

# City of Apalachicola, Florida

## Financial Statements

September 30, 2015



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**City of Apalachicola, Florida**  
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**September 30, 2015**

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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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As discussed in note 12 to the financial statements, effective for the 2014-2015 fiscal year, implementation of Government Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*, resulted in a change in accounting principle. This matter affects the comparability of amounts reported for the 2014-2015 fiscal year with the amounts reported for the 2013-2014 fiscal year. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 8, the schedule of funding progress for the retirees' health insurance other postemployment benefits plan on page 47, the schedule of employer contributions for the retirees' health insurance other postemployment benefits plan on page 47, the schedule of the City's proportionate share of the net pension liability – Florida Retirement System on page 48, the schedule of the City's contributions – Florida Retirement System on page 49, the schedule of the City's proportionate share of the net pension liability – Health Insurance Subsidy Program on page 50, and the schedule of the City's contributions – Health Insurance Subsidy Program on page 51, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Other 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 and the schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill 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 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 is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill, and the schedule of expenditures of federal awards 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, the schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill, 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 August 1, 2016, 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, 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.

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

Certified Public Accountants  
Panama City Beach, Florida  
August 1, 2016

## **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 \$38,548,204 (net position). Of this amount, a deficit of \$7,029 is unrestricted net position for governmental activities, a deficit of \$296,934 is unrestricted net position for business-type activities, \$644,197 is restricted net position for governmental activities, and \$593,941 is restricted net position for business-type activities.
- Total net position decreased by \$670,078. Of this amount, an increase of \$442,260 is attributable to governmental activities and a decrease of \$1,112,338 is attributable to business-type activities.
- As of September 30, 2015, the general fund's unassigned fund balance was \$122,902 or 3% of total general fund expenditures.
- Governmental activities revenues decreased to \$4,862,916 or 4%, while governmental activities expenses increased 6% to \$3,541,186. Business-type activities revenues decreased to \$1,805,098 or 29%, while business-type activities expenses increased 1% to \$2,652,079.

### 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 basic 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 basic 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 from year to year 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, 2015 and 2014. The City is able to report positive balances in all categories of total net position except unrestricted which shows a deficit balance resulting from the implementation of GASB 68. See note 12 for more information.

#### Statements of Net Position

| September 30,                    | Governmental<br>Activities |                      | Business-type<br>Activities |                      | Total                |                      |
|----------------------------------|----------------------------|----------------------|-----------------------------|----------------------|----------------------|----------------------|
|                                  | 2015                       | 2014                 | 2015                        | 2014                 | 2015                 | 2014                 |
| Current and other assets         | \$ 2,007,301               | \$ 2,421,074         | \$ 232,413                  | \$ 367,955           | \$ 2,239,714         | \$ 2,789,029         |
| Noncurrent assets                | 21,306,446                 | 20,458,608           | 24,844,803                  | 25,948,244           | 46,151,249           | 46,406,852           |
| Other assets                     | -                          | -                    | -                           | 5,620                | -                    | 5,620                |
| <b>Total assets</b>              | <b>23,313,747</b>          | <b>22,879,682</b>    | <b>25,077,216</b>           | <b>26,321,819</b>    | <b>48,390,963</b>    | <b>49,201,501</b>    |
| Deferred outflows of resources   | 290,905                    | -                    | 96,968                      | -                    | 387,873              | -                    |
| Current liabilities              | 362,424                    | 1,063,005            | 781,267                     | 781,027              | 1,143,691            | 1,844,032            |
| Noncurrent liabilities           | 1,639,939                  | 859,448              | 7,010,530                   | 7,155,185            | 8,650,469            | 8,014,633            |
| <b>Total liabilities</b>         | <b>2,002,363</b>           | <b>1,922,453</b>     | <b>7,791,797</b>            | <b>7,936,212</b>     | <b>9,794,160</b>     | <b>9,858,665</b>     |
| Deferred inflows of resources    | 327,354                    | 124,554              | 109,118                     | -                    | 436,472              | 124,554              |
| Net position                     |                            |                      |                             |                      |                      |                      |
| Net investment in capital assets | 20,637,767                 | 19,772,789           | 16,976,262                  | 17,451,715           | 37,614,029           | 37,224,504           |
| Restricted                       | 644,197                    | 574,502              | 593,941                     | 832,378              | 1,238,138            | 1,406,880            |
| Unrestricted                     | (7,029)                    | 485,384              | (296,934)                   | 101,514              | (303,963)            | 586,898              |
| <b>Total net position</b>        | <b>\$ 21,274,935</b>       | <b>\$ 20,832,675</b> | <b>\$ 17,273,269</b>        | <b>\$ 18,385,607</b> | <b>\$ 38,548,204</b> | <b>\$ 39,218,282</b> |

## Statement of Activities

The following schedule provides a summary of the changes in net position for the years ended September 30, 2015 and 2014.

### Statements of Activities

|                                     | Governmental<br>Activities |                     | Business-type<br>Activities |                     | Total             |                     |
|-------------------------------------|----------------------------|---------------------|-----------------------------|---------------------|-------------------|---------------------|
| Years Ended September 30,           | 2015                       | 2014                | 2015                        | 2014                | 2015              | 2014                |
| <b>Program revenues</b>             |                            |                     |                             |                     |                   |                     |
| Charges for services                | \$ 283,803                 | \$ 195,707          | \$ 1,935,474                | \$ 1,840,370        | \$ 2,219,277      | \$ 2,036,077        |
| Operating grants/contributions      | 603,451                    | 609,446             | -                           | -                   | 603,451           | 609,446             |
| Capital grants/contributions        | 1,011,959                  | 2,316,858           | -                           | 798,859             | 1,011,959         | 3,115,717           |
| <b>General revenues</b>             |                            |                     |                             |                     |                   |                     |
| Property taxes                      | 1,137,302                  | 1,110,794           | -                           | -                   | 1,137,302         | 1,110,794           |
| Local option gas tax                | 53,774                     | 54,836              | -                           | -                   | 53,774            | 54,836              |
| Franchise and utility tax           | 161,274                    | 157,706             | -                           | -                   | 161,274           | 157,706             |
| Local business tax                  | 32,618                     | 34,205              | -                           | -                   | 32,618            | 34,205              |
| Sales tax and other shared revenues | 267,635                    | 251,177             | -                           | -                   | 267,635           | 251,177             |
| Investment earnings                 | 19,209                     | 19,759              | 3,124                       | 2,534               | 22,333            | 22,293              |
| Miscellaneous                       | 1,158,391                  | 205,657             | -                           | -                   | 1,158,391         | 205,657             |
| Transfers                           | 133,500                    | 110,000             | (133,500)                   | (110,000)           | -                 | -                   |
| <b>Total revenues and transfers</b> | <b>4,862,916</b>           | <b>5,066,145</b>    | <b>1,805,098</b>            | <b>2,531,763</b>    | <b>6,668,014</b>  | <b>7,597,908</b>    |
| <b>Expenses</b>                     |                            |                     |                             |                     |                   |                     |
| General government                  | 1,307,542                  | 1,065,537           | -                           | -                   | 1,307,542         | 1,065,537           |
| Public safety                       | 706,564                    | 788,920             | -                           | -                   | 706,564           | 788,920             |
| Transportation                      | 637,740                    | 700,659             | -                           | -                   | 637,740           | 700,659             |
| Economic environment                | 11,897                     | 30                  | -                           | -                   | 11,897            | 30                  |
| Culture and recreation              | 877,443                    | 801,414             | -                           | -                   | 877,443           | 801,414             |
| Water                               | -                          | -                   | 515,889                     | 470,277             | 515,889           | 470,277             |
| Sewer                               | -                          | -                   | 1,653,989                   | 1,732,860           | 1,653,989         | 1,732,860           |
| Garbage                             | -                          | -                   | 370,710                     | 370,774             | 370,710           | 370,774             |
| Mooring                             | -                          | -                   | 111,491                     | 60,708              | 111,491           | 60,708              |
| <b>Total expenses</b>               | <b>3,541,186</b>           | <b>3,356,560</b>    | <b>2,652,079</b>            | <b>2,634,619</b>    | <b>6,193,265</b>  | <b>5,991,179</b>    |
| <b>Change in net position</b>       | <b>\$ 1,321,730</b>        | <b>\$ 1,709,585</b> | <b>\$ (846,981)</b>         | <b>\$ (102,856)</b> | <b>\$ 474,749</b> | <b>\$ 1,606,729</b> |

## Financial Analysis of the City's Funds

### Analysis of Government-wide Financial Statements

Approximately ninety-eight percent (98%) 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. \$1,238,138 of the City's net position is subject to external restrictions on how they may be used. The balance of unrestricted net position may be used to help meet the City's ongoing obligations to citizens and creditors. As of year end, the balance in

unrestricted net position is a deficit of \$303,963. The implementation of GASB 68 resulted in a deficit of unrestricted net assets due to the requirement to recognize net pension liability and the related deferred inflows and deferred outflows of resources.

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

For the year ended September 30, 2015, actual revenues were less than anticipated by \$2,610,483 and actual expenditures were less than anticipated by \$2,735,172. 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, 2015, the City's total net investment in capital assets for its governmental activities was \$20,637,767 and for its business-type activities was \$16,976,262 for a total investment of \$37,614,029. 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, 2015, the City has a total long-term debt amount outstanding of \$9,196,797. Additional information on the City's long-term debt can be found in the notes to the financial statements.

#### **Other Significant Matters**

During the 2014-2015 fiscal year, the City property values started to show a slight increase which resulted in a slight increase in Ad Valorem taxes. The Franklin County TDC has increased marketing efforts for this area, resulting in a slight increase in sales tax receipts. The City's receipts in other taxes, licenses, and services remains fairly consistent compared to previous years, showing a slight increase in some of those areas. The City Commission continues to make efforts to keep expenses down, while exploring potential revenue sources to improve our self-sustainability efforts.

The City of Apalachicola continues to focus efforts to improve citywide infrastructure, and obtain recreational/cultural grants. The City is proud to have been awarded a grant through the State of Florida Division of Library and Information Services to build a new municipal library. With combined resources received from the grant, Key Estate funds, and fundraising efforts the library should be substantially completed by March 2017. Construction is now underway for the Water Quality/Stormwater Project. This project will address Highway 98/16<sup>th</sup> Street, Prado, and Avenue I outfalls and is scheduled for completion by March 2017. The CDBG Septic Tank Abatement, Bobby Cato Lift Station Upgrade, and Water System Improvements project will offer qualified citizens the opportunity to connect into the City sewer system and will also allow much needed upgrades for the Bobby Cato Lift Station. Construction should be completed early 2017. The City secured permitting for the installation of a Filtronic filtration unit and granular activated carbon vessels at our water treatment plant. Due to the high cost of maintenance of the carbon system, the City has opted to install a mixer and aerator in the ground storage tank to address the Trihalomethan issue. The City will also be converting from chlorine to bulk sodium hypochlorite at the wastewater treatment plant. The City received BP funding which will be used for various projects approved by the City Commission.

The City continues its work on 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 Administrator, City of Apalachicola, 1 Avenue E, Apalachicola, Florida 32320.

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

**Primary Government**

| <b>September 30, 2015</b>                   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>      |
|---|------------------------------------|-------------------------------------|-------------------|
| <b>Assets</b>                               |                                    |                                     |                   |
| Cash and cash equivalents                   | \$ 1,397,142                       | \$ 49,488                           | \$ 1,446,630      |
| Investments                                 | 108,680                            | 2,125                               | 110,805           |
| Receivables, net                            |                                    |                                     |                   |
| Accounts                                    | 75,785                             | 123,827                             | 199,612           |
| Notes                                       | 384,680                            | -                                   | 384,680           |
| Prepays                                     | 29,118                             | 29,173                              | 58,291            |
| Due from other governmental units           | 11,896                             | 27,800                              | 39,696            |
| Restricted assets                           |                                    |                                     |                   |
| Cash and cash equivalents                   | -                                  | 392,111                             | 392,111           |
| Investments                                 | -                                  | 391,727                             | 391,727           |
| Interest receivable                         | -                                  | 1,002                               | 1,002             |
| Capital assets                              |                                    |                                     |                   |
| Nondepreciable                              | 10,398,552                         | 390,857                             | 10,789,409        |
| Depreciable, net                            | 10,907,894                         | 23,669,106                          | 34,577,000        |
| <b>Total assets</b>                         | <b>23,313,747</b>                  | <b>25,077,216</b>                   | <b>48,390,963</b> |
| <b>Deferred outflows of resources</b>       |                                    |                                     |                   |
| Deferred outflows - pension                 | 290,905                            | 96,968                              | 387,873           |
| <b>Total deferred outflows of resources</b> | <b>290,905</b>                     | <b>96,968</b>                       | <b>387,873</b>    |
| <b>Liabilities</b>                          |                                    |                                     |                   |
| Accounts payable                            | 105,462                            | 65,224                              | 170,686           |
| Accrued payroll                             | 32,264                             | 5,157                               | 37,421            |
| Internal balances                           | (54,843)                           | 54,843                              | -                 |
| Unearned revenue                            | 9,039                              | -                                   | 9,039             |
| Long-term liabilities                       |                                    |                                     |                   |
| Customer deposits                           | -                                  | 190,899                             | 190,899           |
| Due within one year                         |                                    |                                     |                   |
| Lines of credit                             | 142,199                            | -                                   | 142,199           |
| Accrued interest payable                    | -                                  | 47,119                              | 47,119            |
| Notes payable                               | 65,588                             | 322,498                             | 388,086           |
| Bonds payable                               | 12,000                             | 89,000                              | 101,000           |
| Compensated absences                        | 50,715                             | 6,527                               | 57,242            |

(Continued)

See accompanying notes

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

| September 30, 2015                   | Primary Government         |                             |               |
|--------------------------------------|----------------------------|-----------------------------|---------------|
|                                      | Governmental<br>Activities | Business-type<br>Activities | Total         |
| Due in more than one year            |                            |                             |               |
| Compensated absences                 | \$ 101,429                 | \$ 13,054                   | \$ 114,483    |
| Other postemployment benefits        | 159,465                    | 62,621                      | 222,086       |
| Net pension liability                | 787,954                    | 262,652                     | 1,050,606     |
| Notes payable                        | 148,591                    | 3,847,851                   | 3,996,442     |
| Bonds payable                        | 442,500                    | 2,824,352                   | 3,266,852     |
| Total liabilities                    | 2,002,363                  | 7,791,797                   | 9,794,160     |
| <b>Deferred inflows of resources</b> |                            |                             |               |
| Deferred inflows - pension           | 327,354                    | 109,118                     | 436,472       |
| Total deferred inflows of resources  | 327,354                    | 109,118                     | 436,472       |
| <b>Net position</b>                  |                            |                             |               |
| Net investment in capital assets     | 20,637,767                 | 16,976,262                  | 37,614,029    |
| Restricted                           |                            |                             |               |
| Debt service                         | 17,791                     | 398,363                     | 416,154       |
| Renewal and replacement              | -                          | 195,578                     | 195,578       |
| Other purposes                       | 626,406                    | -                           | 626,406       |
| Unrestricted                         | (7,029)                    | (296,934)                   | (303,963)     |
| Total net position                   | \$ 21,274,935              | \$ 17,273,269               | \$ 38,548,204 |

See accompanying notes

# City of Apalachicola, Florida

## Statement of Activities

Net (Expenses) Revenues and Changes in Net Position

| Year Ended September 30, 2015                           | Program Revenues |                      |                                    | Primary Government               |                         |                          |
|---|------------------|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|
|   | Expenses         | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities |
| <b>Functions/Programs</b>                               |                  |                      |                                    |                                  |                         |                          |
| <b>Primary Government</b>                               |                  |                      |                                    |                                  |                         |                          |
| Governmental activities                                 |                  |                      |                                    |                                  |                         |                          |
| General government                                      | \$ 1,307,542     | \$ 273,225           | \$ 30,000                          | \$ 933,774                       | \$ (70,543)             | \$ -                     |
| Public safety   | 706,564          | 10,578               | 38,535                             | -                                | (657,451)               | -                        |
| Transportation  | 637,740          | -                    | -                                  | 78,185                           | (559,555)               | -                        |
| Economic environment                                    | 11,897           | -                    | -                                  | -                                | (11,897)                | -                        |
| Culture and recreation                                  | 877,443          | -                    | 534,916                            | -                                | (342,527)               | -                        |
| Total governmental activities                           | 3,541,186        | 283,803              | 603,451                            | 1,011,959                        | (1,641,973)             | -                        |
| <b>Business-type activities</b>                         |                  |                      |                                    |                                  |                         |                          |
| Water, sewer, garbage and mooring                       | 2,652,079        | 1,935,474            | -                                  | -                                | -                       | (716,605)                |
| Total primary government                                | \$ 6,193,265     | \$ 2,219,277         | \$ 603,451                         | \$ 1,011,959                     | (1,641,973)             | (716,605)                |
| <b>General revenues</b>                                 |                  |                      |                                    |                                  |                         |                          |
| Taxes   |                  |                      |                                    |                                  |                         |                          |
| Property taxes  |                  |                      |                                    |                                  | 1,137,302               | -                        |
| Local option taxes                                      |                  |                      |                                    |                                  | 53,774                  | -                        |
| Franchise and utility service tax                       |                  |                      |                                    |                                  | 161,274                 | -                        |
| Local business tax                                      |                  |                      |                                    |                                  | 32,618                  | -                        |
| Sales tax and other shared revenues                     |                  |                      |                                    |                                  | 267,635                 | -                        |
| Miscellaneous   |                  |                      |                                    |                                  | 1,158,391               | -                        |
| Investment earnings                                     |                  |                      |                                    |                                  | 19,209                  | 3,124                    |
| Total general revenues                                  |                  |                      |                                    |                                  | 2,830,203               | 3,124                    |
| Transfers   |                  |                      |                                    |                                  | 133,500                 | (133,500)                |
| Total general revenues and transfers                    |                  |                      |                                    |                                  | 2,963,703               | (130,376)                |
| Change in net position                                  |                  |                      |                                    |                                  | 1,321,730               | (846,981)                |
| Net position - beginning of year (as originally stated) |                  |                      |                                    |                                  | 20,832,675              | 18,385,607               |
| Restatement adjustment/prior period adjustment          |                  |                      |                                    |                                  | (879,470)               | (265,357)                |
| Net position - beginning (as restated)                  |                  |                      |                                    |                                  | 19,953,205              | 18,120,250               |
| Net position - end of year                              |                  |                      |                                    |                                  | \$ 21,274,935           | \$ 17,273,269            |
|   |                  |                      |                                    |                                  |                         | \$ 38,548,204            |

See accompanying notes

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

| September 30, 2015   | General<br>Fund     | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|--------------------------------|--------------------------------|
| <b>Assets</b>  |                     |                                |                                |
| Cash and cash equivalents  | \$ 917,167          | \$ 479,975                     | \$ 1,397,142                   |
| Investments  | 2,898               | 105,782                        | 108,680                        |
| Due from other funds   | 55,359              | -                              | 55,359                         |
| Due from other governmental units  | 11,896              | -                              | 11,896                         |
| Accounts receivable, net   | 75,785              | -                              | 75,785                         |
| Prepays  | 29,118              | -                              | 29,118                         |
| Notes receivable   | -                   | 384,680                        | 384,680                        |
| <b>Total assets</b>  | <b>\$ 1,092,223</b> | <b>\$ 970,437</b>              | <b>2,062,660</b>               |
| <b>Liabilities</b>   |                     |                                |                                |
| Accounts payable   | \$ 104,706          | \$ 756                         | 105,462                        |
| Accrued payroll  | 32,264              | -                              | 32,264                         |
| Due to other funds   | -                   | 516                            | 516                            |
| Unearned revenue   | 9,039               | 384,680                        | 393,719                        |
| <b>Total liabilities</b>   | <b>146,009</b>      | <b>385,952</b>                 | <b>531,961</b>                 |
| <b>Fund balance</b>  |                     |                                |                                |
| Nonspendable   |                     |                                |                                |
| Prepays  | 29,118              | -                              | 29,118                         |
| Restricted   |                     |                                |                                |
| Library trust  | -                   | 430,209                        | 430,209                        |
| Raney house  | 8,797               | -                              | 8,797                          |
| Ballfield for reuse project  | 33,124              | -                              | 33,124                         |
| Local option gas tax   | -                   | 60,707                         | 60,707                         |
| HUD  | -                   | 93,569                         | 93,569                         |
| Debt service   | 17,791              | -                              | 17,791                         |
| Assigned   | 734,482             | -                              | 734,482                        |
| Unassigned   | 122,902             | -                              | 122,902                        |
| <b>Total fund balance</b>  | <b>946,214</b>      | <b>584,485</b>                 | <b>1,530,699</b>               |
| <b>Total liabilities and fund balances</b>   | <b>\$ 1,092,223</b> | <b>\$ 970,437</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.           |                     |                                | 21,306,446                     |
| Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.                  |                     |                                | (1,910,441)                    |
| Deferred outflows and inflows of resources are not financial resources or liabilities and therefore are not reported in the funds. |                     |                                | (36,449)                       |
| Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.          |                     |                                | 384,680                        |
| <b>Net position of governmental activities</b>   |                     |                                | <b>\$ 21,274,935</b>           |

See accompanying notes



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

| <b>Year Ended September 30, 2015</b>                              | <b>General<br/>Fund</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|---|---|
| <b>Revenues</b>   |                         |   |   |
| Taxes   | \$ 1,331,194            | \$ 53,774                               | \$ 1,384,968                            |
| Licenses and permits  | 160,574                 | -                                       | 160,574                                 |
| Intergovernmental   | 1,880,045               | -                                       | 1,880,045                               |
| Charges for services  | 112,651                 | -                                       | 112,651                                 |
| Fines and forfeitures   | 10,578                  | -                                       | 10,578                                  |
| Investment earnings and other                                     | 1,141,968               | 50,499                                  | 1,192,467                               |
| <b>Total revenues</b>   | <b>4,637,010</b>        | <b>104,273</b>                          | <b>4,741,283</b>                        |
| <b>Expenditures</b>   |                         |   |   |
| Current operating   |                         |   |   |
| General government  | 1,275,730               | -                                       | 1,275,730                               |
| Public safety   | 588,736                 | -                                       | 588,736                                 |
| Transportation  | 513,676                 | -                                       | 513,676                                 |
| Economic environment  | -                       | 3,189                                   | 3,189                                   |
| Culture and recreation  | 668,763                 | 14,091                                  | 682,854                                 |
| Capital outlay  |                         |   |   |
| General government  | 1,099,260               | -                                       | 1,099,260                               |
| Public safety   | 38,957                  | -                                       | 38,957                                  |
| Transportation  | 64,301                  | -                                       | 64,301                                  |
| Economic environment  | -                       | 83,490                                  | 83,490                                  |
| Culture and recreation  | 1,962                   | 24,678                                  | 26,640                                  |
| Debt service  | 378,592                 | 8,708                                   | 387,300                                 |
| <b>Total expenditures</b>   | <b>4,629,977</b>        | <b>134,156</b>                          | <b>4,764,133</b>                        |
| <b>Excess (deficit) of revenues over<br/>(under) expenditures</b> | <b>7,033</b>            | <b>(29,883)</b>                         | <b>(22,850)</b>                         |
| <b>Other financing sources (uses)</b>                             |                         |   |   |
| Transfers in  | 141,335                 | 103,676                                 | 245,011                                 |
| Transfers out   | (103,676)               | (7,835)                                 | (111,511)                               |
| Debt issuance   | 70,373                  | -                                       | 70,373                                  |
| <b>Total other financing sources (uses)</b>                       | <b>108,032</b>          | <b>95,841</b>                           | <b>203,873</b>                          |
| <b>Net change in fund balances</b>                                | <b>115,065</b>          | <b>65,958</b>                           | <b>181,023</b>                          |
| <b>Fund balances - beginning</b>                                  | <b>831,149</b>          | <b>518,527</b>                          | <b>1,349,676</b>                        |
| <b>Fund balances - ending</b>                                     | <b>\$ 946,214</b>       | <b>\$ 584,485</b>                       | <b>\$ 1,530,699</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, 2015**

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

|   |                     |
|---|---------------------|
| Net change in fund balances - total governmental funds  | \$ 181,023          |
| Capital outlay, reported as expenditures in governmental funds, are shown<br>as capital assets in the statement of activities.  | 1,312,648           |
| Depreciation expense on governmental capital assets is included in the<br>governmental activities in the statement of activities.   | (464,810)           |
| Proceeds from debt is reported as revenue in the governmental funds<br>but as an increase in long-term liabilities in the statement of net position.  | (70,373)            |
| Repayment of long-term debt is reported as an expenditure in governmental<br>funds but as a reduction of long-term liabilities in the statement of<br>net position.   | 348,721             |
| Some expenses reported in the statement of activities do not require the use of<br>current financial resources and, therefore, are not reported as expenditures in<br>governmental funds (i.e. compensated absences, accrued interest, other<br>postemployment benefits, net pension liability, and the related<br>deferred outflows and inflows of resources). | 26,389              |
| Expenditures for revolving loans issued and revenue for loan repayments<br>are reported in the governmental funds, and recorded through notes<br>receivable activity in the statement of net position.  | (11,868)            |
| Change in net position of governmental activities   | <u>\$ 1,321,730</u> |

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, 2015                                     | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|-------------------|-------------------|---|
|   | Original          | Final             |                   |   |
| <b>Revenues</b>   |                   |                   |                   |   |
| Taxes   | \$ 1,373,050      | \$ 1,408,844      | \$ 1,331,194      | \$ (77,650)   |
| Licenses and permits  | 155,000           | 162,636           | 160,574           | (2,062)   |
| Intergovernmental   | 274,075           | 2,461,201         | 1,880,045         | (581,156)   |
| Charges for services  | -                 | 2,351,501         | 112,651           | (2,238,850)   |
| Fines and forfeitures   | 1,200             | 9,350             | 10,578            | 1,228   |
| Investment earnings and other                                     | 75,500            | 840,103           | 1,141,968         | 301,865   |
| <b>Total revenues</b>   | <b>1,878,825</b>  | <b>7,233,635</b>  | <b>4,637,010</b>  | <b>(2,596,625)</b>                                      |
| <b>Expenditures</b>   |                   |                   |                   |   |
| Current operating   |                   |                   |                   |   |
| General government  | 608,006           | 3,950,733         | 1,275,730         | 2,675,003   |
| Public safety   | 617,875           | 587,335           | 588,736           | (1,401)   |
| Transportation  | 542,323           | 905,907           | 513,676           | 392,231   |
| Culture and recreation  | 96,277            | 633,759           | 668,763           | (35,004)  |
| Capital outlay  |                   |                   |                   |   |
| General government  | 3,000             | 1,177,312         | 1,099,260         | 78,052  |
| Public safety   | 17,000            | 15,193            | 38,957            | (23,764)  |
| Transportation  | 6,000             | 14,420            | 64,301            | (49,881)  |
| Culture and recreation  | 2,000             | 1,962             | 1,962             | -   |
| Debt service  | 88,100            | 78,528            | 378,592           | (300,064)   |
| <b>Total expenditures</b>   | <b>1,980,581</b>  | <b>7,365,149</b>  | <b>4,629,977</b>  | <b>2,735,172</b>  |
| <b>Excess (deficit) of revenues over<br/>(under) expenditures</b> | <b>(101,756)</b>  | <b>(131,514)</b>  | <b>7,033</b>      | <b>138,547</b>  |
| <b>Other financing sources (uses)</b>                             |                   |                   |                   |   |
| Transfers in  | 122,200           | 121,890           | 141,335           | 19,445  |
| Transfers out   | -                 | -                 | (103,676)         | (103,676)   |
| Debt issuance   | -                 | -                 | 70,373            | 70,373  |
| <b>Total other financing sources (uses)</b>                       | <b>122,200</b>    | <b>121,890</b>    | <b>108,032</b>    | <b>(13,858)</b>   |
| <b>Net change in fund balance</b>                                 | <b>20,444</b>     | <b>(9,624)</b>    | <b>115,065</b>    | <b>124,689</b>  |
| <b>Fund balance - beginning</b>                                   | <b>831,149</b>    | <b>831,149</b>    | <b>831,149</b>    | <b>-</b>  |
| <b>Fund balance - ending</b>                                      | <b>\$ 851,593</b> | <b>\$ 821,525</b> | <b>\$ 946,214</b> | <b>\$ 124,689</b>                                       |

See accompanying notes

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

|  | Business-type Activities   |
|--|----------------------------|
|  | Water and<br>Sewer<br>Fund |
| <b>September 30, 2015</b>                |                            |
| <b>Assets</b>                            |                            |
| Current assets                           |                            |
| Cash and cash equivalents                | \$ 49,488                  |
| Investments                              | 2,125                      |
| Accounts receivable, net                 | 123,827                    |
| Due from other governmental units        | 27,800                     |
| Prepaid expenses                         | 29,173                     |
| <b>Total current assets</b>              | <b>232,413</b>             |
| Noncurrent assets                        |                            |
| Restricted assets                        |                            |
| Cash and cash equivalents                |                            |
| Revenue bonds                            | 201,212                    |
| Customer deposits                        | 190,899                    |
| Interest receivable                      | 1,002                      |
| Investments                              |                            |
| State revolving loan escrow              | 391,727                    |
| <b>Total restricted assets</b>           | <b>784,840</b>             |
| Property, plant and equipment            |                            |
| Property, plant and equipment            | 36,773,120                 |
| Accumulated depreciation                 | (12,713,157)               |
| <b>Net property, plant and equipment</b> | <b>24,059,963</b>          |
| <b>Total noncurrent assets</b>           | <b>24,844,803</b>          |
| <b>Total assets</b>                      | <b>25,077,216</b>          |
| <b>Deferred outflows of resources</b>    | <b>96,968</b>              |

(Continued)

See accompanying notes

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

|                                      | Business-type Activities   |
|--------------------------------------|----------------------------|
| September 30, 2015                   | Water and<br>Sewer<br>Fund |
| <b>Liabilities</b>                   |                            |
| Current liabilities                  |                            |
| Accounts payable                     | \$ 65,224                  |
| Accrued payroll                      | 5,157                      |
| Accrued interest                     | 47,119                     |
| Due to other funds                   | 54,843                     |
| Bonds payable - current              | 89,000                     |
| Notes payable - current              | 322,498                    |
| Compensated absences                 | 6,527                      |
| Total current liabilities            | 590,368                    |
| Noncurrent liabilities               |                            |
| Customer deposits                    | 190,899                    |
| Bonds payable                        | 2,824,352                  |
| Notes payable                        | 3,847,851                  |
| Net pension liability                | 262,652                    |
| Other postemployment benefits        | 62,621                     |
| Compensated absences                 | 13,054                     |
| Total noncurrent liabilities         | 7,201,429                  |
| Total liabilities                    | 7,791,797                  |
| <b>Deferred inflows of resources</b> | 109,118                    |
| <b>Net position</b>                  |                            |
| Net investment in capital assets     | 16,976,262                 |
| Restricted                           |                            |
| Debt service                         | 398,363                    |
| Renewal and replacement              | 195,578                    |
| Unrestricted                         | (296,934)                  |
| Total net position                   | \$ 17,273,269              |

See accompanying notes

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

|  | Business-type Activities   |
|--|----------------------------|
|  | Water and<br>Sewer<br>Fund |
| <b>Year Ended September 30, 2015</b>                   |                            |
| <b>Operating revenues</b>                              |                            |
| Utility billings                                       | \$ 1,807,507               |
| Tap fees   | 30,860                     |
| Mooring fees   | 78,864                     |
| Rental income  | 18,243                     |
| <b>Total operating revenues</b>                        | <b>1,935,474</b>           |
| <b>Operating expenses</b>                              |                            |
| Personal services                                      | 444,976                    |
| Garbage collection services                            | 370,710                    |
| Supplies, gas and oil                                  | 211,617                    |
| Communications   | 13,474                     |
| Utilities  | 187,641                    |
| Repairs and maintenance                                | 162,410                    |
| Insurance  | 81,986                     |
| Professional fees                                      | 12,282                     |
| Miscellaneous  | 19,197                     |
| Depreciation   | 905,420                    |
| <b>Total operating expenses</b>                        | <b>2,409,713</b>           |
| <b>Operating loss</b>                                  | <b>(474,239)</b>           |
| <b>Nonoperating revenues (expenses)</b>                |                            |
| Investment income                                      | 3,124                      |
| Interest expense/fees                                  | (242,366)                  |
| <b>Total nonoperating revenues (expenses)</b>          | <b>(239,242)</b>           |
| <b>Loss before contributions and transfers</b>         | <b>(713,481)</b>           |
| <b>Contributions and transfers</b>                     |                            |
| Transfers out  | (133,500)                  |
| <b>Total contributions and transfers</b>               | <b>(133,500)</b>           |
| <b>Change in net position</b>                          | <b>(846,981)</b>           |
| <b>Net position - beginning (as originally stated)</b> | <b>18,385,607</b>          |
| Restatement adjustment/prior period adjustment         | (265,357)                  |
| <b>Net position - beginning - restated</b>             | <b>18,120,250</b>          |
| <b>Net position - ending</b>                           | <b>\$ 17,273,269</b>       |

See accompanying notes

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

**Year Ended September 30, 2015**

**Business-type Activities**

**Operating activities**

|                                  |              |
|----------------------------------|--------------|
| Receipts from customers          | \$ 2,044,567 |
| Payments to suppliers and others | (1,259,708)  |
| Payments to employees            | (459,149)    |
| Interest paid on long-term debt  | (245,706)    |
| Interest received                | 5,162        |

|   |        |
|---|--------|
| Net cash provided by operating activities | 85,166 |
|---|--------|

**Noncapital financing activities**

|                                  |           |
|----------------------------------|-----------|
| Increase in due to other funds   | 54,843    |
| Decrease in due from other funds | 84,241    |
| Transfers out                    | (133,500) |

|  |       |
|--|-------|
| Net cash provided by noncapital financing activities | 5,584 |
|--|-------|

**Capital and related financing activities**

|   |           |
|---|-----------|
| Acquisition of capital assets                           | (5,626)   |
| Principal repayments of revenue bonds and notes payable | (396,541) |

|  |           |
|--|-----------|
| Net cash used by capital and related<br>financing activities | (402,167) |
|--|-----------|

**Investing activities**

|   |         |
|---|---------|
| Proceeds from sales and maturities of investments | 229,449 |
|---|---------|

|   |         |
|---|---------|
| Net cash provided by investing activities | 229,449 |
|---|---------|

|                                       |          |
|---------------------------------------|----------|
| Decrease in cash and cash equivalents | (81,968) |
|---------------------------------------|----------|

|                                       |         |
|---------------------------------------|---------|
| Cash and cash equivalents - beginning | 523,567 |
|---------------------------------------|---------|

|                                    |            |
|------------------------------------|------------|
| Cash and cash equivalents - ending | \$ 441,599 |
|------------------------------------|------------|

**Classified as**

|   |           |
|---|-----------|
| Current assets - cash and cash equivalents    | \$ 49,488 |
| Restricted assets - cash and cash equivalents | 392,111   |

|                                    |            |
|------------------------------------|------------|
| Cash and cash equivalents - ending | \$ 441,599 |
|------------------------------------|------------|

(Continued)

See accompanying notes

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

**Year Ended September 30, 2015**

**Business-type Activities**

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

|  |              |
|--|--------------|
| Loss before contributions and transfers  | \$ (713,481) |
| Adjustments to reconcile loss before contributions and<br>transfers to net cash provided by operating activities |              |
| Depreciation   | 905,420      |
| (Increase) decrease in assets  |              |
| Accounts receivable, net   | 3,244        |
| Prepaid expenses   | (20,769)     |
| Due from other governmental units  | 98,859       |
| Interest receivable  | 2,038        |
| Deposits   | 5,620        |
| (Increase) decrease in deferred outflows of resources  | (73,149)     |
| Increase (decrease) in liabilities   |              |
| Accounts payable   | (185,242)    |
| Accrued payroll  | 916          |
| Accrued interest   | (3,340)      |
| Compensated absences   | (2,777)      |
| Customer deposits  | 6,990        |
| Other postemployment benefits  | 6,043        |
| Net pension liability  | 88,826       |
| Increase (decrease) in deferred inflows of resources   | (34,032)     |

---

|   |           |
|---|-----------|
| Net cash provided by operating activities | \$ 85,166 |
|---|-----------|

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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 2,500 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 as well as docking facilities.

This report includes financial statements of the funds and activities 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.

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.

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

### 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, 2015, was \$142,013. Unbilled amounts are not recorded.

The allowance for the general fund as of September 30, 2015 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.

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

### 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, 2015, 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. The balance as of September 30, 2015 of \$29,118 consists of prepaids which is in a nonspendable form.

**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, 2015 of \$644,197 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, 2015.

**Assigned** – This category includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. The balance as of September 30, 2015 was \$734,482 for funds received from a BP oil spill settlement that had not been spent as of year end.

**Unassigned** – This category is the residual classification for the City's fund balances. The balance as of September 30, 2015 was \$122,902.

***Net position, deferred inflows of resources, and deferred outflows of resources***

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.

## City of Apalachicola, Florida

### Notes to Basic Financial Statements

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

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

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

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

#### ***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.

***Subsequent Events***

Management of the City has evaluated subsequent events through August 1, 2016, 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, 2015, the City did not hold any investments that were considered to be an interest rate risk.

***Custodial Risks***

At September 30, 2015, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

At September 30, 2015, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2015, the City's cash and investments consisted of the following:

|  | <b>Credit<br/>Rating</b> | <b>Current</b>      | <b>1-5<br/>Years</b> | <b>Total<br/>Carrying<br/>Amount</b> |
|--|--------------------------|---------------------|----------------------|--------------------------------------|
| Cash including money market fund         | (1)                      | \$ 1,855,024        | \$ -                 | \$ 1,855,024                         |
| U.S. Government agencies                 | AAA                      | 250,260             | 125,184              | 375,444                              |
| Local Government Surplus Trust Fund Pool | AAAm                     | 110,805             | -                    | 110,805                              |
| <b>Total</b>                             |                          | <b>\$ 2,216,089</b> | <b>\$ 125,184</b>    | <b>\$ 2,341,273</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 (\$110,805) 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,<br>2014 | Increases        | Decreases          | September 30,<br>2015 |
|--|-----------------------|------------------|--------------------|-----------------------|
| Capital assets, not being depreciated  |                       |                  |                    |                       |
| Land   | \$ 10,039,410         | \$ -             | \$ -               | \$ 10,039,410         |
| Construction in progress   | 2,129,378             | 223,660          | (1,993,896)        | 359,142               |
| <br>Total capital assets not being<br>depreciated  | <br>12,168,788        | <br>223,660      | <br>(1,993,896)    | <br>10,398,552        |
| Capital assets being depreciated   |                       |                  |                    |                       |
| Buildings  | 1,709,253             | -                | -                  | 1,709,253             |
| Improvements other than buildings  | 5,115,178             | -                | -                  | 5,115,178             |
| Machinery and equipment  | 2,148,757             | 113,997          | -                  | 2,262,754             |
| Infrastructure   | 3,562,104             | 2,968,886        | -                  | 6,530,990             |
| <br>Total capital assets being<br>depreciated  | <br>12,535,292        | <br>3,082,883    | <br>-              | <br>15,618,175        |
| Less accumulated depreciation  |                       |                  |                    |                       |
| Buildings  | 697,102               | 43,008           | -                  | 740,110               |
| Improvements other than buildings  | 1,207,263             | 139,190          | -                  | 1,346,453             |
| Machinery and equipment  | 1,804,200             | 167,982          | -                  | 1,972,182             |
| Infrastructure   | 536,907               | 114,629          | -                  | 651,536               |
| <br>Total accumulated depreciation   | <br>4,245,472         | <br>464,809      | <br>-              | <br>4,710,281         |
| <br>Total depreciable assets, net<br>of accumulated depreciation                         | <br>8,289,820         | <br>2,618,074    | <br>-              | <br>10,907,894        |
| <br>Total governmental activities'<br>capital assets, net of<br>accumulated depreciation | <br>\$ 20,458,608     | <br>\$ 2,841,734 | <br>\$ (1,993,896) | <br>\$ 21,306,446     |

**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,<br>2014 | Increases    | Decreases | September 30,<br>2015 |
|---|-----------------------|--------------|-----------|-----------------------|
| Capital assets not being depreciated  |                       |              |           |                       |
| Land  | \$ 363,057            | \$ -         | \$ -      | \$ 363,057            |
| Construction in progress  | 27,800                | -            | -         | 27,800                |
| Total capital assets not being depreciated                                      | 390,857               | -            | -         | 390,857               |
| Capital assets being depreciated  |                       |              |           |                       |
| Buildings and utility systems   | 36,376,637            | 5,626        | -         | 36,382,263            |
| Less accumulated depreciation   |                       |              |           |                       |
| Buildings and utility systems   | (11,807,737)          | (905,420)    | -         | (12,713,157)          |
| Total depreciable assets, net of accumulated depreciation                       | 24,568,900            | (899,794)    | -         | 23,669,106            |
| Total business-type activities' capital assets, net of accumulated depreciation | \$ 24,959,757         | \$ (899,794) | \$ -      | \$ 24,059,963         |

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

|   |            |
|---|------------|
| Governmental activities                               |            |
| General government                                    | \$ 39,956  |
| Public safety   | 95,718     |
| Transportation  | 122,096    |
| Culture and recreation                                | 207,039    |
| Total depreciation expense - governmental activities  | \$ 464,809 |
| Business-type activities                              |            |
| Water   | \$ 123,096 |
| Sewer   | 774,695    |
| Mooring/boat basins                                   | 7,629      |
| Total depreciation expense - business-type activities | \$ 905,420 |

**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, 2015 is as follows:

|   | Balance<br>September<br>30, 2014 | Additions | (Reductions) | Balance<br>September<br>30, 2015 | Due Within<br>One Year |
|---|----------------------------------|-----------|--------------|----------------------------------|------------------------|
| \$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). | \$ 465,500                       | \$ -      | \$ (11,000)  | \$ 454,500                       | \$ 12,000              |
| Installment purchase agreement for one fire truck for \$222,950 payable in annual installments of \$29,564 with interest at 5.49%. Matures in October 2020.                   | 147,363                          | -         | (21,357)     | 126,006                          | 22,546                 |
| Installment purchase agreement for one loader for \$103,535 payable in annual installments of \$22,173 including 2.3% interest, maturing August 2017.                         | 63,665                           | -         | (20,736)     | 42,929                           | 21,217                 |
| Installment purchase agreement for one vehicle for \$27,900 payable in annual installments of \$9,802 including 5.5% interest, matured November 2014.                         | 9,291                            | -         | (9,291)      | -                                | -                      |
| Installment purchase agreement for one vehicle for \$24,731 payable in annual installments of \$8,920 including 8.4% interest, maturing February 2017.                        | -                                | 24,731    | (8,920)      | 15,811                           | 7,585                  |
| Installment purchase agreement for one vehicle for \$24,103 payable in annual installments of \$8,560 including 6.7% interest, maturing June 2017.                            | -                                | 24,103    | (8,560)      | 15,543                           | 7,520                  |

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

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

|  | Balance<br>September<br>30, 2014 | Additions  | (Reductions) | Balance<br>September<br>30, 2015 | Due Within<br>One Year |
|--|----------------------------------|------------|--------------|----------------------------------|------------------------|
| Installment purchase agreement<br>for one vehicle for \$21,539 payable<br>in annual installments of \$7,649<br>including 6.7% interest,<br>maturing June 2017. | \$ -                             | \$ 21,539  | \$ (7,649)   | \$ 13,890                        | \$ 6,720               |
| Liability for compensated<br>absences  | 140,752                          | 11,392     | -            | 152,144                          | 50,715                 |
| Liability for net pension  | 521,478                          | 266,476    | -            | 787,954                          | -                      |
| Liability for other<br>postemployment benefits   | 142,179                          | 17,286     | -            | 159,465                          | -                      |
| Total governmental activities<br>long-term obligations   | \$ 1,490,228                     | \$ 365,527 | \$ (87,513)  | \$ 1,768,242                     | \$ 128,303             |

- (a) The series 2010 general fund capital improvement revenue bonds are secured by alcoholic beverage income, fines and forfeiture income, and MSBU funds. Current year principal and interest payments on the bonds are 58 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$714,020. Principal and interest paid for the current year and total pledged revenues were \$29,620 and \$51,268, 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 \$667 and \$17,124 respectively, at September 30, 2015.

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      |
|---------------------------|------------|------------|------------|
| 2016                      | \$ 77,588  | \$ 29,459  | \$ 107,047 |
| 2017                      | 80,933     | 25,634     | 106,567    |
| 2018                      | 38,127     | 21,657     | 59,784     |
| 2019                      | 39,527     | 19,737     | 59,264     |
| 2020                      | 42,004     | 17,740     | 59,744     |
| 2021 - 2025               | 77,000     | 72,220     | 149,220    |
| 2026 - 2030               | 93,000     | 55,540     | 148,540    |
| 2031 - 2035               | 115,000    | 35,300     | 150,300    |
| 2036 - 2039               | 105,500    | 10,480     | 115,980    |
| Total                     | \$ 668,679 | \$ 287,767 | \$ 956,446 |

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

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

The City has two lines of credit which are secured by the City's certificates of deposit in the amount of \$321,511. The agreements require that the entire outstanding amount plus interest of 2.2% be paid by January 31, 2016. During the year, line of credit proceeds totaled \$0 and repayments totaled \$261,208 with one line of credit being repaid in full in the current year. The balance outstanding at September 30, 2015 was \$142,199.

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

|  | Balance<br>September<br>30, 2014 | Additions        | Deductions          | Balance<br>September<br>30, 2015 | Due<br>Within<br>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).   | \$ 2,595,274                     | \$ -             | \$ (57,000)         | \$ 2,538,274                     | \$ 60,000                 |
| \$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).                                       | 200,448                          | -                | (15,000)            | 185,448                          | 16,000                    |
| \$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).                                       | 201,630                          | -                | (12,000)            | 189,630                          | 13,000                    |
| 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). | 4,482,890                        | -                | (312,541)           | 4,170,349                        | 322,498                   |
| Liability for compensated absences   | 22,358                           | -                | (2,777)             | 19,581                           | 6,527                     |
| Liability for net pension  | 173,826                          | 88,826           | -                   | 262,652                          | -                         |
| Liability for other postemployment benefits  | 56,578                           | 6,043            | -                   | 62,621                           | -                         |
| <b>Total business-type long-term obligations</b>   | <b>\$ 7,733,004</b>              | <b>\$ 94,869</b> | <b>\$ (399,318)</b> | <b>\$ 7,428,555</b>              | <b>\$ 418,025</b>         |

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

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

- (a) The series 1983 water and sewer revenue bonds are secured by a first lien on the gross revenues of the water and sewer system and a first lien on the City's public service taxes and guaranteed entitlement revenues. Current year principal and interest payments on the bonds are 15 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$234,396. Principal and interest paid for the current year and total pledged revenues were \$25,022 and \$164,953, respectively.
- (b) The series 1986 water and sewer revenue bonds are secured by a junior lien on the above-mentioned revenues. Current year principal and interest payments on the bonds are 15 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$263,668. Principal and interest paid for the current year and total pledged revenues were \$24,098 and \$164,953, respectively.
- (c) The series 2003 water and sewer revenue bonds were issued on parity with the 1983 and 1986 water and sewer revenue bonds. Current year principal and interest payments on the bonds are 86 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,856,222. Principal and interest paid for the current year and total pledged revenues were \$141,346 and \$164,953, 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. Current year principal and interest payments on the notes are 115 percent of pledged revenues. The total principal and interest remaining to be paid on the notes is \$4,969,904. Principal and interest paid for the current year and total pledged revenues were \$451,797 and \$391,727, 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 \$5,634 and \$195,578 respectively, at September 30, 2015.

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

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

***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<br>September 30, | Series 1983<br>Revenue Bonds |           | Series 1986<br>Revenue Bonds |           |
|------------------------------|------------------------------|-----------|------------------------------|-----------|
|                              | Principal                    | Interest  | Principal                    | Interest  |
| 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     |
| 2020                         | 21,000                       | 5,672     | 16,000                       | 7,958     |
| 2021-2025                    | 93,448                       | 11,188    | 95,000                       | 24,190    |
| 2026                         | -                            | -         | 21,630                       | 1,298     |
| Total                        | \$ 185,448                   | \$ 48,948 | \$ 189,630                   | \$ 74,038 |

| Year Ending<br>September 30, | Series 2003<br>Revenue Bonds |              | State Revolving Loan |            |
|------------------------------|------------------------------|--------------|----------------------|------------|
|                              | Principal                    | Interest     | Principal            | Interest   |
| 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                         | 67,000                       | 74,401       | 365,603              | 86,193     |
| 2021-2025                    | 374,000                      | 337,491      | 2,010,339            | 248,643    |
| 2026-2030                    | 441,000                      | 272,686      | 441,446              | 10,496     |
| 2031-2035                    | 520,000                      | 195,986      | -                    | -          |
| 2036-2040                    | 612,000                      | 105,734      | -                    | -          |
| 2041-2042                    | 275,274                      | 13,537       | -                    | -          |
| Total                        | \$ 2,538,274                 | \$ 1,317,948 | \$ 4,170,349         | \$ 799,555 |



**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:

| <u>September 30,</u>   | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| Second mortgage receivable – original loan of \$321,666; \$1,105 due monthly including 4% interest, the unpaid balance matures in September 2023.  | \$ 90,514         | \$ 99,836         |
| 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             |
| Second mortgage receivable – original loan \$100,000, due in monthly payments of \$1,012 including interest at 4%. Balance includes past due interest of \$16,587 and matures in December 2023.  | 98,295            | 94,447            |
| Second mortgage receivable – original loan of \$59,184; \$576 due monthly including 4% interest. Balance includes past due interest of \$2,987 and matures in March 2020.  | 35,858            | 34,454            |
| Second mortgage receivable – original loan of \$30,673; \$598 due monthly including 4% interest. Balance includes past due interest of \$9,364 and matures in April 2020.  | 37,405            | 35,941            |
| Second mortgage receivable – original loan of \$10,000; \$101 due monthly including 4% interest, the unpaid balance matures August 2021.   | 6,376             | 7,389             |
| Second mortgage receivable – original loan of \$45,000; \$456 due monthly including 4% interest. Balance includes past due interest of \$5,668 and matures July 2025. At the beginning of the year, the borrower was determined to be in default and the City was able to seize ownership of the property purchased using the loaned funds. The property is in storage at year end and has not been sold. Once sold the proceeds will be used to pay off the loan. | 50,198            | 48,233            |
| 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 \$2,929  | 27,929            | 27,079            |
| Second mortgage receivable – original loan of \$60,000; \$607 due monthly including 4% interest, the unpaid balance matures in July 2021.  | 38,105            | 43,733            |
| <b>Total</b>   | <b>\$ 384,680</b> | <b>\$ 396,547</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**

| Interfund balances        | Due from other<br>funds | Due to other<br>funds |
|---------------------------|-------------------------|-----------------------|
| General fund              | \$ 516                  | \$ -                  |
| Local option gas tax fund | -                       | 516                   |
| General fund              | 54,843                  | -                     |
| Water and sewer fund      | -                       | 54,843                |
| <b>Total</b>              | <b>\$ 55,359</b>        | <b>\$ 55,359</b>      |

Interfund loans were for operations.

| Transfers Out             | Transfers In        | Amount     | Purpose  |
|---------------------------|---------------------|------------|--|
| Water and sewer fund      | General fund        | \$ 133,500 | Administrative services and cash advance   |
| General fund              | Revolving loan fund | 103,676    | To refund the revolving loan fund for amounts spent on construction project                    |
| Local option gas tax fund | General fund        | 7,835      | Road maintenance expense reimbursement and salary reimbursement and other operating activities |

**NOTE 9 – RETIREMENT BENEFITS**

***Defined Benefit Plans***

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

## City of Apalachicola, Florida

### Notes to Basic Financial Statements

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

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

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

#### ***Benefits Provided***

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

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

#### ***Contributions***

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS. The City's contribution rates for the year ended September 30, 2015 were as follows:

|                             | October 1, 2014<br>Through<br>June 30, 2015 |       | July 1, 2015<br>Through<br>September 30, 2015 |       |
|-----------------------------|---|-------|---|-------|
|                             | FRS   | HIS   | FRS   | HIS   |
| Regular class               | 6.11%                                       | 1.26% | 5.60%   | 1.66% |
| Senior management           | 19.88%                                      | 1.26% | 19.77%  | 1.66% |
| Special risk employee class | 18.56%                                      | 1.26% | 20.38%  | 1.66% |
| Elected officials           | 42.00%                                      | 1.26% | 40.61%  | 1.66% |
| DROP plan participants      | 11.02%                                      | 1.26% | 11.22%  | 1.66% |

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

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

The City's contributions for the year ended September 30, 2015, were \$112,576 to the FRS and \$17,376 to the HIS.

***Pension Liabilities and Pension Expense***

In its financial statements for the year ended September 30, 2015, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2015. The City's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

|                           | FRS          | HIS          |
|---------------------------|--------------|--------------|
| Net pension liability     | \$ 601,324   | \$ 449,282   |
| Proportion at:            |              |              |
| Current measurement date  | 0.004655537% | 0.004405389% |
| Prior measurement date    | 0.004676803% | 0.004384379% |
| Pension expense (benefit) | \$ 24,613    | \$ 30,326    |

***Deferred Outflows/Inflows of Resources Related to Pensions***

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | FRS                                  |                                     |
|--|--------------------------------------|-------------------------------------|
|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience   | \$ 63,482                            | \$ 14,262                           |
| Changes of assumptions   | 39,912                               | -                                   |
| Net difference between projected and actual earnings<br>on pension plan investments                              | 211,804                              | 355,388                             |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | -                                    | 66,822                              |
| Employer contributions subsequent to the measurement date  | 28,550                               | -                                   |
| Total  | \$ 343,748                           | \$ 436,472                          |

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

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

|  | HIS                                  |                                     |
|--|--------------------------------------|-------------------------------------|
|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Changes of assumptions   | \$ 35,347                            | \$ -                                |
| Net difference between projected and actual earnings<br>on pension plan investments                              | 242                                  | -                                   |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | 2,877                                | -                                   |
| Employer contributions subsequent to the measurement date  | 5,659                                | -                                   |
| <b>Total</b>   | <b>\$ 44,125</b>                     | <b>\$ -</b>                         |

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2016. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| Year ending September 30, | FRS                | HIS              |
|---------------------------|--------------------|------------------|
| 2016                      | \$ (3,133)         | \$ 11,884        |
| 2017                      | (31,686)           | 6,226            |
| 2018                      | (31,686)           | 6,226            |
| 2019                      | (31,687)           | 6,225            |
| 2020                      | 4,208              | 6,165            |
| Thereafter                | 1,260              | 7,399            |
| <b>Total</b>              | <b>\$ (92,724)</b> | <b>\$ 44,125</b> |

***Actuarial Assumptions***

The total pension liability for each of the defined benefit plans, measured as of June 30, 2015, was determined by an actuarial valuation dated July 1, 2015, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

|                           | FRS   | HIS   |
|---------------------------|-------|-------|
| Inflation                 | 2.60% | 2.60% |
| Salary increases          | 3.25% | 3.25% |
| Investment rate of return | 7.65% | N/A   |
| Discount rate             | 7.65% | 3.80% |

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

For both plans, the actuarial assumptions used in the valuation dated July 1, 2015 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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

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

The following changes in key actuarial assumptions occurred in 2015:

FRS: No changes in key actuarial assumptions.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 4.29% to 3.80%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For the FRS Pension Plan, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

| Asset Class            | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return |
|------------------------|-------------------|--------------------------|------------------------------------|
| Cash                   | 1%                | 3.20%                    | 3.10%                              |
| Fixed income           | 18%               | 4.80%                    | 4.70%                              |
| Global equity          | 53%               | 8.50%                    | 7.20%                              |
| Real estate (property) | 10%               | 6.80%                    | 6.20%                              |
| Private equity         | 6%                | 11.90%                   | 8.20%                              |
| Strategic investments  | 12%               | 6.70%                    | 6.10%                              |
|                        | <u>100%</u>       |                          |                                    |

***Discount Rate***

The discount rate used to measure the total pension liability for the FRS Pension Plan was 7.65%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.80% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

***Sensitivity Analysis***

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the City's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

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

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

|   | FRS          |                       |              |
|---|--------------|-----------------------|--------------|
|   | 1% Decrease  | Current Discount Rate | 1% Increase  |
| Employer's Proportionate Share of the net pension liability | \$ 1,558,169 | \$ 601,324            | \$ (194,926) |

  

|   | HIS         |                       |             |
|---|-------------|-----------------------|-------------|
|   | 1% Decrease | Current Discount Rate | 1% Increase |
| Employer's Proportionate Share of the net pension liability | \$ 511,934  | \$ 449,282            | \$ 397,037  |

***Pension Plans' Fiduciary Net Position***

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

***Defined Contribution Plan***

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended September 30, 2015, totaled \$12,813.

**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.

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

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

#### 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.

#### 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 ranged from \$190 for coverage of a person under 20 years old to \$896 for coverage a person 64 years of age or older. The retiree and their dependents are charged based on their particular age with a maximum of three dependent children being included in the calculation.

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:

| <u>Description</u>  |                   |
|---|-------------------|
| Normal cost (service cost for one year)                     | \$ 16,810         |
| <u>Amortization of unfunded actuarial accrued liability</u> | <u>8,508</u>      |
| Annual required contribution                                | 25,318            |
| Interest on net OPEB obligation                             | 7,950             |
| <u>Adjustment to annual required contribution</u>           | <u>(9,939)</u>    |
| Annual OPEB cost (expense)                                  | 23,329            |
| <u>Contribution toward the OPEB cost</u>                    | <u>-</u>          |
| Increase in net OPEB obligation                             | 23,329            |
| <u>Net OPEB obligation, beginning of year</u>               | <u>198,757</u>    |
| <u>Net OPEB obligation, end of year</u>                     | <u>\$ 222,086</u> |



## City of Apalachicola, Florida

### Notes to Basic Financial Statements

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

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, 2015 was as follows:

| <u>Year ending September 30,</u> | <u>Annual OPEB<br/>Cost</u> | <u>Percentage of OPI<br/>Cost Contributed</u> | <u>Net OPEB<br/>Obligation</u> |
|----------------------------------|-----------------------------|---|--------------------------------|
| 2013                             | \$ 23,378                   | 0%  | \$ 175,184                     |
| 2014                             | 23,573                      | 0%  | 198,757                        |
| 2015                             | 23,329                      | 0%  | 222,086                        |

#### 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, 2015 is 24 years.

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

**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.

**NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT**

It was determined during the current year, that construction in progress totaling \$27,800 was not accrued as of September 30, 2014 in the enterprise fund appropriately. A prior period adjustment was recognized in the enterprise fund to increase beginning net position in the water and sewer fund.

During the current year, the City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. GASB Statement 68 requires a state or local government employer to recognize a net pension liability measured at a date no earlier than the end of its prior fiscal year. Net position as of September 30, 2014, has been restated as follows for the implementation of GASB Statement 68.

|  | Governmental<br>Activities | Business-type<br>Activities |
|--|----------------------------|-----------------------------|
| Net position, as originally reported at September 30, 2014 | \$ 20,832,675              | \$ 18,385,607               |
| Prior period adjustment                                    | -                          | 27,800                      |
| Restatement adjustment                                     |                            |                             |
| Net pension liability (measurement date of June 30, 2014)  | (521,478)                  | (173,826)                   |
| Deferred inflows of resources                              | (429,449)                  | (143,150)                   |
| Deferred outflows of resources                             | 71,457                     | 23,819                      |
| Total restatement adjustment                               | (879,470)                  | (293,157)                   |
| Net position, as restated at September 30, 2014            | \$ 19,953,205              | \$ 18,120,250               |

## **Required Supplementary Information**

**City of Apalachicola, Florida**  
**Required Supplementary Information**  
**Year Ended September 30, 2015**

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

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liabilities<br/>(AAL)</u> | <u>Unfunded<br/>Actuarial<br/>Liabilities<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Annual<br/>Covered<br/>Payroll</u> | <u>UAAL as a<br/>Percentage of<br/>Covered<br/>Payroll</u> |
|---|--|--|--|-------------------------|---------------------------------------|--|
| 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  |
| September 1, 2015                       | 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:**

| <u>Fiscal Year Ended<br/>September 30,</u> | <u>Actual<br/>Contribution</u> | <u>Annual Required<br/>Contribution</u> | <u>Percentage<br/>Contributed</u> |
|--|--------------------------------|---|-----------------------------------|
| 2013                                       | \$ 0                           | \$ 23,378                               | 0%                                |
| 2014                                       | \$ 0                           | \$ 23,573                               | 0%                                |
| 2015                                       | \$ 0                           | \$ 23,329                               | 0%                                |

See independent auditor's report

**City of Apalachicola, Florida**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**— Florida Retirement System**  
**Last 10 Fiscal Years**

| June 30,   | 2015         | 2014         | 2013 * | 2012 * | 2011 * | 2010 * | 2009 * | 2008 * | 2007 * | 2006 * |
|--|--------------|--------------|--------|--------|--------|--------|--------|--------|--------|--------|
| City's proportion of the net pension liability (assets)  | 0.0046555%   | 0.0046768%   | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| City's proportionate share of the net pension liability (assets)   | \$ 601,324   | \$ 285,354   | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| City's covered-employee payroll  | \$ 1,279,173 | \$ 1,135,956 | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| City's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll | 47.01%       | 25.12%       | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| Plan fiduciary net position as a percentage of the total pension liability                                       | 92.00%       | 96.09%       | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |

\* Disclosures for 2006 through 2013 are N/A because comparable information is not available at this time.

**City of Apalachicola, Florida**  
**Schedule of the City's Contributions**  
**– Florida Retirement System**  
**Last 10 Fiscal Years**

| June 30,   | 2015         | 2014         | 2013 * | 2012 * | 2011 * | 2010 * | 2009 * | 2008 * | 2007 * | 2006 * |
|--|--------------|--------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Contractually required contribution                                  | \$ 112,576   | \$ 99,124    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| Contributions in relation to the contractually required contribution | (112,576)    | (99,124)     | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| City's covered-employee payroll                                      | \$ 1,279,173 | \$ 1,135,956 |        |        |        |        |        |        |        |        |
| Contributions as a percentage of covered-employee payroll            | 8.80%        | 8.73%        | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |

\* Disclosures for 2006 through 2013 are N/A because comparable information is not available at this time.

See independent auditor's report

**City of Apalachicola, Florida**  
**Schedule of the City's Proportionate Share of the Net Pension Liability**  
**– Health Insurance Subsidy Program**  
**Last 10 Fiscal Years**

| June 30,   | 2015         | 2014         | 2013 * | 2012 * | 2011 * | 2010 * | 2009 * | 2008 * | 2007 * | 2006 * |
|--|--------------|--------------|--------|--------|--------|--------|--------|--------|--------|--------|
| City's proportion of the net pension liability (assets)  | 0.00444054%  | 0.0043844%   | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| City's proportionate share of the net pension liability (assets)   | \$ 449,282   | \$ 409,950   | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| City's covered-employee payroll  | \$ 1,279,173 | \$ 1,135,956 | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| City's proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll | 35.12%       | 36.09%       | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| Plan fiduciary net position as a percentage of the total pension liability                                       | 0.50%        | 0.99%        | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |

\* Disclosures for 2006 through 2013 are N/A because comparable information is not available at this time.

See independent auditor's report

City of Apalachicola, Florida

Schedule of the City's Contributions  
– Health Insurance Subsidy Program  
Last 10 Fiscal Years

| June 30,   | 2015         | 2014         | 2013 * | 2012 * | 2011 * | 2010 * | 2009 * | 2008 * | 2007 * | 2006 * |
|--|--------------|--------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Contractually required contribution                                  | \$ 17,376    | \$ 13,793    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| Contributions in relation to the contractually required contribution | (17,376)     | (13,793)     | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |
| City's covered-employee payroll                                      | \$ 1,279,173 | \$ 1,135,956 |        |        |        |        |        |        |        |        |
| Contributions as a percentage of covered-employee payroll            | 1.36%        | 1.21%        | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    | N/A    |

\* Disclosures for 2006 through 2013 are N/A because comparable information is not available at this time.

See independent auditor's report



## Combining Financial Statements

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

| September 30, 2015                            | Library           | Local<br>Option<br>Gas Tax | HUD<br>Revolving<br>Loans<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |
|---|-------------------|----------------------------|-----------------------------------|--|
| <b>Assets</b>                                 |                   |                            |                                   |  |
| Cash and cash equivalents                     | \$ 430,965        | \$ -                       | \$ 49,010                         | \$ 479,975                                 |
| Investments                                   | -                 | 61,223                     | 44,559                            | 105,782                                    |
| Notes receivable                              | -                 | -                          | 384,680                           | 384,680                                    |
| <b>Total assets</b>                           | <b>\$ 430,965</b> | <b>\$ 61,223</b>           | <b>\$ 478,249</b>                 | <b>\$ 970,437</b>                          |
| <b>Liabilities and fund equity</b>            |                   |                            |                                   |  |
| Accounts payable                              | \$ 756            | \$ -                       | \$ -                              | \$ 756                                     |
| Due to other funds                            | -                 | 516                        | -                                 | 516  |
| Unearned revenue                              | -                 | -                          | 384,680                           | 384,680                                    |
| <b>Total liabilities</b>                      | <b>756</b>        | <b>516</b>                 | <b>384,680</b>                    | <b>385,952</b>                             |
| <b>Fund balance</b>                           |                   |                            |                                   |  |
| Restricted                                    |                   |                            |                                   |  |
| Library trust                                 | 430,209           | -                          | -                                 | 430,209                                    |
| Local option gas tax                          | -                 | 60,707                     | -                                 | 60,707                                     |
| HUD   | -                 | -                          | 93,569                            | 93,569                                     |
| <b>Total fund balance</b>                     | <b>430,209</b>    | <b>60,707</b>              | <b>93,569</b>                     | <b>584,485</b>                             |
| <b>Total liabilities and<br/>fund balance</b> | <b>\$ 430,965</b> | <b>\$ 61,223</b>           | <b>\$ 478,249</b>                 | <b>\$ 970,437</b>                          |

See independent auditor's report

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

| <b>Year Ended September 30, 2015</b>                              | <b>Library</b>    | <b>Local<br/>Option<br/>Gas Tax</b> | <b>HUD<br/>Revolving<br/>Loans<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Governmental<br/>Funds</b> |
|---|-------------------|-------------------------------------|---|--|
| <b>Revenues</b>   |                   |                                     |   |  |
| Taxes   | \$ -              | \$ 53,774                           | \$ -  | \$ 53,774  |
| Investment earnings and other                                     | 21,708            | 130                                 | 28,661                                      | 50,499   |
| <b>Total revenues</b>   | <b>21,708</b>     | <b>53,904</b>                       | <b>28,661</b>                               | <b>104,273</b>                                       |
| <b>Expenditures</b>   |                   |                                     |   |  |
| Current operating   |                   |                                     |   |  |
| Economic environment  | -                 | -                                   | 3,189                                       | 3,189  |
| Culture and recreation  | 14,091            | -                                   | -   | 14,091   |
| Capital outlay  |                   |                                     |   |  |
| Economic environment  | -                 | -                                   | 83,490                                      | 83,490   |
| Culture and recreation  | 24,678            | -                                   | -   | 24,678   |
| Debt service  | -                 | -                                   | 8,708                                       | 8,708  |
| <b>Total expenditures</b>   | <b>38,769</b>     | <b>-</b>                            | <b>95,387</b>                               | <b>134,156</b>                                       |
| <b>Excess (deficit) of revenues over<br/>(under) expenditures</b> | <b>(17,061)</b>   | <b>53,904</b>                       | <b>(66,726)</b>                             | <b>(29,883)</b>                                      |
| <b>Other financing sources (uses)</b>                             |                   |                                     |   |  |
| Transfers out   | -                 | (7,835)                             | -   | (7,835)  |
| Transfers in  | -                 | -                                   | 103,676                                     | 103,676  |
| <b>Total other financing sources (uses)</b>                       | <b>-</b>          | <b>(7,835)</b>                      | <b>103,676</b>                              | <b>95,841</b>  |
| <b>Net change in fund balances</b>                                | <b>(17,061)</b>   | <b>46,069</b>                       | <b>36,950</b>                               | <b>65,958</b>  |
| <b>Fund balances - beginning</b>                                  | <b>447,270</b>    | <b>14,638</b>                       | <b>56,619</b>                               | <b>518,527</b>                                       |
| <b>Fund balances - ending</b>                                     | <b>\$ 430,209</b> | <b>\$ 60,707</b>                    | <b>\$ 93,569</b>                            | <b>\$ 584,485</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, 2015, and have issued our report thereon dated August 1, 2016.

### ***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 Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Reports on examinations 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 August 1, 2016, 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<br>Finding #                | 2013-14 FY<br>Finding # | 2012-13 FY<br>Finding # |
| 2015-001                                 | 14-01                   | 13-02                   |
| 2015-002                                 | 14-02                   | 13-03                   |

### ***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***

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

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Apalachicola, Florida for the fiscal year ended September 30, 2015, 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, 2015. 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 Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the City Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants  
Panama City Beach, Florida  
August 1, 2016



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INGRAM  
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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415,  
FLORIDA STATUTES**

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, 2015. 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, 2015.

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  
August 1, 2016





**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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 1, 2016.

***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 and significant deficiencies.

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 2015-001 and 2015-002 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. We consider finding 2015-003 listed on the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

### ***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.

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

Certified Public Accountants  
Panama City Beach, Florida  
August 1, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

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* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2015. The City of Apalachicola, Florida's major federal programs 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

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 for the year ended September 30, 2015.

## 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 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 to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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 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 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. Accordingly, this report is not suitable for any other purpose.

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

Certified Public Accountants  
Panama City Beach, Florida  
August 1, 2016

**City of Apalachicola, Florida**  
**Schedule of Expenditures of Federal Awards**

**Year Ended September 30, 2015**

| <b>Federal Agency<br/>Pass through entity</b>   | <b>CFDA<br/>No.</b> | <b>Contract/Grant<br/>No.</b> | <b>Expenditures</b> |
|---|---------------------|-------------------------------|---------------------|
| <b><u>Federal Awards</u></b>  |                     |                               |                     |
| <b>U.S. Department of Commerce</b>  |                     |                               |                     |
| Economic Adjustment Assistance  | 11.307              | 04-79-06355                   | \$ 484,474          |
| Total U.S. Department of Commerce   |                     |                               | 484,474             |
| <b>U.S. Department of Housing and Urban Development</b>   |                     |                               |                     |
| Passed through the Florida Department of Economic Opportunity<br>Community Development Block Grants   | 14.228              | 11DB-4N-02-29-02-E12          | 58,984              |
| Total U.S. Department of Housing and Urban Development  |                     |                               | 58,984              |
| <b>U.S. Department of Education</b>   |                     |                               |                     |
| Passed through the Florida Department of Education<br>Twenty-First Century Community Learning Centers | 84.287              | 19A-2445B-5CCCC1              | 451,107             |
| Twenty-First Century Community Learning Centers   | 84.287              | 19A-2446B-6CCCC1              | 56,961              |
| Total U.S. Department of Education  |                     |                               | 508,068             |
| Total expenditures of federal awards  |                     |                               | \$ 1,051,526        |

**Note:**

(1) Basis of Presentation: The schedule of expenditures of federal awards represents amounts expended from federal programs 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, 2015**

**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?   | <u>  X  </u> yes  | <u>      </u> no               |
| Significant deficiency(ies) identified not<br>considered to be material weaknesses? | <u>  X  </u> yes  | <u>      </u> none<br>reported |
| Noncompliance material to financial statements noted?                               | <u>      </u> yes | <u>  X  </u> no                |

Federal Awards

|   |                   |                               |
|---|-------------------|-------------------------------|
| Internal control over major programs  |                   |                               |
| Material weakness(es) identified?   | <u>      </u> yes | <u>  X  </u> no               |
| Significant deficiency(ies) identified not<br>considered to be material weaknesses?                                   | <u>      </u> yes | <u>  X  </u> none<br>reported |
| Type of auditor's report issued on compliance<br>for major programs   | Unmodified        |                               |
| Any audit findings disclosed that are required to be reporting in<br>accordance with Circular A-133, Section .510(a)? | <u>      </u> yes | <u>  X  </u> no               |

Identification of major programs:

CFDA Number

Name of Federal Award

11.307

Economic Adjustment Assistance

84.287

Twenty-First Century Community Learning Centers

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   X   no

(Continued)

**City of Apalachicola, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

2015-001 Segregation of Duties (prior year 14-01 and 13-02) (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.

2015-002 Significant Adjustments to the Financial Records (prior year 14-02 and 13-03) (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.

2015-003 Utility Billing (Initially reported in 2015)

Condition: Identified an isolated billing error in utility billing due to an incorrect water meter size being entered into the billing software. The error was noted in a sample test of billing accuracy.

Effect: Due to the incorrect meter size, incorrect rates were applied to the customer's account.

Recommendation: While the error in billing was immaterial, and upon further review by the City, they determined there were only two other accounts with the same type of meter size error, we recommend that the City implement a procedure to recheck billings periodically to make sure that the system is calculating the bills as they should be based on rates approved by the City Commission.

**City of Apalachicola, Florida**  
**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended September 30, 2015**

Management's response: We have already done an initial review of the billing system looking for similar errors. We will review and update our billing processes as needed to include a periodic review of billings to check for accuracy of calculation.

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

There were no findings.

**SECTION IV – OTHER ISSUES**

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





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INGRAM

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**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 288.8018,  
FLORIDA STATUTES**

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 288.8018, Florida Statutes, *Gulf Coast Audits*, during the year ended September 30, 2015. 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, 2015.

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  
August 1, 2016

City of Apalachicola, Florida  
Schedule of Receipts and Expenditures of Funds Related to the  
Deepwater Horizon Oil Spill  
Year Ended September 30, 2015

| Source                    | Amount<br>Received<br>in the<br>2014-2015<br>Fiscal Year | Amount<br>Expended<br>in the<br>2014-2015<br>Fiscal Year |
|---------------------------|--|--|
| <b>British Petroluem:</b> |  |  |
| Agreement Settlement      | \$ 1,000,000   | \$ 265,518   |

Note: This does not include funds related to the Deepwater Horizon oil spill that are considered federal awards or state financial assistance. No such funds were received in the 2014-2015 year.