total accumulated depreciation</b>	<b>3,882,083</b>	<b>437,641</b>	<b>(74,252)</b>	<b>4,245,472</b>
<b>Total depreciable assets, net of accumulated depreciation</b>	<b>8,000,084</b>	<b>289,736</b>	<b>-</b>	<b>8,289,820</b>
<b>Total governmental activities' capital assets, net of accumulated depreciation</b>	<b>\$ 18,421,331</b>	<b>\$ 2,370,832</b>	<b>\$ (333,555)</b>	<b>\$ 20,458,608</b>

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

Changes in capital assets of the business-type activities are summarized as follows:

	September 30, 2013	Increases	Decreases	September 30, 2014
<b>Capital assets not being depreciated</b>				
Land	\$ 363,057	\$ -	\$ -	\$ 363,057
<b>Total capital assets not being depreciated</b>	<b>363,057</b>	<b>-</b>	<b>-</b>	<b>363,057</b>
<b>Capital assets being depreciated</b>				
Buildings and utility systems	35,564,980	811,657	-	36,376,637
<b>Less accumulated depreciation</b>				
Buildings and utility systems	(10,924,183)	(883,554)	-	(11,807,737)
<b>Total depreciable assets, net of accumulated depreciation</b>	<b>24,640,797</b>	<b>(71,897)</b>	<b>-</b>	<b>24,568,900</b>
<b>Total business-type activities' capital assets, net of accumulated depreciation</b>	<b>\$ 25,003,854</b>	<b>\$ (71,897)</b>	<b>\$ -</b>	<b>\$ 24,931,957</b>

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

<b>Governmental activities</b>	
General government	\$ 43,697
Public safety	94,218
Transportation	88,752
Culture and recreation	210,974
<b>Total depreciation expense - governmental activities</b>	<b>\$ 437,641</b>
<b>Business-type activities</b>	
Water	\$ 123,452
Sewer	752,472
Mooring/boat basins	7,630
<b>Total depreciation expense - business-type activities</b>	<b>\$ 883,554</b>

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 5 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES**

Long-term debt of the governmental activities of the City at September 30, 2014 is as follows:

	Original Issue	Balance September 30, 2013	Additions (Reductions)	Balance September 30, 2014	Due Within One Year
Installment purchase agreement for one vehicle payable in 60 monthly installments of \$329 including 7.095% interest, maturing November 2013.	\$ 16,602	\$ 654	\$ (654)	\$ -	\$ -
Installment purchase agreement for one vehicle payable in annual installments of \$7,349 including 5.4% interest, maturing December 2013.	20,919	6,967	(6,967)	-	-
\$506,500 Capital Improvement Revenue Bonds - Series 2010. Due in annual installments of \$25,480 to \$30,260 with interest at 4%. Matures in September 2039 (see (a) below).	506,500	476,500	(11,000)	465,500	11,000
Installment purchase agreement for one fire truck payable in annual installments of \$29,564 with interest at 5.49%. Matures in October 2020.	222,950	167,593	(20,230)	147,363	21,357
Installment purchase agreement for one loader payable in annual installments of \$22,173 including 2.3% interest, maturing August 2017.	103,535	83,929	(20,264)	63,665	20,736
Installment purchase agreement for one vehicle payable in annual installments of \$9,802 including 5.496% interest, maturing November 2014.	27,900	18,098	(8,807)	9,291	9,291
Liability for compensated absences		145,252	(4,500)	140,752	46,918

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 5 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)**

	Original Issue	Balance September 30, 2013	Additions (Reductions)	Balance September 30, 2014	Due Within One Year
Liability for other postemployment benefits		\$ 124,975	\$ 17,204	\$ 142,179	\$ -
Total governmental activities long-term obligations		\$ 1,023,968	\$ (55,218)	\$ 968,750	\$ 109,302

- (a) The series 2010 general fund capital improvement revenue bonds are secured by alcoholic beverage income, fines and forfeiture income, and MSBU funds. Annual principal and interest payments on the bonds are 67 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$743,640. Principal and interest paid for the current year and total pledged revenues were \$30,060 and \$45,093, respectively.

There are 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 for the Series 2010 bond issues are \$55 and \$14,007 respectively, at September 30, 2014.

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

Year Ending September 30,	Principal	Interest	Total
2015	\$ 62,384	\$ 28,776	\$ 91,160
2016	55,763	26,154	81,917
2017	57,514	23,923	81,437
2018	38,127	21,657	59,784
2019	39,527	19,737	59,264
2020 - 2024	102,004	76,740	178,744
2025 - 2029	90,000	59,140	149,140
2030 - 2034	110,000	39,700	149,700
2035 - 2039	130,500	15,700	146,200
Total	\$ 685,819	\$ 311,527	\$ 997,346

The City has three lines of credit which are secured by the City's certificates of deposit in the amount of \$320,869. Two of the agreements require that the entire outstanding amount plus interest of 2.2% be paid by January 31, 2015. The third agreement requires that the entire outstanding amount plus interest of 4.0% be paid by June 13, 2015. During the year, line of credit proceeds totaled \$250,000 and repayments totaled \$19,103. The balance outstanding at September 30, 2014 was \$403,407.

The portion of compensated absences liability estimated to be paid during the next year (current portion) is \$46,918.

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 6 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES**

	Balance September 30, 2013	Additions	Deductions	Balance September 30, 2014	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).	\$ 2,651,274	\$ -	\$ (56,000)	\$ 2,595,274	\$ 57,000
\$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).	214,448	-	(14,000)	200,448	15,000
\$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).	213,630	-	(12,000)	201,630	12,000
Note payable to the State of Florida Revolving Loan Trust 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).	4,785,781	-	(302,891)	4,482,890	312,540
Installment purchase agreement for trucks payable in monthly installments of \$431 at 7% interest, maturing November 2013.	430	-	(430)	-	-
Liability for compensated absences	18,808	3,550	-	22,358	7,453
Liability for other post employment benefits	50,209	6,369	-	56,578	-
<b>Total business-type long-term obligations</b>	<b>\$ 7,934,580</b>	<b>\$ 9,919</b>	<b>\$ (385,321)</b>	<b>\$ 7,559,178</b>	<b>\$ 403,993</b>

- (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. Annual principal and interest payments on the bonds are 17 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$259,418. Principal and interest paid for the current year and total pledged revenues were \$24,722 and \$143,151, respectively.

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 6 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

- (b) The series 1986 water and sewer revenue bonds are secured by a junior lien on the above-mentioned revenues. Annual principal and interest payments on the bonds are 17 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$287,766. Principal and interest paid for the current year and total pledged revenues were \$24,818 and \$143,151, respectively.
- (c) The series 2003 water and sewer revenue bonds were issued on parity with the 1983 and 1986 water and sewer revenue bonds. Annual principal and interest payments on the bonds are 99 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,997,568. Principal and interest paid for the current year and total pledged revenues were \$142,166 and \$143,151, respectively.
- (d) The FDEP has a lien on the funds and earnings in the Capital City Trust Company escrow account, which is the source of funds for repayment of the State of Florida Revolving Loan Trust Fund loan. In addition, there exists a supplemental pledge of net water and sewer system revenues which is subordinate to payment of the 1983 and 1986 water and sewer bonds. The FDEP loan is also subordinate to the Series 2003 water and sewer revenue bonds issued in connection with the 2002-2003 water system improvements. Annual principal and interest payments on the notes are 73 percent of pledged revenues. The total principal and interest remaining to be paid on the notes is \$5,421,701. Principal and interest paid for the current year and total pledged revenues were \$451,797 and \$621,178, respectively.

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

The sinking fund and reserve account balances relating to the Series 2003, 1983 and 1986 bond issues are \$8,992 and \$199,168 respectively, at September 30, 2014.

***Annual Debt Maturities***

Following is a summary of the remaining principal and interest maturities due on bonds and notes payable of the enterprise fund:

Year Ending September 30,	Series 1983 Revenue Bonds		Series 1986 Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 15,000	\$ 10,022	\$ 12,000	\$ 12,098
2016	16,000	9,272	13,000	11,378
2017	17,000	8,472	14,000	10,598
2018	18,000	7,622	15,000	9,758
2019	20,000	6,722	15,000	8,858

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 6 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (CONTINUED)**

<b>Year Ending September 30,</b>	<b>Series 1983 Revenue Bonds</b>		<b>Series 1986 Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2020-2024	\$ 114,448	\$ 16,860	\$ 90,000	\$ 29,590
2025-2026	-	-	42,630	3,856
<b>Total</b>	<b>\$ 200,448</b>	<b>\$ 58,970</b>	<b>\$ 201,630</b>	<b>\$ 86,136</b>

<b>Year Ending September 30,</b>	<b>Series 2003 Revenue Bonds</b>		<b>State Revolving Loan</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 57,000	\$ 84,346	\$ 312,540	\$ 139,256
2016	60,000	82,494	322,498	129,298
2017	61,000	80,544	332,773	119,023
2018	63,000	78,561	343,375	108,421
2019	65,000	76,514	354,315	97,481
2020-2024	362,000	349,256	1,948,267	310,714
2025-2029	425,000	286,498	869,122	34,678
2030-2034	504,000	212,366	-	-
2035-2039	592,000	124,974	-	-
2040-2042	406,274	26,741	-	-
<b>Total</b>	<b>\$ 2,595,274</b>	<b>\$ 1,402,294</b>	<b>\$ 4,482,890</b>	<b>\$ 938,871</b>



**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 7 – NOTES RECEIVABLE**

The following long-term notes receivable are recorded in the governmental funds and result from U.S. Department of Housing and Urban Development grants to the City, of which the proceeds were loaned to qualified applicants through a revolving loan program. Notes receivable balances consist of the following:

<b>September 30,</b>	<b>2014</b>	<b>2013</b>
Second mortgage receivable – original loan of \$321,666; \$1,105 due monthly including 4% interest, the unpaid balance matures in September 2023.	\$ 99,836	\$ 108,957
Second mortgage receivable – original loan of \$50,000, due in monthly installments of \$532 including interest at 5%. Balance includes past due interest of \$6,280 and matures in June 2015.	5,435	11,081
Second mortgage receivable – original loan \$100,000, due in monthly payments of \$1,012 including interest at 4%. Balance includes past due interest of \$12,739 and matures in December 2023.	94,447	91,735
Second mortgage receivable – original loan of \$59,184; \$576 due monthly including 4% interest. Balance includes past due interest of \$1,583 and matures in March 2020.	34,454	33,105
Second mortgage receivable – original loan of \$30,673; \$598 due monthly including 4% interest. Balance includes past due interest of \$7,900 and matures in April 2020.	35,941	34,534
Second mortgage receivable – original loan of \$10,000; \$101 due monthly including 4% interest, the unpaid balance matures August 2021.	7,389	8,209
Second mortgage receivable – original loan of \$45,000; \$456 due monthly including 4% interest. Balance includes past due interest of \$3,702 and matures July 2025.	48,233	46,345
Second mortgage receivable – original loan of \$25,000; 4% interest, the monthly payments and maturity date are not determine at this time as the borrower has not begun the renovations and the first payment on the loan is not due until six months after construction has been completed. However interest of 4% for the year has been accrued for a total of \$2,079.	27,079	26,019
Second mortgage receivable – original loan of \$60,000; \$607 due monthly including 4% interest, the unpaid balance matures in July 2021.	43,733	49,163
<b>Total</b>	<b>\$ 396,547</b>	<b>\$ 409,148</b>

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 7 – NOTES RECEIVABLE (CONTINUED)**

All note payments to be received by the City from the above loans are considered "program income" under the terms of the original grants to the City. The terms of these grants provide that all such program income received by the City is restricted for the purpose of making additional revolving loans to qualified applicants. In addition, since the receivables are measurable, but not available, the current portion of amounts uncollected is carried in unearned revenue.

**NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

<b>Interfund balances</b>	<b>Due from other funds</b>	<b>Due to other funds</b>
General fund	\$ 64,441	\$ -
Local option gas tax fund	-	64,441
General fund	-	239
Library fund	239	-
General fund	-	84,241
Water and sewer fund	84,241	-
<b>Total</b>	<b>\$ 148,921</b>	<b>\$ 148,921</b>

Interfund loans were for operations.

<b>Transfers Out</b>	<b>Transfers In</b>	<b>Amount</b>	<b>Purpose</b>
Water and sewer fund	General fund	\$ 110,000	Administrative services and cash advance
General fund	Library fund	31,000	Transfer of general revenues for library activities
Local option gas tax fund	General fund	76,137	Road maintenance expense reimbursement and salary reimbursement and other operating activities

**NOTE 9 – RETIREMENT BENEFITS**

***Defined Benefit Pension Plan***

The City participates in the Florida Retirement System (FRS) which is a multiple-employer; cost-sharing retirement system established by Chapter 121, Florida Statutes. The Florida Retirement System is administered by the Division of Retirement of the State of Florida Department of Administration. The City's payroll for employees covered by the system for the years ended September 30, 2014, 2013 and 2012 was \$1,135,957, \$1,284,666 and \$1,201,911, respectively.

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 9 – RETIREMENT BENEFITS (CONTINUED)**

FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by contacting the State of Florida Department of Management Services, Division of Retirement, Bureau of Research, Education and Policy, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1650.

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. FRS provides vesting of benefits after eight years of creditable service. Members are eligible for normal retirement after eight years of service and attaining the age of 65, or 33 years of service regardless of age. Early retirement may be taken any time after eight years of service; however, there is a 5% benefit reduction for each year prior to normal retirement. For those employees who elect participation in the Investment Plan rather than the Pension Plan, vesting occurs after one year of service. These participants receive a contribution for self-direction in an investment product with a third party administrator selected by the State Board of Administration.

Generally, membership is compulsory for all full-time and part-time employees, except for elected City officials who may elect to not participate in the System. Employee contributions are 3%. The City's contributory rates for the year ended September 30, 2014 were as follows:

	<b>October 1, 2013 Through June 30, 2014</b>	<b>July 1, 2014 Through September 30, 2014</b>
Regular class	6.95%	7.37%
Senior management	18.31%	21.14%
Special risk employee class	19.06%	19.82%
DROP plan participants	12.84%	12.84%

The City's contributions to the Plan for the years ended September 30, 2014, 2013, and 2012 were \$112,917, \$103,975, and \$85,235 respectively, which equal the required contributions. For the year ended September 30, 2014 retirement contributions represent 10% of City's total covered payroll.

**Three Year Trend Information**

<b>Year Ended September 30,</b>	<b>Annual Pension Cost (APC)</b>	<b>Percent of APC Contribution</b>	<b>Net Pension Obligation</b>
2012	\$ 85,235	100%	-
2013	103,975	100%	-
2014	112,917	100%	-

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 9 – RETIREMENT BENEFITS (CONTINUED)**

***Defined Contribution Plan***

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (“FRS Investment Plan”), a cost-sharing multiple-employer defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. This FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P.O. Box 56290, Jacksonville, Florida 32241-6290 or by calling 866-377-2121.

FRS Investment Plan is funded through employee and employer contributions. Employees contribute 3%. The City’s contributory rates for the year ended September 30, 2014 were as follows:

	<b>October 1, 2013 Through June 30, 2014</b>	<b>July 1, 2014 Through September 30, 2014</b>
Regular class	6.95%	7.37%
Senior management	18.31%	21.14%
Special risk employee class	19.06%	19.82%
DROP plan participants	12.84%	12.84%

Required employer and employee contributions made to the plan totaled \$18,759 and \$4,165, respectively.

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description

The City has established the Retirees’ Health Insurance Other Postemployment Benefits Plan, a single employer plan. Pursuant to the provisions of Section 112.0801, Florida Statutes, employees who retire from the City and eligible dependents, may continue to participate in the group insurance plan. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by the retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The City currently has 35 total active and retired employees eligible to receive these benefits. No stand alone report is issued for the plan.

Eligibility

A participant is eligible to receive benefits from the plan upon retirement under the Florida Retirement System plan provisions. To be eligible for retiree benefits, the participant must be covered under the medical plan as an active participant immediately prior to retirement. Participants not eligible for retirement at the time of their termination are not eligible for immediate or future benefits from the plan.

**City of Apalachicola, Florida**  
**Notes to Basic Financial Statements**

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Funding Policy

Although the contribution requirement is established by Statute, the contribution amount required by plan members and the government are established and may be amended by the City of Apalachicola’s Council Members. Currently, members receiving benefits pay the full cost (total premium) for medical coverage.

The monthly contribution rates effective for eligible City plan members during the year are shown below:

Coverage	Annual Cost		
	Plan A	Plan B	Plan C
Retiree	\$ 485	\$ 611	\$ 744
Retiree with Spouse	1,155	1,455	1,770
Retiree with Children	812	1,149	1,398
Retiree and Family	1,541	1,941	2,361

The City has not advance-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. Rather, the funding is based on a pay-as-you-go basis. During the fiscal year, the City provided contributions of \$0 toward the annual OPEB cost. A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Annual OPEB Cost and Net OPEB Obligation

The following table shows the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Description	
Normal cost (service cost for one year)	\$ 16,810
Amortization of unfunded actuarial accrued liability	8,254
Annual required contribution	25,064
Interest on net OPEB obligation	7,007
Adjustment to annual required contribution	(8,498)
Annual OPEB cost (expense)	23,573
Contribution toward the OPEB cost	-
Increase in net OPEB obligation	23,573
Net OPEB obligation, beginning of year	175,184
Net OPEB obligation, end of year	<u>\$ 198,757</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2014 was as follows:

Year ending September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 50,602	0%	\$ 151,806
2013	23,378	0%	175,184
2014	23,573	0%	198,757

**NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Funding Status and Funding Progress

The funding status and funding progress information can be found in the schedule of funding progress which is presented as required supplementary information immediately following the notes. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Actuarial Methods and Assumptions

The City prepared a valuation using the alternative method for the fiscal year ended September 30, 2013. Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, in effect at the valuation date and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarially determined accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The initial OPEB valuation method used for the City was the entry age normal actuarial cost method. This method is used to estimate the actuarial liabilities and costs. This method was selected because it produced the best estimate of the OPEB liability and annual cost for the City employees. The actuarial assumptions include a 4% discount rate. The actuarial assumptions also include an annual healthcare cost trend rate. For the City, this rate is assumed constant at an estimated increase of 4% per year. The assumed retirement age used is 62, and the average salary increase estimate used is 2%. The unfunded actuarial accrued liability is being amortized with a level dollar method. The remaining open amortization period at September 30, 2014 is 25 years.

**NOTE 11 – COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT**

***Litigation***

The City is a defendant in various litigation which has been turned over to 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; errors or omissions; injuries to employees and/or the public; or damage to property of others. The City purchases commercial insurance to cover its risk of losses. 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

### NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

During the current year, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Per GASB 65, certain items that were previously reported assets and liabilities are now reported as outflows of resources and inflows of resources. Paragraph 15 of GASB 65 indicates that debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The City's unamortized debt issuance costs from prior fiscal years are reported as a restatement decreasing beginning net position by \$76,183 in the water and sewer fund.

## **Required Supplementary Information**



**City of Apalachicola, Florida**  
**Required Supplementary Information**  
**Year Ended September 30, 2014**

**Schedule of Funding Progress for the Retirees' Health Insurance Other Postemployment Benefits Plan:**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
September 1, 2012	N/A	N/A	N/A	N/A	N/A	N/A
September 1, 2013	\$ 0	\$163,607	\$ 163,607	0.0%	\$1,119,246	14.62%
September 1, 2014	N/A	N/A	N/A	N/A	N/A	N/A

**Schedule of Employer Contributions for the Retirees' Health Insurance Other Postemployment Benefits Plan:**

Fiscal Year Ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2012	\$ 0	\$ 50,602	0%
2013	\$ 0	\$ 23,378	0%
2014	\$ 0	\$ 23,573	0%

## **Combining Financial Statements**

**City of Apalachicola, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**

<b>September 30, 2014</b>	<b>Library</b>	<b>Local Option Gas Tax</b>	<b>HUD Revolving Loans Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 450,270	\$ -	\$ 12,178	\$ 462,448
Investments	-	79,079	44,442	123,521
Due from other funds	239	-	-	239
Notes receivable	-	-	396,547	396,547
<b>Total assets</b>	<b>\$ 450,509</b>	<b>\$ 79,079</b>	<b>\$ 453,167</b>	<b>\$ 982,755</b>
<b>Liabilities and fund equity</b>				
Accounts payable	\$ 3,000	\$ -	\$ -	\$ 3,000
Accrued payroll	239	-	-	239
Due to other funds	-	64,441	-	64,441
Unearned revenue	-	-	396,548	396,548
<b>Total liabilities</b>	<b>3,239</b>	<b>64,441</b>	<b>396,548</b>	<b>464,228</b>
<b>Fund equity</b>				
Fund balances				
Restricted				
Library trust	447,270	-	-	447,270
Local option gas tax	-	14,638	-	14,638
HUD	-	-	56,619	56,619
<b>Total fund equity</b>	<b>447,270</b>	<b>14,638</b>	<b>56,619</b>	<b>518,527</b>
<b>Total liabilities and fund equity</b>	<b>\$ 450,509</b>	<b>\$ 79,079</b>	<b>\$ 453,167</b>	<b>\$ 982,755</b>

See independent auditor's report

**City of Apalachicola, Florida**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Nonmajor Governmental Funds**

Year Ended September 30, 2014	Library	Local Option Gas Tax	HUD Revolving Loans Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Taxes	\$ -	\$ 48,748	\$ -	\$ 48,748
Investment earnings and other	26,195	130	28,654	54,979
<b>Total revenues</b>	<b>26,195</b>	<b>48,878</b>	<b>28,654</b>	<b>103,727</b>
<b>Expenditures</b>				
Current operating				
Economic environment	-	-	30	30
Culture and recreation	50,974	-	-	50,974
Capital outlay				
Economic environment	-	-	107,098	107,098
Culture and recreation	2,553	-	-	2,553
<b>Total expenditures</b>	<b>53,527</b>	<b>-</b>	<b>107,128</b>	<b>160,655</b>
<b>Excess (deficit) of revenues over (under) expenditures</b>	<b>(27,332)</b>	<b>48,878</b>	<b>(78,474)</b>	<b>(56,928)</b>
<b>Other financing sources (uses)</b>				
Transfers out	-	(76,137)	-	(76,137)
Transfers in	31,000	-	-	31,000
<b>Total other financing sources (uses)</b>	<b>31,000</b>	<b>(76,137)</b>	<b>-</b>	<b>(45,137)</b>
<b>Net change in fund balances</b>	<b>3,668</b>	<b>(27,259)</b>	<b>(78,474)</b>	<b>(102,065)</b>
<b>Fund balances - beginning</b>	<b>443,602</b>	<b>41,897</b>	<b>135,093</b>	<b>620,592</b>
<b>Fund balances - ending</b>	<b>\$ 447,270</b>	<b>\$ 14,638</b>	<b>\$ 56,619</b>	<b>\$ 518,527</b>

See independent auditor's report

## **Compliance Section**

**INDEPENDENT AUDITOR’S MANAGEMENT LETTER**

Honorable Mayor and  
Members of the City Commission  
City of Apalachicola, Florida

**Report on the Financial Statements**

We have audited the financial statements of the City of Apalachicola, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated June 17, 2015.

**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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

**Other Reports and Schedule**

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*; Independent Auditor’s Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 17, 2015, 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 in the preceding annual financial report except as noted below under the heading Prior Year Findings and Recommendations.

**Prior Year Findings and Recommendations**

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2012-13 FY Finding #	2011-12 FY Finding #
14-01	13-02	12-02
14-02	13-03	12-03

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Apalachicola, Florida was established by Chapter 37-18432, Laws of Florida. There were no component units of the City.

### **Financial Condition**

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

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

### **Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Apalachicola, Florida for the fiscal year ended September 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2014. In connection with our audit, we determined that these two reports were in agreement.

### **Other Matters**

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

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

### **Purpose of this Letter**

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

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

Certified Public Accountants  
Panama City Beach, Florida  
June 17, 2015



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

**INDEPENDENT ACCOUNTANT'S REPORT**

Carr, Riggs & Ingram, LLC  
14101 Panama City Beach Parkway  
Suite 200  
Panama City Beach, FL 32413

(850) 784-6733  
(850) 784-4866 (fax)  
[www.cricpa.com](http://www.cricpa.com)

Honorable Mayor and  
Members of the City Commission  
City of Apalachicola, Florida

We have examined the City of Apalachicola, Florida's compliance with the requirements of Section 218.415, Florida Statutes, Local Government Investment Policies, during the year ended September 30, 2014. Management is responsible for the City of Apalachicola, Florida's compliance with those requirements. Our responsibility is to express an opinion on the City of Apalachicola, Florida'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 of Apalachicola, Florida'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 of Apalachicola, Florida's compliance with specified requirements.

In our opinion, the City of Apalachicola, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

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

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

Certified Public Accountants  
Panama City Beach, Florida  
June 17, 2015



**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***

Honorable Mayor and  
Members of the City Commission  
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, the business-type activities, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 17, 2015.

**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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*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 findings 14-01 and 14-02 listed on the accompanying schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting.

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.

### **Compliance and Other Matters**

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

### **City of Apalachicola, Florida's Responses to Findings**

The City of Apalachicola, Florida's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

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

Certified Public Accountants  
Panama City Beach, Florida  
June 17, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor and  
Members of the City Commission  
City of Apalachicola, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited the City of Apalachicola, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2014. The City of Apalachicola, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550, *State of Florida's Rules of the Auditor General*. Those standards, OMB Circular A-133, and Chapter 10.550, *State of Florida's Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

## Opinion on Each Major Federal Program and State Project

In our opinion, the City of Apalachicola, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014.

## Report on Internal Control over Compliance

Management of the City of Apalachicola, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Apalachicola, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *State of Florida Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Apalachicola, Florida's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *State of Florida Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

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

Certified Public Accountants  
Panama City Beach, Florida  
June 17, 2015

**City of Apalachicola, Florida**  
**Schedule of Expenditures of Federal Awards**  
**And State Financial Assistance**

**Year Ended September 30, 2014**

<b>Federal Agency Pass through entity</b>	<b>CFDA No.</b>	<b>Contract/Grant No.</b>	<b>Expenditures</b>
<b>Federal Awards</b>			
<b>U.S. Department of Commerce</b>			
Economic Adjustment Assistance	11.307	04-79-06355	\$ 1,370,526
Total U.S. Department of Commerce			1,370,526
<b>U.S. Department of Housing and Urban Development</b>			
Passed though the Florida Department of Economic Opportunity			
Community Development Block Grants	14.228	11DB-4N-02-29-02-E12	147,032
Community Development Block Grants	14.228	11DB-C5-02-29-02-C05	369,255
Total U.S. Department of Housing and Urban Development			516,287
<b>U.S. Department of Education</b>			
Passed though the Florida Department of Education			
Twenty-First Century Community Learning Centers	84.287	19A-2443A-4CCC1	360,894
Twenty-First Century Community Learning Centers	84.287	19A-2445B-5CCC1	10,098
Total U.S. Department of Education			370,992
<b>U.S. Department of Homeland Security</b>			
Passed though the Executive Office of the Governor			
Disaster Grant - Public Assistance	97.036	12-DB-00-02-29-01-500	144,562
Total U.S. Department of Homeland Security			144,562
Total expenditures of federal awards			\$ 2,402,367

(Continued)

**City of Apalachicola, Florida**  
**Schedule of Expenditures of Federal Awards**  
**And State Financial Assistance (Continued)**

**Year Ended September 30, 2014**

<b>State Agency Pass through entity</b>	<b>CSFA No.</b>	<b>Contract/Grant No.</b>	<b>Expenditures</b>
<b><u>State Financial Assistance</u></b>			
<b>Florida Department of Environmental Protection</b>			
Water Management District - Land Acquisition and Improvement	37.022	14-014	\$ 107,000
Water Management District - Land Acquisition and Improvement	37.022	13-022	53,612
Statewide Surface Water Restoration and Wastewater Projects	37.039	13-022	225,467
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP19030	798,859
Total Florida Department of Environmental Protection			1,184,938
<b>Florida Department of Transportation</b>			
State Highway Project Reimbursement	55.023	416533-85-58-34	43,955
Total Florida Department of Transportation			43,955
Total expenditures of state financial assistance			\$ 1,228,893

Note:

- (1) Basis of Presentation: The schedule of expenditures of federal awards and state financial assistance represents amounts expended from federal programs and state projects during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the schedule have been reconciled to and are in material agreement with amounts recorded in the City's accounting records from which the basic financial statements have been reported.

**City of Apalachicola, Florida**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2014**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards and State Financial Assistance

Internal control over major programs		
Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major programs	Unmodified	
Any audit findings disclosed that are required to be reporting in accordance with Circular A-133, Section .510(a) or Section 10.557, Rules of the Auditor General?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major programs:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Project</u>
11.307	Economic Adjustment Assistance
37.039	Statewide Surface Water Restoration and Wastewater Projects

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low risk auditee for federal awards testing?  yes  no

(Continued)

**City of Apalachicola, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2014**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

14-01 Segregation of Duties (prior year 13-02 and 12-02) (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 clerk 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.

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 due to the size of the City.

Management's response: 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.

14-02 Significant Adjustments to the Financial Records (prior year 13-03 and 12-03) (Initially reported in 2007)

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

Effect: The auditor 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 proposed audit adjustments that have been required.

Management's response: While we have determined that 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 proposed adjustments.


**SECTION III – FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS**

There were no findings.

**SECTION IIV – FINDINGS AND QUESTIONED COSTS – STATE FINANCIAL ASSISTANCE PROJECTS**

There were no findings.





**City of Apalachicola, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2014**

**SECTION V – OTHER ISSUES**

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to federal programs or state financial assistance projects.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Audit Act.