

City of Apalachicola, Florida

Financial Statements

September 30, 2017



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City of Apalachicola, Florida
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We were engaged to audit 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 (City), as of and for the year ended September 30, 2017, and the related notes to basic 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.

Auditors' 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Basis for Disclaimer of Opinion

The City was not able to provide sufficient support necessary to determine the proper financial statement account balances of the following accounts: utility accounts receivable, property and equipment, long-term debt and capital leases, depreciation and interest expense, payroll and payroll accruals, and certain disbursements and credit card purchases. As a result, revenues and expenditures/expenses, as well as year-end balances, could not be sufficiently substantiated. The City's records are not sufficient to allow the application of compensating auditing procedures.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements referred to in the first paragraph.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 7, the schedule of funding progress for the retirees' health insurance other postemployment benefits plan on page 50, the schedule of employer contributions for the retirees' health insurance other postemployment benefits plan on page 50, the schedule of the City's proportionate share of the net pension liability – Florida Retirement System on page 51, the schedule of the City's contributions – Florida Retirement System on page 52, the schedule of the City's proportionate share of the net pension liability – Health Insurance Subsidy Program on page 53, and the schedule of the City's contributions – Health Insurance Subsidy Program on page 54, 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 financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, State of Florida Rules of the Auditor General, and is also not a required part of the basic financial statements. The combining financial statements and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the combining financial statements and schedule of expenditures of federal awards and state financial assistance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Certified Public Accountants
Panama City Beach, Florida
December 31, 2018

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, Florida's (City) financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City's financial statements.

Financial Highlights

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$38,574,200 (net position). Of this amount, a deficit of \$1,116,207 is unrestricted net position for governmental activities, a deficit of \$624,816 is unrestricted net position for business-type activities, \$445,588 is restricted net position for governmental activities, and \$219,301 is restricted net position for business-type activities.
- Total net position increased by \$1,229,002. Of this amount, an increase of \$1,253,458 is attributable to governmental activities and a decrease of \$24,456 is attributable to business-type activities.
- As of September 30, 2017, the general fund's unassigned fund balance is \$306,984 or 6% of total general fund expenditures.
- Governmental activities' revenues increased 60% to \$5,200,061, while governmental activities' expenses increased 10% to \$3,946,603. Business-type activities' revenues increased 44% to \$2,794,902, while business-type activities' expenses increased 1% to \$2,819,358.

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* presents increases or decreases in net position from year to year and serves as a useful indicator of the City's improving or declining financial position. Information on how the City's net position changed during this reporting period is presented in the *statement of activities*.

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, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the City at September 30, 2017 and 2016. The City is able to report positive balances in all categories of total net position except unrestricted which show a deficit balance.

Statements of Net Position

September 30,	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,415,723	\$ 2,492,634	\$ 214,142	\$ 263,148	\$ 1,629,865	\$ 2,755,782
Noncurrent assets	23,438,037	21,691,058	23,998,810	23,811,257	47,436,847	45,502,315
Total assets	24,853,760	24,183,692	24,212,952	24,074,405	49,066,712	48,258,097
Deferred outflows of resources	543,233	447,335	207,039	170,490	750,272	617,825
Current liabilities	742,670	1,526,306	1,362,525	1,001,734	2,105,195	2,528,040
Noncurrent liabilities	2,374,995	2,136,071	6,619,734	6,802,780	8,994,729	8,938,851
Total liabilities	3,117,665	3,662,377	7,982,259	7,804,514	11,099,924	11,466,891
Deferred inflows of resources	103,438	46,218	39,422	17,615	142,860	63,833
Net position						
Net investment in capital assets	22,846,509	21,070,633	16,803,825	16,412,404	39,650,334	37,483,037
Restricted	445,588	539,156	219,301	397,496	664,889	936,652
Unrestricted	(1,116,207)	(687,357)	(624,816)	(387,134)	(1,741,023)	(1,074,491)
Total net position	\$ 22,175,890	\$ 20,922,432	\$ 16,398,310	\$ 16,422,766	\$ 38,574,200	\$ 37,345,198

Statement of Activities

The following schedule provides a summary of the changes in net position for the years ended September 30, 2017 and 2016.

Statements of Activities

<i>Years Ended September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues						
Charges for services	\$ 608,223	\$ 182,641	\$ 2,177,440	\$ 2,064,409	\$ 2,785,663	\$ 2,247,050
Operating grants/contributions	647,239	630,085	-	-	647,239	630,085
Capital grants/contributions	1,938,872	214,323	622,445	-	2,561,317	214,323
General revenues						
Property taxes	1,228,367	1,161,394	-	-	1,228,367	1,161,394
Local option gas tax	63,998	57,123	-	-	63,998	57,123
Franchise and utility tax	159,576	159,679	-	-	159,576	159,679
Local business tax	33,889	30,598	-	-	33,889	30,598
Shared revenues	285,162	277,875	-	-	285,162	277,875
Investment earnings	17,050	20,513	1,706	1,583	18,756	22,096
Miscellaneous	210,996	388,128	-	-	210,996	388,128
Transfers	6,689	120,000	(6,689)	(120,000)	-	-
Total revenues and transfers	5,200,061	3,242,359	2,794,902	1,945,992	7,994,963	5,188,351
Expenses						
General government	1,320,307	1,135,941	-	-	1,320,307	1,135,941
Public safety	786,898	796,679	-	-	786,898	796,679
Transportation	777,874	744,138	-	-	777,874	744,138
Economic environment	52,272	23,117	-	-	52,272	23,117
Culture and recreation	1,009,252	894,987	-	-	1,009,252	894,987
Water	-	-	600,523	595,518	600,523	595,518
Sewer	-	-	1,701,270	1,743,855	1,701,270	1,743,855
Garbage	-	-	445,326	370,029	445,326	370,029
Mooring	-	-	72,239	87,093	72,239	87,093
Total expenses	3,946,603	3,594,862	2,819,358	2,796,495	6,765,961	6,391,357
Change in net position	\$ 1,253,458	\$ (352,503)	\$ (24,456)	\$ (850,503)	\$ 1,229,002	\$ (1,203,006)

Financial Analysis of the City's Funds

Analysis of Government-wide Financial Statements

Substantially all 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. \$664,889 of the City's net position is subject to external restrictions on how it 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 fiscal year end, the balance in unrestricted net position is a deficit of \$1,741,023. A significant portion of the deficit results from the recognized net pension liability and the related deferred inflows and deferred outflows of resources related to GASB 68.

Analysis of General Fund Budgetary Variations

For the year ended September 30, 2017, actual revenues including other financial sources were more than

anticipated by \$782,584 and actual expenditures were more than anticipated by \$528,262. This was due in part to not budgeting for year-end accruals related to grants and the repayment of a line of credit and the related issuance of a new line of credit.

Analysis of Library Fund Budgetary Variations

For the year ended September 30, 2017, actual revenues including other financial sources were more than anticipated by \$100,775 and actual expenditures including other financial uses were more than anticipated by \$217,224. This was due in part to not budgeting for the third party contributions and related expenditures for the new library

Capital Assets and Long-term Debt Activity

Capital Assets Activity

As of September 30, 2017, the City's total net investment in capital assets for its governmental activities is \$22,846,509 and for its business-type activities is \$16,803,825 for a total investment of \$39,650,334. 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 basic financial statements.

Long-Term Debt Activity

As of September 30, 2017, the City has a total long-term debt amount outstanding of \$9,972,351. Additional information on the City's long-term debt can be found in the notes to basic financial statements.

Economic Factors and Next Year's Budget and Rates

During the 2016-2017 fiscal year, the City property values showed a slight increase which resulted in a slight increase in ad valorem taxes. The City's receipts in other revenues sources remain consistent with past fiscal years. The City Commission continues to make efforts to keep expenses down, while exploring potential revenue sources to improve out self-sustainability efforts.

The City of Apalachicola continues to focus efforts to improve City owned facilities and citywide infrastructure through grants and other means. A portion of BP funds were used to upgrade some City owned facilities. The City was awarded two FRDAP grants in the amount of \$50,000 each to install a playground and splash pad at the Van W. Johnson, Sr. complex. Construction has been completed. The City's new Apalachicola Margaret Key Library has been completed and is open for public use. The City administered an oyster shelling program during the 16/17 fiscal year. The Commission has always supported the seafood industry, and serving as payroll agent is a way in which the City can contribute to this worthwhile activity. The DOT Beautification grant is still underway with the design phase being completed. The City installed a mixer and aerator in the ground storage tank at the Water Treatment Plant. Also, the City converted from gas chlorine to bulk sodium hypochlorite at both the Wastewater Treatment Plant and the Water Treatment Plant. The City was awarded a Technical Assistance Grant in the amount of \$31,000 to conduct a vulnerability assessment study throughout the City.

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			
September 30, 2017	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 558,947	\$ 16,870	\$ 575,817
Investments	36,495	2,136	38,631
Receivables, net			
Accounts	137,299	186,901	324,200
Notes	341,079	-	341,079
Prepays	-	8,235	8,235
Due from other governmental units	341,903	-	341,903
Restricted assets			
Cash and cash equivalents	-	351,454	351,454
Investments	-	68,754	68,754
Capital assets			
Nondepreciable	10,201,410	363,057	10,564,467
Depreciable, net	13,236,627	23,215,545	36,452,172
Total assets	24,853,760	24,212,952	49,066,712
Deferred outflows of resources			
Deferred outflows - pension	543,233	207,039	750,272
Total deferred outflows of resources	543,233	207,039	750,272
Liabilities			
Accounts payable	126,111	148,876	274,987
Accrued payroll	9,180	1,310	10,490
Internal balances	(38,297)	38,297	-
Unearned revenue	10,829	-	10,829
Long-term liabilities			
Customer deposits	-	200,907	200,907
Due within one year			
Lines of credit	519,444	-	519,444
Accrued interest payable	-	110,916	110,916
Notes payable	56,655	758,475	815,130
Bonds payable	13,000	96,000	109,000
Compensated absences	45,748	7,744	53,492

(Continued)

See accompanying notes

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

Primary Government			
September 30, 2017	Governmental Activities	Business-type Activities	Total
Due in more than one year			
Compensated absences	\$ 91,497	\$ 15,488	\$ 106,985
Other postemployment benefits	397,238	163,942	561,180
Net pension liability	1,364,387	520,002	1,884,389
Notes payable	104,373	3,283,950	3,388,323
Bonds payable	417,500	2,636,352	3,053,852
Total liabilities	3,117,665	7,982,259	11,099,924
Deferred inflows of resources			
Deferred inflows - pension	103,438	39,422	142,860
Total deferred inflows of resources	103,438	39,422	142,860
Net position			
Net investment in capital assets	22,846,509	16,803,825	39,650,334
Restricted			
Debt service	19,089	68,815	87,904
Renewal and replacement	-	150,486	150,486
Other purposes	426,499	-	426,499
Unrestricted (deficit)	(1,116,207)	(624,816)	(1,741,023)
Total net position (deficit)	\$ 22,175,890	\$ 16,398,310	\$ 38,574,200

See accompanying notes

City of Apalachicola, Florida
Statement of Activities

Net (Expenses) Revenues and Changes in Net Position
Primary Government

Year Ended September 30, 2017	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Functions/Programs							
Primary Government							
Governmental activities							
General government	\$ 1,320,307	\$ 568,917	\$ 47,554	\$ 1,175,126	\$ 471,290	\$ -	\$ 471,290
Public safety	786,898	1,406	41,484	-	(744,008)	-	(744,008)
Transportation	777,874	-	-	-	(777,874)	-	(777,874)
Economic environment	52,272	-	-	-	(52,272)	-	(52,272)
Culture and recreation	1,009,252	37,900	558,201	763,746	350,595	-	350,595
Total governmental activities	3,946,603	608,223	647,239	1,938,872	(752,269)	-	(752,269)
Business-type activities							
Water, sewer, garbage and mooring	2,819,358	2,177,440	-	622,445	-	(19,473)	(19,473)
Total primary government	\$ 6,765,961	\$ 2,785,663	\$ 647,239	\$ 2,561,317	(752,269)	(19,473)	(771,742)
General revenues							
Taxes							
Property taxes					1,228,367	-	1,228,367
Local option taxes					63,998	-	63,998
Franchise and utility service tax					159,576	-	159,576
Local business tax					33,889	-	33,889
Shared revenues					285,162	-	285,162
Miscellaneous					210,996	-	210,996
Investment earnings					17,050	1,706	18,756
Total general revenues					1,999,038	1,706	2,000,744
Transfers					6,689	(6,689)	-
Total general revenues and transfers					2,005,727	(4,983)	2,000,744
Change in net position					1,253,458	(24,456)	1,229,002
Net position - beginning of year					20,922,432	16,422,766	37,345,198
Net position - end of year					\$ 22,175,890	\$ 16,398,310	\$ 38,574,200

See accompanying notes

City of Apalachicola, Florida
Balance Sheet
Governmental Funds

September 30, 2017	General Fund	Library	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 475,333	\$ 36,325	\$ 47,289	\$ 558,947
Investments	3,821	-	32,674	36,495
Due from other funds	38,297	2,702	48,773	89,772
Due from other governmental units	143,103	198,800	-	341,903
Accounts receivable, net	88,393	48,906	-	137,299
Notes receivable	-	-	341,079	341,079
Total assets	\$ 748,947	\$ 286,733	\$ 469,815	1,505,495
Liabilities				
Accounts payable	\$ 95,295	\$ 30,816	\$ -	126,111
Accrued payroll	9,180	-	-	9,180
Due to other funds	51,475	-	-	51,475
Unearned revenue	10,829	-	341,079	351,908
Total liabilities	166,779	30,816	341,079	538,674
Fund balance				
Restricted				
Community redevelopment agency	28,364	-	-	28,364
Library trust	-	255,917	-	255,917
Raney house	8,826	-	-	8,826
MSBU	4,656	-	-	4,656
Local option gas tax	-	-	36,448	36,448
HUD	-	-	92,288	92,288
Debt service	19,089	-	-	19,089
Assigned	214,249	-	-	214,249
Unassigned	306,984	-	-	306,984
Total fund balance	582,168	255,917	128,736	966,821
Total liabilities and fund balances	\$ 748,947	\$ 286,733	\$ 469,815	
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.				23,438,037
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the funds.				(3,009,842)
Deferred outflows and inflows of resources are not financial resources or liabilities and therefore are not reported in the funds.				439,795
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.				341,079
Net position of governmental activities				\$ 22,175,890

See accompanying notes

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

Year Ended September 30, 2017	General Fund	Library	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 1,422,692	\$ -	\$ 63,138	\$ 1,485,830
Licenses and permits	168,953	-	-	168,953
Intergovernmental	2,232,380	497,000	-	2,729,380
Charges for services	416,564	-	-	416,564
Fines and forfeitures	1,406	-	-	1,406
Investment earnings and other	237,848	138,271	30,135	406,254
Total revenues	4,479,843	635,271	93,273	5,208,387
Expenditures				
Current operating				
General government	1,210,239	-	-	1,210,239
Public safety	648,681	-	-	648,681
Transportation	511,826	-	-	511,826
Economic environment	-	-	32,834	32,834
Culture and recreation	784,450	15,247	-	799,697
Capital outlay				
General government	1,209,848	-	-	1,209,848
Public safety	5,868	-	-	5,868
Transportation	87,500	-	-	87,500
Culture and recreation	97,422	933,712	-	1,031,134
Debt service	268,334	-	-	268,334
Total expenditures	4,824,168	948,959	32,834	5,805,961
Excess (deficit) of revenues over (under) expenses	(344,325)	(313,688)	60,439	(597,574)
Other financing sources (uses)				
Transfers in	176,742	-	-	176,742
Transfers out	-	(4,800)	(66,942)	(71,742)
Debt issuance	365,889	209,900	-	575,789
Total other financing sources (uses)	542,631	205,100	(66,942)	680,789
Net change in fund balances	198,306	(108,588)	(6,503)	83,215
Fund balances - beginning	383,862	364,505	135,239	883,606
Fund balances - ending	\$ 582,168	\$ 255,917	\$ 128,736	\$ 966,821

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, 2017

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

Net change in fund balances - total governmental funds	\$ 83,215
Capital outlay, reported as expenditures in governmental funds, are shown as capital assets in the statement of activities.	2,334,350
Depreciation expense on governmental capital assets is included in the governmental activities in the statement of activities.	(489,060)
The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, transfers, and donations).	(98,311)
The net effect of miscellaneous noncash transactions involving notes receivable (i.e. write off of uncollectible long term notes receivables).	(48,372)
Proceeds from debt is reported as revenue in the governmental funds but as an increase in long-term liabilities in the statement of net position.	(575,789)
Repayment of long-term debt is reported as an expenditure in governmental funds but as a reduction of long-term liabilities in the statement of net position.	225,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (i.e. compensated absences, accrued interest, other postemployment benefits, net pension liability, and the related deferred outflows and inflows of resources).	(191,494)
Expenditures for revolving loans issued and revenue for loan repayments are reported in the governmental funds, and recorded through notes receivable activity in the statement of net position.	13,919
<hr/>	
Change in net position of governmental activities	\$ 1,253,458

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, 2017	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,390,978	\$ 1,418,319	\$ 1,422,692	\$ 4,373
Licenses and permits	189,500	168,157	168,953	796
Intergovernmental	288,645	1,835,528	2,232,380	396,852
Charges for services	15,000	317,769	416,564	98,795
Fines and forfeitures	4,000	1,503	1,406	(97)
Investment earnings and other	11,000	208,841	237,848	29,007
Total revenues	1,899,123	3,950,117	4,479,843	529,726
Expenditures				
Current operating				
General government	585,932	1,202,080	1,210,239	(8,159)
Public safety	623,687	645,429	648,681	(3,252)
Transportation	573,223	573,121	511,826	61,295
Culture and recreation	190,975	681,743	784,450	(102,707)
Capital outlay				
General government	3,000	995,223	1,209,848	(214,625)
Public safety	17,000	13,670	5,868	7,802
Transportation	4,000	5,193	87,500	(82,307)
Culture and recreation	3,000	94,290	97,422	(3,132)
Debt service	88,600	85,157	268,334	(183,177)
Total expenditures	2,089,417	4,295,906	4,824,168	(528,262)
Excess of expenditures over revenues (under) expenditures	(190,294)	(345,789)	(344,325)	1,464
Other financing sources (uses)				
Transfers in	147,200	159,338	176,742	17,404
Debt issuance	10,000	130,435	365,889	235,454
Total other financing sources (uses)	157,200	289,773	542,631	252,858
Net change in fund balance	(33,094)	(56,016)	198,306	254,322
Fund balance - beginning	383,862	383,862	383,862	-
Fund balance - ending	\$ 350,768	\$ 327,846	\$ 582,168	\$ 254,322

See accompanying notes

City of Apalachicola, Florida

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

Year Ended September 30, 2017	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 534,496	\$ 497,000	\$ (37,496)
Investment earnings and other	-	-	138,271	138,271
Total revenues	-	534,496	635,271	100,775
Expenditures				
Current operating				
Culture and recreation	-	-	15,247	(15,247)
Capital outlay				
Culture and recreation	-	736,535	933,712	(197,177)
Total expenditures	-	736,535	948,959	(212,424)
Excess of expenditures over revenues	-	(202,039)	(313,688)	(111,649)
Other financing sources (uses)				
Transfers out	-	-	(4,800)	(4,800)
Debt issuance	-	209,900	209,900	-
Total other financing sources (uses)	-	209,900	205,100	(4,800)
Net change in fund balance	-	7,861	(108,588)	(116,449)
Fund balance - beginning	364,505	364,505	364,505	-
Fund balance - ending	\$ 364,505	\$ 372,366	\$ 255,917	\$ (116,449)

See accompanying notes

City of Apalachicola, Florida
Statement of Net Position
Proprietary Fund

Business-type Activities

September 30, 2017	Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 16,870
Investments	2,136
Accounts receivable, net	186,901
Prepays	8,235
Total current assets	214,142
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	
Revenue bonds	150,547
Customer deposits	200,907
Investments	
State revolving loan escrow	68,754
Total restricted assets	420,208
Capital assets	
Property, plant and equipment	38,079,859
Accumulated depreciation	(14,501,257)
Net capital assets	23,578,602
Total noncurrent assets	23,998,810
Total assets	24,212,952
Deferred outflows of resources	207,039

(Continued)

See accompanying notes

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

Business-type Activities

September 30, 2017	Enterprise Fund
Liabilities	
Current liabilities	
Accounts payable	\$ 148,876
Accrued payroll	1,310
Accrued interest	110,916
Due to other funds	38,297
Bonds payable - current	96,000
Notes payable - current	758,475
Compensated absences	7,744
Total current liabilities	1,161,618
Noncurrent liabilities	
Customer deposits	200,907
Bonds payable	2,636,352
Notes payable	3,283,950
Net pension liability	520,002
Other postemployment benefits	163,942
Compensated absences	15,488
Total noncurrent liabilities	6,820,641
Total liabilities	7,982,259
Deferred inflows of resources	39,422
Net position	
Net investment in capital assets	16,803,825
Restricted	
Debt service	68,815
Renewal and replacement	150,486
Unrestricted (deficit)	(624,816)
Total net position	\$ 16,398,310

See accompanying notes

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

Business-type Activities

Year Ended September 30, 2017	Enterprise Fund
Operating revenues	
Utility billings	\$ 2,006,918
Tap fees	30,930
Mooring fees	124,040
Rental income	15,552
Total operating revenues	2,177,440
Operating expenses	
Personal services	646,241
Garbage collection services	445,326
Supplies, gas and oil	203,437
Communications	10,830
Utilities	173,033
Repairs and maintenance	76,027
Insurance	81,322
Professional fees	11,059
Miscellaneous	20,149
Depreciation	905,144
Total operating expenses	2,572,568
Operating loss	(395,128)
Nonoperating revenues (expenses)	
Investment income	1,706
Interest expense/fees	(246,790)
Capital contributions	720,756
Total nonoperating revenues (expenses)	475,672
Income before transfers	80,544
Transfers	
Transfers out	(105,000)
Total transfers	(105,000)
Change in net position	(24,456)
Net position - beginning	16,422,766
Net position - ending	\$ 16,398,310

See accompanying notes

City of Apalachicola, Florida
Statement of Cash Flows
Proprietary Fund

	Business-type Activities
Year Ended September 30, 2017	Enterprise Fund
Operating activities	
Receipts from customers	\$ 2,169,421
Payments to suppliers and others	(973,794)
Payments to employees	(558,358)
Net cash provided by operating activities	637,269
Noncapital financing activities	
Increase in due to other funds	(10,393)
Transfers out	(105,000)
Net cash used by noncapital financing activities	(115,393)
Capital and related financing activities	
Capital contributions - grants	720,756
Acquisition of capital assets	(997,617)
Principal repayments of revenue bonds and notes payable	(298,948)
Interest paid on long-term debt	(182,993)
Net cash used by capital and related financing activities	(758,802)
Investing activities	
Proceeds from sales and maturities of investments	131,678
Interest received	1,706
Net cash provided by investing activities	133,384
Decrease in cash and cash equivalents	(103,542)
Cash and cash equivalents - beginning	471,866
Cash and cash equivalents - ending	\$ 368,324
Classified as	
Current assets - cash and cash equivalents	\$ 16,870
Restricted assets - cash and cash equivalents	351,454
Cash and cash equivalents - ending	\$ 368,324

(Continued)

See accompanying notes

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

	Business-type Activities
Year Ended September 30, 2017	Enterprise Fund
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (395,128)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	905,144
(Increase) decrease in assets	
Accounts receivable, net	(41,494)
Due from other governmental units	27,800
(Increase) decrease in deferred outflows of resources	(36,549)
Increase (decrease) in liabilities	
Accounts payable	47,389
Compensated absences	6,035
Customer deposits	5,675
Other postemployment benefits	54,025
Net pension liability	42,565
Increase (decrease) in deferred inflows of resources	21,807
Net cash provided by operating activities	\$ 637,269
Supplementary disclosure of noncash transactions	
Acquisition of capital assets under installment agreement	\$ 267,600

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 2,200 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 Apalachicola Community Redevelopment Agency (Agency) is operated by the City. The Agency was created on January 3, 1989, by City Ordinance 88-11 pursuant to Florida Statute 163.387. As of March 2017, the City's Commissioners serve as the board members of the Agency plus an additional two voting members and one nonvoting member which are determined by the City Commissions. The Agency is presented as a governmental fund type with fiscal year end of September 30 and is reported as a blended component unit with the general fund.

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

City of Apalachicola, Florida Notes to Basic Financial Statements

NOTE 1 – REPORTING ENTITY (CONTINUED)

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

- 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.
- Library fund – This fund is used to account for the operations of the City's library.

City of Apalachicola, Florida Notes to Basic Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The City reports the following major proprietary fund:

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

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Customer accounts receivable are recorded at their net realizable value, reduced by an allowance for doubtful accounts. The allowance for the enterprise fund at September 30, 2017, is \$169,897. Unbilled amounts are not recorded.

The allowance for doubtful accounts from the general fund as of September 30, 2017 is \$12,000.

Due From (To) Other Funds

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

Inventories

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

Restricted Assets

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

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 acquisition cost 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.

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Unearned Revenues

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

Compensated Absences

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

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

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 mils for general operations. The City's millage rate for the year ended September 30, 2017, was 9.3543 mils.

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

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

All taxes become payable on November 1, of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

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

Fund balances

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

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2017.

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, 2017 of \$445,588 is restricted by creditors for repayment of debt issued, enabling legislation, and donor restrictions.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances approved by the City Commission. There are no committed funds as of September 30, 2017.

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, 2017 is \$214,249 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, 2017 is \$306,984.

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

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

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

Restricted - This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. As of September 30, 2017 \$664,889 is reported as restricted net position on the government-wide statement of net position. Of this amount, \$268,370 is restricted by enabling legislation.

City of Apalachicola, Florida Notes to Basic Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) Pension Plan and the Retirees' Health Insurance Subsidy (HIS) Program and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by FRS and HIS. The financial statements for FRS and HIS are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with GAAP. Contributions are recognized as revenues when due, pursuant to the statutory and contractual requirements.

Restricted Assets

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

Use of Estimates

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

Encumbrances

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

City of Apalachicola, Florida Notes to Basic Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

External Investment Pools

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

Long-term Obligations

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

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.

Date of Management’s Review

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 31, 2018, 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 prorata 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

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Credit Risks

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

Interest Rate Risks

At September 30, 2017, the City did not hold any investments that were considered to be an interest rate risk.

Custodial Risks

At September 30, 2017, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentrations of Credit Risk

At September 30, 2017, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2017, the City’s cash and investments consisted of the following:

	Credit Rating	Current	1-5 Years	Total Carrying Amount
Cash including money market fund	<i>(1)</i>	\$ 927,271	\$ -	\$ 927,271
U.S. Government agencies	AAA	68,754	-	68,754
Local Government Surplus Trust Fund Pool	AAAm	38,631	-	38,631
Total		\$ 1,034,656	\$ -	\$ 1,034,656

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

Local Government Surplus Trust Fund Pool

As of September 30, 2017, the City had investments for general funds on deposit in a 2a7-like pool in the amount of \$38,631 with the SBA.

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

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

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

As of September 30, 2017, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

Interest rate risk disclosure –The weighted average maturity (WAM) of Florida PRIME at September 30, 2017 is 51 days. The next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of Florida PRIME at September 30, 2017 is 80 days.

NOTE 4 – CAPITAL ASSETS

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

	September 30, 2016	Increases	Decreases	September 30, 2017
Capital assets, not being depreciated				
Land	\$ 10,201,410	\$ -	\$ -	\$ 10,201,410
Construction in progress	599,526	-	(599,526)	-
Total capital assets not being depreciated	10,800,936	-	(599,526)	10,201,410
Capital assets being depreciated				
Buildings	1,709,253	1,010,444	-	2,719,697
Improvements other than buildings	5,183,803	126,296	-	5,310,099
Machinery and equipment	2,360,223	194,300	-	2,554,523
Infrastructure	6,793,130	1,504,525	-	8,297,655

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	September 30, 2016	Increases	Decreases	September 30, 2017
Total capital assets being depreciated	\$ 16,046,409	\$ 2,835,565	\$ -	\$ 18,881,974
Less accumulated depreciation				
Buildings	783,118	43,008	-	826,126
Improvements other than buildings	1,487,597	141,601	-	1,629,198
Machinery and equipment	2,056,715	120,577	-	2,177,292
Infrastructure	828,857	183,874	-	1,012,731
Total accumulated depreciation	5,156,287	489,060	-	5,645,347
Total depreciable assets, net of accumulated depreciation	10,890,122	2,346,505	-	13,236,627
Total governmental activities' capital assets, net of accumulated depreciation	\$ 21,691,058	\$ 2,346,505	\$ (599,526)	\$ 23,438,037

The cost of capital assets acquired under capital lease is \$202,967, less accumulated depreciation of \$51,310, for a net carrying value of \$151,657 at September 30, 2017.

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

	September 30, 2016	Increases	Decreases	September 30, 2017
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	-	(27,800)	363,057
Capital assets being depreciated				
Buildings and utility systems	36,423,785	1,293,017	-	37,716,802
Less accumulated depreciation				
Buildings and utility systems	(13,596,113)	(905,144)	-	(14,501,257)

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	September 30, 2016	Increases	Decreases	September 30, 2017
Total depreciable assets, net of accumulated depreciation	\$ 22,827,672	\$ 387,873	\$ -	\$ 23,215,545
Total business-type activities' capital assets, net of accumulated depreciation	\$ 23,218,529	\$ 387,873	\$ (27,800)	\$ 23,578,602

The cost of capital assets acquired under capital lease is \$307,261, less accumulated depreciation of \$35,520, for a net carrying value of \$271,741 at September 30, 2017.

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

Governmental activities	
General government	\$ 31,598
Public safety	41,308
Transportation	212,992
Culture and recreation	203,162
Total depreciation expense - governmental activities	\$ 489,060
Business-type activities	
Water	\$ 150,413
Sewer	748,860
Mooring/boat basins	5,871
Total depreciation expense - business-type activities	\$ 905,144

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities of the governmental activities of the City at September 30, 2017 is as follows:

	Balance September 30, 2016	Additions	(Reductions)	Balance September 30, 2017	Due Within One Year
\$506,500 Capital Improvement Revenue Bonds - Series 2010. Due in annual installments of \$25,480 to \$30,260 with interest at 4%. Matures in September 2039 (see (a) below).	\$ 442,500	\$ -	\$ (12,000)	\$ 430,500	\$ 13,000
Installment purchase agreement for a fire truck for \$222,950 payable in annual installments of \$29,564 with interest at 5.49%. Matures in October 2020.	37,177	-	(27,493)	9,684	9,684
Installment purchase agreement for a loader for \$103,535 payable in annual installments of \$22,173 including 2.3% interest, maturing August 2017.	21,712	-	(21,712)	-	-
Installment purchase agreement for a vehicle for \$24,731 payable in annual installments of \$8,920 including 8.4% interest, maturing February 2017.	54	-	(54)	-	-
Installment purchase agreement for a vehicle for \$24,103 payable in annual installments of \$8,560 including 6.7% interest, maturing June 2017.	8,023	-	(8,023)	-	-
Installment purchase agreement for a vehicle for \$21,539 payable in annual installments of \$7,649 including 6.7% interest, maturing June 2017.	7,170	-	(7,170)	-	-
Installment purchase agreement for a vehicle for \$28,785 payable in annual installments of \$7,910 including 5.4% interest, maturing February 2019.	21,388	-	(6,759)	14,629	7,123

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (CONTINUED)

	Balance September 30, 2016	Additions	(Reductions)	Balance September 30, 2017	Due Within One Year
Installment purchase agreement for a vehicle for \$25,958 payable in annual installments of \$9,219 including 4.9% interest, maturing February 2018.	\$ 17,162	\$ -	\$ (8,375)	\$ 8,787	\$ 8,787
Installment purchase agreement for a tractor and rotary cutter for \$65,239 payable in annual installments of \$17,285 including 2.34% interest, maturing November 2019.	65,239	-	(15,742)	49,497	16,115
Installment purchase agreement for a tractor and rotary cutter for \$78,431 payable in annual installments of \$16,841 including 2.39% interest, maturing November 2021.	-	78,431	-	78,431	14,946
Compensated absences	137,175	70	-	137,245	45,748
Net pension liability	1,252,706	111,681	-	1,364,387	-
Other postemployment benefits	278,818	118,420	-	397,238	-
Total governmental activities' long-term obligations	\$ 2,289,124	\$ 308,602	\$ (107,328)	\$ 2,490,398	\$ 115,403

- (a) The series 2010 general fund capital improvement revenue bonds are secured by alcoholic beverage income, fines and forfeiture income, and MSBU funds. Current year principal and interest payments on the bonds are 49 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$651,960. Principal and interest paid for the current year and total pledged revenues were \$29,700 and \$60,196, 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 balance for the Series 2010 bond issue totals \$19,089 at September 30, 2017.

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (CONTINUED)

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
2018	\$ 69,655	\$ 22,044	\$ 91,699
2019	52,309	19,428	71,737
2020	46,563	15,563	62,126
2021	30,056	16,405	46,461
2022	31,445	15,457	46,902
2023 - 2027	83,000	65,940	148,940
2028 - 2032	101,000	47,940	148,940
2033 - 2037	125,000	25,900	150,900
2038 - 2039	52,500	3,080	55,580
Total	\$ 591,528	\$ 231,757	\$ 823,285

The City has two lines of credit which are secured by the City's certificates of deposit in the amount of \$201,086. The agreements require that the entire outstanding amount plus interest of 2.2% be paid by January 31, 2018. During the year, line of credit proceeds totaled \$179,000 and repayments totaled \$117,672. The balance outstanding at September 30, 2017 is \$201,086.

The City has one short term promissory note of up to \$385,000 at 3.575% which is secured by the following grant agreements; DEP Agreement No. A7125, DEP Agreement No. A7126, Public Library Construction Grant, Project Number 15-PLC-02, and FWC Agreement No. 15075. The agreements require interest be paid beginning August 2017 with the principal being paid in January 2018. The balance outstanding at September 30, 2017 is \$318,358.

NOTE 6 – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES

	Balance September 30, 2016	Additions	Reductions	Balance September 30, 2017	Due Within One Year
\$3,073,000 Water and Sewer Revenue Bonds – Series 2003. Due in annual installments of \$16,417 to \$592,000 with interest at 3%. Matures in 2043 (see (c) below).	\$ 2,478,274	\$ -	\$ (61,000)	\$ 2,417,274	\$ 63,000
\$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).	169,448	-	(17,000)	152,448	18,000

City of Apalachicola, Florida
Notes to Basic Financial Statements

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

	Balance September 30, 2016	Additions	Reductions	Balance September 30, 2017	Due Within One Year
\$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).	\$ 176,630	\$ -	\$ (14,000)	\$ 162,630	\$ 15,000
Note payable to the State of Florida Revolving Fund for sewer system construction costs. Semiannual payments of \$225,898 including interest on the loan increments at 3% to 4% maturing June 2026 – (see (d) below).	3,958,845	-	(199,702)	3,759,143	728,005
Installment purchase agreement for a vehicle for \$30,857 payable in annual instalments of \$8,480 including 5.4% interest, maturing February 2019.	22,928	-	(7,246)	15,682	7,635
Installment purchase agreement for a water meters for \$267,600 payable in annual instalments of \$32,139 including 3.48% interest, maturing November 2026.	-	267,600	-	267,600	22,835
Compensated absences	17,197	6,035	-	23,232	7,744
Net pension liability	477,437	42,565	-	520,002	-
Other postemployment benefits	109,917	54,025	-	163,942	-
Total business-type activities' long-term obligations	\$ 7,410,676	\$ 370,225	\$ (298,948)	\$ 7,481,953	\$ 862,219

- (a) The series 1983 water and sewer revenue bonds are secured by a first lien on the gross revenues of the water and sewer system and a first lien on the City's public service taxes and guaranteed entitlement revenues. Current year principal and interest payments on the bonds are 11 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$183,652. Principal and interest paid for the current year and total pledged revenues were \$25,472 and \$225,815, respectively.

City of Apalachicola, Florida
Notes to Basic Financial Statements

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

- (b) The series 1986 water and sewer revenue bonds are secured by a junior lien on the above-mentioned revenues. Current year principal and interest payments on the bonds are 11 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$214,692. Principal and interest paid for the current year and total pledged revenues were \$24,598 and \$225,815, respectively.
- (c) The series 2003 water and sewer revenue bonds were issued on parity with the 1983 and 1986 water and sewer revenue bonds. Current year principal and interest payments on the bonds are 63 percent of pledged revenues. The total principal and interest remaining to be paid on the bonds is \$3,572,184. Principal and interest paid for the current year and total pledged revenues were \$141,544 and \$225,815, 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 400 percent of pledged revenues. The total principal and interest remaining to be paid on the notes is \$4,295,450. Principal and interest paid for the current year and total pledged revenues were \$278,218 and \$68,754, 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 total \$150,547 at September 30, 2017.

Annual Debt Maturities

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

Year Ending September 30,	Series 1983 Revenue Bonds		Series 1986 Revenue Bonds	
	Principal	Interest	Principal	Interest
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	23,000	4,622	17,000	6,998

City of Apalachicola, Florida
Notes to Basic Financial Statements

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

Year Ending September 30,	Series 1983 Revenue Bonds		Series 1986 Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 25,000	\$ 3,472	\$ 18,000	\$ 5,978
2023 - 2026	45,448	3,094	81,630	12,512
Total	\$ 152,448	\$ 31,204	\$ 162,630	\$ 52,062

Year Ending September 30,	Series 2003 Revenue Bonds		State Revolving Loan	
	Principal	Interest	Principal	Interest
2018	\$ 63,000	\$ 78,561	\$ 728,005	\$ 111,199
2019	65,000	76,514	338,457	93,574
2020	67,000	74,401	349,288	82,743
2021	71,000	72,224	360,466	71,565
2022	72,000	69,916	372,002	60,029
2023 - 2027	398,000	312,791	1,610,925	117,197
2028 - 2032	472,000	243,566	-	-
2033 - 2037	555,000	161,633	-	-
2038 - 2042	654,274	65,304	-	-
Total	\$ 2,417,274	\$ 1,154,910	\$ 3,759,143	\$ 536,307

Year Ending September 30,	Installment Purchase Vehicle		Installment Purchase Water Meters	
	Principal	Interest	Principal	Interest
2018	\$ 7,635	\$ 844	\$ 22,835	\$ 9,304
2019	8,047	433	23,629	8,410
2020	-	-	24,450	7,689
2021	-	-	25,301	6,839
2022	-	-	26,180	5,959
2023 - 2027	-	-	145,205	15,592
Total	\$ 15,682	\$ 1,277	\$ 267,600	\$ 53,793

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>2017</u>	<u>2016</u>
Second mortgage receivable – original loan of \$321,666; \$1,105 due monthly including 4% interest, the unpaid balance matures in September 2023.	\$ 70,476	\$ 80,695
Second mortgage receivable – original loan \$100,000, due in monthly payments of \$1,012 including interest at 4%. Balance includes past due interest of \$20,592 and matures in December 2026.	101,436	102,300
Second mortgage receivable – original loan of \$59,184; \$576 due monthly including 4% interest. Balance includes past due interest of \$5,840 and matures in October 2022.	38,711	37,319
Second mortgage receivable – original loan of \$30,673; \$598 due monthly including 4% interest. Balance includes past due interest of \$12,164 and matures in October 2022.	69,139	38,929
Second mortgage receivable – original loan of \$10,000; \$101 due monthly including 4% interest, the unpaid balance matures December 2021.	5,236	5,813
Second mortgage receivable – original loan of \$45,000; \$456 due monthly including 4% interest. Balance includes past due interest of \$9,841 and matures October 2028. The borrower was determined to be in default and the City was able to seize ownership of the property purchased using the loan proceeds. 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. It was estimated that \$48,372 of the balance due would not be collected through the sale of the property seized so the receivable was adjusted to the net realizable value.	6,000	52,243
Second mortgage receivable – original loan of \$25,000; \$253 due monthly including 4% interest. Balance includes past due interest of \$2,929 and matures in February 2027.	23,955	25,990

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 7 – NOTES RECEIVABLE (CONTINUED)

September 30,	2017	2016
Second mortgage receivable – original loan of \$60,000; \$607 due monthly including 4% interest, the unpaid balance matures in July 2021.	\$ 26,126	\$ 32,243
Total	\$ 341,079	\$ 375,532

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, amounts uncollected are considered unearned revenue.

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances	Due from other funds	Due to other funds
General fund	\$ -	\$ 2,702
Library fund	2,702	-
General fund	38,297	-
Enterprise fund	-	38,297
General fund	-	48,773
Nonmajor governmental funds	48,773	-
Total	\$ 89,772	\$ 89,772

Interfund loans were for operations and to reclassify loan proceeds between funds.

Transfers Out	Transfers In	Amount	Purpose
Enterprise fund	General fund	\$ 105,000	Administrative services and cash advance
Library fund	General fund	4,800	Portion of miscellaneous library revenues
Local option gas tax fund	General fund	66,942	Road maintenance expense reimbursement, salary reimbursement and other operating activities

NOTE 9 – PENSION PLANS

Defined Benefit Plans

Plan Description

The City participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability and death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of 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.

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. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

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

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

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Contributions

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City's contribution rates for the year ended September 30, 2017 were as follows:

	October 1, 2016 Through June 30, 2017		July 1, 2017 Through September 30, 2017	
	FRS	HIS	FRS	HIS
Regular class	5.86%	1.66%	6.26%	1.66%
Senior management	20.11%	1.66%	21.05%	1.66%
Special risk employee class	20.91%	1.66%	21.61%	1.66%
DROP plan participants	11.33%	1.66%	11.60%	1.66%

The City's contributions for the year ended September 30, 2017, were \$124,297 to FRS and \$22,030 to HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2017, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2017. The City's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 1,433,819	\$ 450,570
Proportion at:		
Current measurement date	0.004847368%	0.004213899%
Prior measurement date	0.004779126%	0.004491023%
Pension expense (benefit)	\$ 227,767	\$ 32,101

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 131,590	\$ 7,943
Changes of assumptions	481,864	-
Net difference between projected and actual earnings on pension plan investments	-	35,534
Changes in proportion and differences between employer contributions and proportionate share of contributions	20,892	35,987
Employer contributions subsequent to the measurement date	38,029	-
Total	\$ 672,375	\$ 79,464

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 938
Changes of assumptions	63,335	38,961
Net difference between projected and actual earnings on pension plan investments	250	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,679	23,497
Employer contributions subsequent to the measurement date	6,633	-
Total	\$ 77,897	\$ 63,396

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, 2018. Other pension related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Measurement period ending June 30,	FRS	HIS
2018	\$ 63,052	\$ 5,172
2019	188,447	5,172
2020	136,173	5,172
2021	32,714	3,086
2022	99,636	(488)
Thereafter	34,860	(10,246)
Total	\$ 554,882	\$ 7,868

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2017, was determined by an actuarial valuation dated July 1, 2017, 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	7.10%	N/A
Discount rate	7.10%	3.58%
Bond Buyer General Obligation 20-Bond Municipal Bond	N/A	3.58%

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 June 30, 2017 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in key actuarial assumptions occurred in 2017:

FRS: The long-term expected rate of return was decreased from 7.6% to 7.1%, and the active member mortality assumption was updated.

HIS: The municipal rate used to determine total pension liability was increases from 2.85% to 3.58%.

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

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	3.0%	3.0%
Fixed income	18%	4.5%	4.4%
Global equity	53%	7.8%	6.6%
Real estate (property)	10%	6.6%	5.9%
Private equity	6%	11.5%	7.8%
Strategic investments	12%	6.1%	5.6%
	<u>100%</u>		

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 9 – PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability for FRS was 7.10%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.58% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

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

	FRS		
	1% Decrease	Current Discount Rate	1% Increase
	Employer's proportionate share of the net pension liability	\$ 2,595,126	\$ 1,433,819
	HIS		
	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 514,160	\$ 450,570	\$ 397,603

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, 2017, totaled \$12,587.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City has established the Retirees' Health Insurance Other Postemployment Benefits Plan (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 32 total active and retired employees eligible to receive these benefits. No stand alone report is issued for the Plan.

Eligibility

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

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 vary based on age within the requirements of the federal law that older employees pay no more than 3 times that of younger employees. During the year the rates in effect for City plan members ranged from \$338 for coverage of a 25 year old person to \$875 for coverage a person 61 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.

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

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

Description	
Normal cost (service cost for one year)	\$ 116,364
Amortization of unfunded actuarial accrued liability	56,839
Annual required contribution	173,203
Interest on net OPEB obligation	9,994
Adjustment to annual required contribution	(10,752)
Annual OPEB cost (expense)	172,445
Contribution toward the OPEB cost	-
Increase in net OPEB obligation	172,445
Net OPEB obligation, beginning of year	388,735
Net OPEB obligation, end of year	\$ 561,180

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, 2017 is as follows:

Year ended September 30,	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 23,329	0%	\$ 222,086
2016	166,649	0%	388,735
2017	172,445	0%	561,180

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 June 30, 2016. 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

City of Apalachicola, Florida
Notes to Basic Financial Statements

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 4.5% 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 4.5% per year. The assumed retirement age used is 63, 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, 2017 is 29 years.

NOTE 11 – COMMITMENTS, CONTINGENCIES AND RISK MANAGEMENT

Litigation

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

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

NOTE 12 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED

The following standards have been issued that may have an effect on the City but management has not yet determined the effect these statements will have on the City's financial statements.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension, addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 82, Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.



City of Apalachicola, Florida Notes to Basic Financial Statements

NOTE 12 – PRONOUNCEMENTS ISSUED, BUT NOT YET ADOPTED (CONTINUED)

GASB Statement No. 85, *Omnibus*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This statement is effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

NOTE 13 – DEFICIT BALANCES

Governmental activities has a deficit unrestricted net position of \$1,116,207 and business-type activities has a deficit unrestricted net position of \$624,816 at September 30, 2017.

NOTE 14 – OVER BUDGET

The general fund actual expenditures exceeded the final budgeted expenditures by \$528,262 while the library fund actual expenditures exceeded the final budgeted expenditures by \$212,424.

NOTE 15 – SUBSEQUENT EVENT

On October 10, 2018 the eye of hurricane Michael, a category 4 hurricane, passed over the Panhandle of Florida causing devastating destruction and property damage to buildings and businesses throughout the area. At the time of the issuance of these financial statements the impact of the damages and their effects on the City's financial statements cannot be determined. One of the reasons for the disclaimer of opinion on these financial statements is the destruction of some of the City's financial records.

Required Supplementary Information

City of Apalachicola, Florida
Other Postemployment Benefit Plan Schedules
Year Ended September 30, 2017

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded Actuarial Liabilities (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2015	N/A	N/A	N/A	N/A	N/A	N/A
June 30, 2016	\$ 0	\$ 1,062,150	\$ 1,062,150	0%	\$ 1,258,118	84%
June 30, 2017	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:

Year ended September 30,	Actual Contribution	Annual Required Contribution	Percentage Contributed
2015	\$ 0	\$ 25,318	0%
2016	0	167,407	0%
2017	0	173,203	0%

See independent auditors' 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,	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *
City's proportion of the net pension liability	0.0048474%	0.0047791%	0.0046555%	0.0046768%	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability	\$ 1,433,819	\$ 1,206,733	\$ 601,324	\$ 285,354	N/A	N/A	N/A	N/A	N/A	N/A
City's covered-employee payroll	1,247,349	1,270,306	1,233,891	1,161,426	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	114.95%	95.00%	48.73%	24.57%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

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

Year ended September 30,	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *
Contractually required contribution	\$ 124,297	\$ 111,485	\$ 113,485	\$ 99,286	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(124,297)	(111,485)	(113,485)	(99,286)	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
City's covered-employee payroll	\$ 1,327,136	\$ 1,256,246	\$ 1,279,173	\$ 1,135,957						
Contributions as a percentage of covered-employee payroll	9.37%	8.87%	8.87%	8.74%	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' 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,	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *
City's proportion of the net pension liability	0.0042139%	0.0044910%	0.0044054%	0.0043844%	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability	\$ 450,570	\$ 523,410	\$ 449,282	\$ 409,950	N/A	N/A	N/A	N/A	N/A	N/A
City's covered-employee payroll	1,247,349	1,270,306	1,233,891	1,161,426	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.12%	41.20%	36.41%	35.30%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

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

Year ended September 30,	2017	2016	2015	2014 *	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *
Contractually required contribution	\$ 22,030	\$ 20,854	\$ 16,118	\$ 13,631	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(22,030)	(20,854)	(16,118)	(13,631)	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
City's covered-employee payroll	\$ 1,327,136	\$ 1,256,246	\$ 1,279,173	\$ 1,135,957						
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.26%	1.20%	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

Combining Financial Statements

City of Apalachicola, Florida
Combining Balance Sheet
Nonmajor Governmental Funds

September 30, 2017	Local Option Gas Tax	HUD Revolving Loans	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ 47,289	\$ 47,289
Investments	13,552	19,122	32,674
Due from other funds	22,896	25,877	48,773
Notes receivable	-	341,079	341,079
Total assets	\$ 36,448	\$ 433,367	\$ 469,815
Liabilities and fund balance			
Unearned revenue	\$ -	\$ 341,079	\$ 341,079
Total liabilities	-	341,079	341,079
Fund balance			
Restricted			
Local option gas tax	36,448	-	36,448
HUD	-	92,288	92,288
Total fund balance	36,448	92,288	128,736
Total liabilities and fund balance	\$ 36,448	\$ 433,367	\$ 469,815

See independent auditors' report

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

Year Ended September 30, 2017	Local Option Gas Tax	HUD Revolving Loans	Total Nonmajor Governmental Funds
Revenues			
Taxes	\$ 63,138	\$ -	\$ 63,138
Investment earnings and other	207	29,928	30,135
Total revenues	63,345	29,928	93,273
Expenditures			
Current operating			
Economic environment	-	32,834	32,834
Total expenditures	-	32,834	32,834
Excess (deficit) of revenues over (under) expenditures	63,345	(2,906)	60,439
Other financing sources (uses)			
Transfers out	(66,942)	-	(66,942)
Total other financing sources (uses)	(66,942)	-	(66,942)
Net change in fund balances	(3,597)	(2,906)	(6,503)
Fund balances - beginning	40,045	95,194	135,239
Fund balances - ending	\$ 36,448	\$ 92,288	\$ 128,736

See independent auditors' report

Compliance Section

INDEPENDENT AUDITORS' MANAGEMENT LETTER

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

Report on the Financial Statements

We were engaged to audit the financial statements of the City of Apalachicola, Florida (City), as of and for the fiscal year ended September 30, 2017. We did not express an opinion on the financial statements because we were unable to gather sufficient audit evidence to allow us to express an opinion.

Auditors' Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditors' Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants' Reports on examinations conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated December 31, 2018, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.

Prior Year Findings and Recommendations

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2015-16 FY Finding #	2014-15 FY Finding #
2017-001	2016-001	2015-001
2017-002	2016-002	2015-002
2017-003	2016-003	N/A

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 basic financial statements. The City of Apalachicola, Florida was established by Chapter 37-18432, Laws of Florida. The City included the following component unit:

The Apalachicola Community Redevelopment Agency is operated by the City. The Agency was created on January 3, 1989, by City Ordinance 88-11 pursuant to Florida Statute 163.387.

Financial Condition and Management

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 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did meet condition 218.503(1)(a), Florida Statutes. This condition was met, in part, as a result of deteriorating financial conditions as defined by Rule 10.554(1)(f), Rules of the Auditor General.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the City. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The City's financial condition is deteriorating. See finding 2017-003 for a description of the deteriorating financial condition.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we provided recommendations related to findings noted in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we noted that the City has not made the sinking fund and reserve payments required for the 2010 bond issuance which resulted in an underfunding at year end of \$6,346.

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 State 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.

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

Certified Public Accountants
Panama City Beach, Florida
December 31, 2018

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

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

We were engaged to audit, 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 (City), as of and for the year ended September 30, 2017, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 31, 2018. Our report disclaims an opinion on such financial statements because we were unable to gather sufficient audit evidence to allow us to express an opinion as described in the Basis for Disclaimer of Opinion section of the Independent Auditors' Report.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the City, 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 have not been 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 the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2017-001 through 2017-004.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, 2017-005 through 2017-008.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the City, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2017-004 through 2017-007. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

City's Responses to Findings

The City's views and planned corrective action are included in the accompanying schedule of findings and questioned costs. The City's views and planned corrective actions 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 engagement to perform an audit in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
December 31, 2018

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Apalachicola, Florida's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements description in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2017. The City's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state and federal statutes, regulations, and the terms and conditions of its federal awards and state projects applicable to its federal programs and state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *State of Florida Rules of the Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550, *State of Florida Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City, 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, *State of Florida Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2017-009 that we consider to be a significant deficiency.

The City's view and planned corrective action to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's view and planned corrective action was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance and Chapter 10.550, *State of Florida Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Caru, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
December 31, 2018

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

Year Ended September 30, 2017

Federal Agency/Pass-through entity	CFDA No.	Contract/Grant No.	Passed Through to Subrecipients	Expenditures
Federal Awards				
U.S. Department of Housing and Urban Development				
Passed through the Florida Department of Economic Opportunity Community Development Block Grants/State's program and Non-entitlement Grants in Hawaii	14.228	16DB-OK-02-29-02-N 12	\$ -	\$ 617,499
Total U.S. Department of Housing and Urban Development			-	617,499
U.S. Department of Education				
Passed through the Florida Department of Education Twenty-First Century Community Learning Centers	84.287	19A-2447B-7CCC1	-	496,910
Twenty-First Century Community Learning Centers	84.287	19A-2448B-8CCC1	-	56,870
Total U.S. Department of Education			-	553,780
Total expenditures of federal awards			\$ -	\$ 1,171,279

(Continued)

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

Year Ended September 30, 2017

State Agency/Pass-through entity	CSFA No.	Contract/Grant No.	Passed Through to Subrecipients	Expenditures
State Financial Assistance				
Florida Department of Environmental Protection				
Florida Recreation Development Assistance Program	37.017	A7126	\$ -	\$ 44,343
Florida Recreation Development Assistance Program	37.017	A7125	-	47,663
Water Management District - Land Acquisition and Improvement	37.022	14-014	-	1,076,687
Statewide Surface Water Restoration and Wastewater Projects	37.039	LP19031	-	119,258
Total Florida Department of Environmental Protection			-	1,287,951
Florida Department of State				
Division of Library and Information Services				
Public Library Construction Program	45.020	15-PLC-02	-	497,000
Total Division of Library and Information Services			-	497,000
Division of Cultural Affairs				
Specific Cultural Projects	45.062	16.5.105.495	-	25,000
Total Division of Cultural Affairs			-	25,000
Total Florida Department of State			-	522,000
Fish and Wildlife Conservation Commission				
Florida Boating Improvement Program - Battery Park	77.006	05075	-	44,846
Total Fish and Wildlife Conservation Commission			-	44,846
Total expenditures of state financial assistance			\$ -	\$ 1,854,797



City of Apalachicola, Florida
Notes to Schedule of Expenditures of Federal Awards
and State Financial Assistance

NOTE 1 – BASIS OF PRESENTATION

The schedule of expenditures of federal awards and state financial assistance includes the grant activities of the City of Apalachicola, Florida (City). Federal and State expenditures are presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirement of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 – PASS-THROUGH AWARDS

The City receives certain federal awards passed through the State. The total amount of such pass-through awards is included on the schedule of expenditures of federal awards.

NOTE 3 – INDIRECT COST

The City has not elected to use the 10% de minimis indirect cost rate.

NOTE 4 – OTHER TYPES OF FINANCIAL ASSISTANCE

There were no other types of financial assistance to include endowments, insurance in effect, noncash assistance, donated property or free rent received or included in the schedule of expenditures of federal awards and state financial assistance.

City of Apalachicola, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Disclaimer of Opinion	
Internal control over financial reporting		
Material weakness(es) identified?	<u>X</u> yes	___ no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>X</u> yes	___ none reported
Noncompliance material to financial statements noted?	<u>X</u> yes	___ no

Federal Awards and State Financial Assistance

Internal control over major programs/projects		
Material weakness(es) identified?	___ yes	<u>X</u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u>X</u> yes	___ none reported
Type of auditors' report issued on compliance for for major federal programs and state projects:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance or Section 10.557, Rules of the Auditor General?	<u>X</u> yes	___ no

Identification of major federal programs and state projects:

<u>CFDA/CSFA Number</u>	<u>Name of Federal Award/State Project</u>
14.228	Community Development Block Grants/ State's program and Non-entitlement Grants in Hawaii
37.022	Water Management District - Land Acquisition and Improvement
45.020	Public Library Construction Program

Dollar threshold used to distinguish between Type A and Type B programs:	Federal <u>\$750,000</u>	State <u>\$300,000</u>
Auditee qualified as low-risk auditee?	___ yes	<u>X</u> no

(Continued)

City of Apalachicola, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2017

Section II – Financial Statement Findings

2017-001 Segregation of Duties (prior years 2016-001 and 2015-001) (Initially reported in 2004)

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

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

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

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

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

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

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

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

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

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

Views of Responsible Officials and Planned Corrective Action: 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 necessary proposed adjustments.

City of Apalachicola, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2017

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

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

Criteria: Conditions that may cause a financial emergency, as defined in 218.503(1), are considered a deteriorating financial condition.

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

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

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

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

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

Criteria: A documented physical inventory and inspection of property and equipment should be conducted at least annually. This is required by the State of Florida per Rule 69I-73. A reconciliation should be completed between the current year additions on the property listing and the capital outlay accounts for the year. The inventory log should be reviewed for errors. Finally, a tag system should be implemented and used throughout the City to keep track of the City's assets.

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

Recommendation: We recommend that the City work to improve procedures related to tracking assets, including their disposal in accordance with the requirements set forth in State of Florida Rule 69I-73.

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

City of Apalachicola, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2017

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

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

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

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

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

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

2017-006 Noncompliance with Requirements Set Forth in the State Revolving Loan Agreement (Initially reported in 2017)

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

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

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

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

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

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

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

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

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

City of Apalachicola, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2017

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

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

2017-008 Incorrect Census Data Reported in Relation to Pensions (Initially reported in 2017)

Condition: An error in the date of birth reported to the Florida Retirement System was noted in a sample a employment records reviewed.

Criteria: Census data sent to the State should be reviewed for accuracy and completeness. This information is used by the State's actuaries to calculate the net pension liability for the Florida Retirement System and the Health Insurance Subsidy Program.

Effect: Errors in the census data or other information reported to the State could result in errors in the State's calculations.

Recommendation: We recommend that the City review all of the census data reported to the State for current employees as well as implement a new review process to make sure information is initially reported to the State accurately going forward.

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

Section III – Findings and Questioned Costs – Federal Award Programs

There were no findings related to the Uniform Guidance Audit.

Section IV – Findings and Questioned Costs – State Financial Assistance Projects

2017-009 Lack of Control Documentation Related to Reporting for State Financial Assistance Projects (Initially reported in 2017)

State project identification number: 14-014
CSFA number: 37.022 (September 30, 2017)
State awarding agency: Florida Department of Environmental Protection
Pass-through entity: N/A
Questioned costs: N/A

Condition: Adequate documentation could not be provided that shows all reports submitted to the Division of Water Management had been properly reviewed and approved by the City's grant manager prior to submission.

City of Apalachicola, Florida
Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance
Year Ended September 30, 2017

Criteria: Based on grant requirements proper internal controls over reporting should be in place to insure the information submitted to grantors is accurate and complete.

Effects: The City could submit incorrect or incomplete information that could adversely affect grant funding.

Cause: Due to staff turnover within the department, copies of supporting documentation were either not maintained in paper form or were not retained from the employee hard drives after leaving.

Recommendation: Documentation should be prepared and reviewed prior to submission to the grantor and submitted copies should be retained in a grant folder in hard copy form or scans should be maintained on a secure server.

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

Section V – Other Issues

No summary of prior audit findings is required because there were no prior audit findings related to Federal awards or State financial assistance.

**INDEPENDENT ACCOUNTANTS' 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*, for the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City's compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the City's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

In our opinion, the City complied in all material respects, with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2017.

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
December 31, 2018

**INDEPENDENT ACCOUNTANTS' 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*, for the year ended September 30, 2017. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

In our opinion, the City complied in all material respects, with Section 288.8018, Florida Statutes, *Gulf Coast Audits*, for the year ended September 30, 2017.

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
December 31, 2018

City of Apalachicola, Florida
Schedule of Receipts and Expenditures of Funds Related to the
Deepwater Horizon Oil Spill
Year Ended September 30, 2017

Source	Amount Received in the 2016-2017 Fiscal Year	Amount Expended in the 2016-2017 Fiscal Year
British Petroleum:		
Agreement Settlement	\$ -	\$ 101,886

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 2016-2017 year.