

SPECIAL MEETING  
APALACHICOLA CITY COMMISSION  
TUESDAY, JANUARY 31, 2023, 4:00 PM  
BATTERY PARK COMMUNITY CENTER  
1 BAY AVE., APALACHICOLA, FLORIDA 32320

**Agenda**

You are welcome to comment on any matter under consideration by the Apalachicola City Commission when recognized to do so by the Mayor. Once recognized please rise to the podium, state your name for the record and adhere to the three-minute time limit for public comment. Comments may also be sent by email to the City Manager or to Commissioners.

**I. Call to Order**

- **Invocation**
- **Pledge of Allegiance**

**II. Agenda Adoption**

**III. PRESENTATION:**

- 1. 2020-2021 Audit presentation and approval**

**V. Adjournment**

Any person who desires to appeal any decision at this meeting will need a record of the proceeding and for this purpose, may need to ensure that a verbatim record of the proceeding is made which includes testimony and evidence upon which the appeal is based. Persons with disabilities needing assistance to participate in any of these proceedings should contact the City Clerk's Office 48 hours in advance of the meeting

**CITY OF APALACHICOLA, FLORIDA**  
**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**DRAFT**

**CITY OF APALACHICOLA, FLORIDA  
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**DRAFT**

**CITY OF APALACHICOLA, FLORIDA  
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**DRAFT**

**INDEPENDENT AUDITOR'S REPORT**

To the City Members of  
City of Apalachicola, Florida:

**Report on the Financial Statements**

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the City of Apalachicola, Florida, (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**INDEPENDENT AUDITOR'S REPORT**  
*(concluded)*

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and remaining aggregate fund information of the City as of September 30, 2021, and the respective changes in financial position, where applicable, and the respective budgetary comparison and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated **January 5, 2023**, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Moran & Smith LLP  
**January 5, 2023**  
Tallahassee, Florida

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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 \$40,859,570 (net position). Of this amount \$148,798 is unrestricted net position for governmental activities, \$1,044,390 is unrestricted net position for business-type activities, \$988,201 is restricted net position for governmental activities, and \$342,603 is restricted net position for business-type activities.
- Total net position increased by \$2,495,510. Of this amount, an increase of \$1,251,573 is attributable to governmental activities and an increase of \$1,243,937 is attributable to business-type activities.
- As of September 30, 2021, the general fund’s unassigned fund balance is \$1,580,862.
- Governmental activities’ revenues increased to \$4,876,454, while governmental activities’ expenses decreased to \$3,624,880. Business-type activities’ revenues increased to \$3,246,326, while business-type activities’ expenses decreased to \$2,002,388.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The basic financial statements comprise three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

**Notes to the Basic Financial Statements**

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

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$40,859,570 at the close of the most recent fiscal year.

A large portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF APALACHICOLA, FLORIDA'S NET POSITION**

	2021		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and Other assets	\$ 3,758,594	\$ 2,154,144	\$ 5,912,738
Capital assets	22,834,942	21,181,176	44,016,118
Total assets	<u>25,593,536</u>	<u>23,335,320</u>	<u>49,928,856</u>
Deferred outflows	<u>429,834</u>	<u>167,157</u>	<u>596,991</u>
Long-term liabilities outstanding	682,722	4,660,453	5,343,175
Other liabilities	1,415,258	570,787	1,986,044
Net pension liabilities	<u>612,221</u>	<u>238,086</u>	<u>850,307</u>
Total liabilities	<u>2,710,200</u>	<u>5,469,326</u>	<u>8,179,526</u>
Deferred inflows	<u>1,070,461</u>	<u>416,290</u>	<u>1,486,751</u>
Net position:			
Net investment in capital assets	22,105,709	16,229,868	38,335,578
Restricted	988,201	342,603	1,330,804
Unrestricted	<u>148,798</u>	<u>1,044,390</u>	<u>1,193,188</u>
Total net position	<u>\$ 23,242,709</u>	<u>\$ 17,616,862</u>	<u>\$ 40,859,570</u>



**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**CITY OF APALACHICOLA, FLORIDA'S NET POSITION**

	2020		
	Governmental Activities	Business-type Activities	Total
Current and Other assets	\$ 2,635,745	\$ 1,870,927	\$ 4,506,671
Capital assets	22,647,432	21,074,485	43,721,917
Total assets	<u>25,283,176</u>	<u>22,945,412</u>	<u>48,228,588</u>
Deferred outflows	<u>529,868</u>	<u>206,060</u>	<u>735,928</u>
Long-term liabilities outstanding	1,557,613	5,478,896	7,036,509
Other liabilities	342,174	552,159	894,333
Net pension liabilities	1,716,010	667,338	2,383,348
Total liabilities	<u>3,615,797</u>	<u>6,698,393</u>	<u>10,314,190</u>
Deferred inflows	<u>206,112</u>	<u>80,155</u>	<u>286,267</u>
Net position:			
Net investment in capital assets	21,887,239	15,659,603	37,546,842
Restricted	539,713	650,210	1,189,923
Unrestricted	<u>(435,816)</u>	<u>63,111</u>	<u>(372,705)</u>
Total net position	<u>\$ 21,991,136</u>	<u>\$ 16,372,925</u>	<u>\$ 38,364,059</u>

An additional portion of the City's net position, \$539,713, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental Activities**

Governmental activities increased the City's net position by \$1,251,574 in the most recent fiscal year. Key elements of this change include: an increase in revenue associated with the American Rescue Plan and the decrease of OPEB liability.

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**CITY OF APALACHICOLA, FLORIDA'S CHANGES IN NET POSITION**

	2021		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Revenues:</b>			
<b>Program revenues:</b>			
Charges for services	\$ 639,669	\$ 3,219,320	\$ 3,858,989
Operating grants and contributions	779,181	0	779,181
Capital grants and contributions	555,261	0	555,261
<b>General Revenues:</b>			
Taxes, licenses, and permits	2,333,075	0	2,333,075
Intergovernmental and other	558,041	38,233	596,273
Transfers	11,227	(11,227)	0
Total revenues	<u>4,876,454</u>	<u>3,246,326</u>	<u>8,122,780</u>
<b>Expenses:</b>			
General government	1,397,758	0	1,397,758
Transportation	44,254	0	44,254
Public safety	619,248	0	619,248
Physical environment	793,202	0	793,202
Economic environment	(60,575)	0	(60,575)
Culture and recreation	800,431	0	800,431
Interest on long-term debt	30,562	0	30,562
Business-type activities	0	2,002,388	2,002,388
Total expenses	<u>3,624,880</u>	<u>2,002,388</u>	<u>5,627,269</u>
Increase (decrease) in net position	<u>1,251,574</u>	<u>1,243,937</u>	<u>2,495,511</u>
Net position, beginning of year	21,991,136	16,372,923	38,364,059
Net position, end of year	<u>\$ 23,242,710</u>	<u>\$ 17,616,860</u>	<u>\$ 40,859,570</u>

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**CITY OF APALACHICOLA, FLORIDA'S CHANGES IN NET POSITION**

	2020		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 621,296	\$ 2,584,265	\$ 3,205,561
Operating grants and contributions	537,495	0	537,495
Capital grants and contributions	316,197	0	316,197
General Revenues:			
Taxes, licenses, and permits	2,070,293	0	2,070,293
Intergovernmental and other	735,335	545,356	1,280,691
Transfers	64,217	(64,217)	0
Total revenues	<u>4,344,833</u>	<u>3,065,404</u>	<u>7,410,237</u>
Expenses:			
General government	954,123	0	954,123
Transportation	262,521	0	262,521
Public safety	749,582	0	749,582
Physical environment	907,161	0	907,161
Economic environment	26,892	0	26,892
Culture and recreation	889,302	0	889,302
Interest on long-term debt	46,796	0	46,796
Business-type activities	0	2,336,181	2,336,181
Total expenses	<u>3,836,468</u>	<u>2,336,181</u>	<u>6,172,648</u>
Increase (decrease) in net position	<u>508,365</u>	<u>729,224</u>	<u>1,237,589</u>
Net position, beginning of year	21,482,771	15,643,700	37,126,471
Net position, end of year	<u>\$ 21,991,136</u>	<u>\$ 16,372,924</u>	<u>\$ 38,364,059</u>

**Business-type Activities**

Business-type activities increased the City's net position by \$1,243,937 in the most recent fiscal year.

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Governmental Funds**

The focus of the City's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental fund reported an ending fund balance of \$2,440,436, an increase of \$70,222 in comparison with the prior year. \$2,370,214 of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The general fund is the chief operating fund of the City.

**Proprietary Funds**

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility Fund at the end of the year amounted to \$1,044,390. The total increase in net position for the fund was \$1,243,937. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

**GENERAL BUDGETARY HIGHLIGHTS**

The City's expenditures exceeded the amount budgeted for the year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's investment in capital assets, net of related debt, for its governmental and business-type activities as of September 30, 2021, amounts to \$44,016,117 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and roads.

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

**Long-term Debt**

At the end of the current fiscal year, the City had long-term debt outstanding of \$6,645,295.

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

	Governmental Activities	Business-type Activities	Total
Bonds and Notes Payable	\$ 729,233	\$ 4,951,309	\$ 5,680,542
Accrued Compensated Absences	50,589	17,663	68,252
OPEB Liability	0	0	0
Net Pension Liability	612,221	284,280	896,501
	<u>\$ 1,392,043</u>	<u>\$ 5,253,252</u>	<u>\$ 6,645,295</u>

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

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

All of the following factors were considered in preparing the City's budget for the 2020 fiscal year:

- Budgeted receipt of 95% of ad-valorem assessments,
- Anticipated intergovernmental revenue were based upon revenue accounting estimates calculated by the Florida Department of Revenue's Office of Tax Research; however, as a result of uncertainty in the effects of the COVID-19 Pandemic, forecasted revenues from other state sources including local option taxes and revenue sharing were reduced by 20 to 50% from previous year revenue.
- Estimated revenue for water, wastewater, and solid waste services based upon the roster of actual customers, actual water usage and the study performed by the Rural Water Association which recommended a rate increase of 2.0% for the next three years. However, the City Commission adopted Ordinance 2018-01 on April 3, 2018 which requires an automatic 3.0% increase in all water and wastewater rates. Budget reflects increase of 3.0%.
- Payment of principal and interest on all Bond Series obligating water and sewer revenue; and reserve balances required by the Bond Issuance Covenants
- Vehicle and equipment needs of the City
- Wastewater and water testing requirements
- Anticipated FRS Employer Contribution Rates
- Other anticipated operating expenses including repair and maintenance of the City's lift station and water/sewer plants

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Apalachicola, Florida's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Manager, City of Apalachicola, 192 Coach Wagnor Blvd. Apalachicola, FL 32320.

**CITY OF APALACHICOLA, FLORIDA**

**BASIC FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

**DRAFT**

**CITY OF APALACHICOLA, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2021**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 2,606,677	\$ 1,444,564	\$ 4,051,241
Accounts Receivables, Net	2,520	227,779	230,300
Notes Receivable	118,217	0	118,217
Due From Other Governments	42,979	0	42,979
Prepays	0	8,235	8,235
Restricted Assets:			
Cash and Cash Equivalents	988,201	330,794	1,318,995
Investments	0	142,772	142,772
Capital Assets, Not Being Depreciated	10,241,948	363,057	10,605,005
Capital Assets, Being Depreciated	12,592,994	20,818,119	33,411,113
<b>Total Assets</b>	<b>26,593,536</b>	<b>23,335,320</b>	<b>49,928,856</b>
Deferred Outflows Related to Pensions	429,834	167,157	596,991
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable and Other Current Liabilities	163,519	33,777	197,296
Unearned Revenue	1,100,816	0	1,100,816
Bonds and Notes Payable	84,453	532,594	617,047
Accrued Compensated Absences	12,647	4,416	17,063
Due To Other Governments	53,823	0	53,823
<b>Noncurrent Liabilities:</b>			
Bonds and Notes Payable	644,780	4,418,714	5,063,494
Accrued Compensated Absences	37,942	13,247	51,189
Utility Deposits	0	228,492	228,492
Other Post Employment Benefits	0	0	0
Net Pension Liability	612,221	238,086	850,307
<b>Total Liabilities</b>	<b>2,710,200</b>	<b>5,469,326</b>	<b>8,179,526</b>
Deferred Inflows Related to Pensions	1,070,461	416,290	1,486,751
<b>Net Position</b>			
Net Investment in Capital Assets	22,105,709	16,229,868	38,335,578
Restricted for Debt Service	988,201	342,603	1,330,804
Unrestricted	148,798	1,044,390	1,193,188
<b>Total Net Position</b>	<b>\$ 23,242,709</b>	<b>\$ 17,616,862</b>	<b>\$ 40,859,570</b>

**CITY OF APALACHICOLA, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total		
<b>Governmental Activities:</b>									
General Government	\$ 1,397,758	\$ 15,757	\$ 0	\$ 0	\$ (1,382,000)	\$ 0	\$ (1,382,000)	\$ 0	\$ (1,382,000)
Transportation	44,254	0	0	0	(44,254)	0	(44,254)	0	(44,254)
Public Safety	619,248	0	0	0	(619,248)	0	(619,248)	0	(619,248)
Physical Environment	793,202	0	0	0	(793,202)	0	(793,202)	0	(793,202)
Economic Environment	(60,576)	623,912	351,154	555,261	1,590,902	0	1,590,902	0	1,590,902
Culture and Recreation	800,431	0	428,027	0	(372,404)	0	(372,404)	0	(372,404)
Interest on Long-term Debt	30,562	0	0	0	(30,562)	0	(30,562)	0	(30,562)
<b>Total Governmental Activities</b>	<b>3,624,880</b>	<b>639,669</b>	<b>779,181</b>	<b>555,261</b>	<b>(1,650,769)</b>	<b>0</b>	<b>(1,650,769)</b>	<b>0</b>	<b>(1,650,769)</b>
<b>Business-Type Activities</b>	<b>2,002,388</b>	<b>3,219,320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,216,932</b>	<b>1,216,932</b>	<b>1,216,932</b>
<b>Total Primary Government</b>	<b>\$ 5,627,269</b>	<b>\$ 3,858,990</b>	<b>\$ 779,181</b>	<b>\$ 555,261</b>	<b>\$ (1,650,769)</b>	<b>\$ 1,216,932</b>	<b>\$ (433,837)</b>	<b>\$ 1,216,932</b>	<b>\$ (433,837)</b>
<b>General Revenues</b>									
Property Taxes				\$ 1,613,653	\$ 0	\$ 0	\$ 1,613,653		
Franchise and Utility Taxes				539,525	0	0	539,525		
Local Option Taxes				73,292	0	0	73,292		
Licenses and Permits				106,605	0	0	106,605		
Sales Tax and Other Shared Revenues				406,670	0	0	406,670		
Miscellaneous				110,702	38,233	0	148,935		
Interest				40,668	0	0	40,668		
Transfers				11,227	(11,227)	0	0		
<b>Total General Revenues and Transfers</b>				<b>2,902,343</b>	<b>27,005</b>	<b>0</b>	<b>2,929,349</b>		
<b>Change in Net Position</b>				<b>1,251,574</b>	<b>1,243,937</b>	<b>0</b>	<b>2,495,511</b>		
<b>Net Position, Beginning of Year</b>				<b>21,991,135</b>	<b>16,372,924</b>	<b>0</b>	<b>38,364,059</b>		
<b>Net Position, End of Year</b>				<b>\$ 23,242,709</b>	<b>\$ 17,616,861</b>	<b>\$ 0</b>	<b>\$ 40,859,570</b>		



**CITY OF APALACHICOLA, FLORIDA  
BALANCE SHEET-GOVERNMENTAL FUND  
SEPTEMBER 30, 2021**

	<b>Total Governmental Fund</b>
<b>Assets</b>	
Cash and Cash Equivalent	\$ 2,606,677
Investments	0
Accounts Receivable, Net	2,520
Due From Other Funds	0
Due From Other Governments	42,979
Notes Receivable	118,217
Restricted:	
Cash and Cash Equivalent	988,201
Certificate of Deposit	0
<b>Total Assets</b>	<b>3,758,594</b>
 <b>Liabilities and Fund Balance</b>	
<b>Liabilities</b>	
Accounts Payable and Accrued Expenses	163,519
Due To Other Funds	0
Unearned Revenue	1,100,816
Due To Other Governments	53,823
<b>Total Liabilities</b>	<b>1,318,158</b>
 <b>Fund Balance</b>	
Nonspendable	
Restricted:	
Community Redevelopment Agency	331,696
Library Trust	33,780
Raney House	9,165
Local Option Gas Tax	92,429
HUD	295,404
Debt Service	97,100
Assigned	0
Unassigned	1,580,862
<b>Total Fund Balance</b>	<b>2,440,436</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,758,594</b>

**CITY OF APALACHICOLA, FLORIDA  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Total Fund Balances of Governmental Funds** \$ 2,440,436

Amounts Reported for Governmental Activities in the Statement  
of Net Position are Different Because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in governmental funds. 22,834,942

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Other long-term assets are not available to pay for current-period  
expenditures and, therefore, are deferred in the funds.

Net pension liability and related deferred inflows/outflows are not due  
and payable in the current period and, therefore, are not reported  
in the funds.

Deferred outflows	429,834	
Net pension liability	(612,221)	
Deferred Inflows	(1,070,461)	(1,252,848)

Long-term liabilities, including bonds payable, are not due  
and payable in the current period and, therefore,  
are not reported in the funds:

Accrued Annual Leave	(50,589)	
Bonds and Note Payables	(729,233)	
Other Postemployment Benefits	0	
Line of Credit	0	(779,822)

**Total Net Position of Governmental Activities** \$ 23,242,709

**CITY OF APALACHICOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Total Governmental Fund</b>
<b>Revenues</b>	
Taxes	\$ 1,941,513
Licenses and Permits	294,008
Intergovernmental Revenues	1,926,747
Charges for Services	581,404
Fines and Forfeitures	1,111
Miscellaneous	79,823
Investment Earnings and Other	40,619
<b>Total Revenues</b>	<b>4,865,226</b>
<b>Expenditures</b>	
Current:	
General Government	1,549,860
Public Safety	698,980
Physical Environment	934,250
Transportation	15,600
Economic Environment	0
Culture and Recreation	738,191
Capital Outlay	858,652
Debt Service:	
Principal	74,144
Interest	30,562
<b>Total Expenditures</b>	<b>4,900,238</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(35,012)</b>
<b>Other Financing Sources (Uses)</b>	
Sale of Fixed Assets	50,823
Transfers In	11,227
Transfers Out	0
Debt Issuance	43,184
<b>Total Other Financing Sources (Uses)</b>	<b>105,234</b>
<b>Net Change in Fund Balances</b>	<b>70,222</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,674,060</b>
<b>Fund Balance Restatement</b>	<b>696,154</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>\$ 2,370,214</b>
<b>Fund Balances, End of Year</b>	<b>\$ 2,440,436</b>

**CITY OF APALACHICOLA, FLORIDA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

Net Change in Fund Balances - Total Governmental Funds. \$ 70,222

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period:

Capital Outlay	807,829	
Depreciation Expense	(620,318)	187,511

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Proceeds from debt reported as revenue in the governmental funds but as an increase in long-term liabilities in the statement of net position. (43,184)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Changes in:

Net pension liability	1,103,789	
Deferred outflows related to net pension liability	(100,034)	
Deferred inflows related to net pension liability	(864,349)	139,406

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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued Annual Leave	(5,943)	
Bonds and Note Payables	74,144	
Other Postemployment Benefits	829,417	
Line of Credit	0	897,618

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**Change in Net Position of Governmental Activities \$ 1,251,573**

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**CITY OF APALACHICOLA, FLORIDA**  
**STATEMENT OF NET POSITION-PROPRIETARY FUND**  
**SEPTEMBER 30, 2021**

	<b>Utility Fund</b>
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 1,444,564
Receivables (Net)	227,779
Prepays	8,235
<b>Total Current Assets</b>	<b>1,680,579</b>
<b>Restricted Assets</b>	
Debt Service	199,832
Customer Deposits	130,962
State Revolving Loan Escrow	142,772
<b>Total Restricted Assets</b>	<b>473,565</b>
<b>Capital Assets</b>	
Property, Plant, and Equipment	39,365,468
Accumulated Depreciation	(18,184,291)
<b>Total Capital Assets</b>	<b>21,181,176</b>
<b>Total Assets</b>	<b>23,335,320</b>
<b>Deferred Outflows Related to Pensions</b>	<b>167,157</b>
<b>Current Liabilities</b>	
Accounts Payable and Accrued Expenses	33,777
Due to Other Funds	0
Current Portion of Compensated Absences Payable from Restricted Assets	4,416
Current Portion of Long-term Debt	532,594
Accrued Interest	0
Utility Deposits	228,492
<b>Total Current Liabilities</b>	<b>799,279</b>
<b>Noncurrent Liabilities</b>	
Long-term Portion of Debt	4,418,714
Net Pension Liability	238,086
Other Postemployment Benefits	0
Compensated Absences	13,247
<b>Total Noncurrent Liabilities</b>	<b>4,670,047</b>
<b>Total Liabilities</b>	<b>5,469,326</b>
<b>Deferred Inflow Related to Pensions</b>	<b>416,290</b>
<b>Net Position</b>	
Net Investment in Capital Assets	16,229,868
Restricted for Debt Service	342,603
Unrestricted	1,044,390
<b>Total Net Position</b>	<b>\$ 17,616,861</b>

**CITY OF APALACHICOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Utility Fund
<b>Operating Revenue</b>	
Utility Billings	\$ 2,478,830
Tap Fees	0
Mooring Fees	740,490
Rental Income	0
Miscellaneous	38,233
<b>Total Operating Revenue</b>	<b>3,257,553</b>
<b>Operating Expenses</b>	
Garbage Contract	0
Personal Services	125,973
Supplies, Gas, and Oil	153,755
Communications	11,322
Utilities	201,755
Repairs and Maintenance	352,383
Insurance	9,080
Professional Fees	78,184
Miscellaneous	44,677
Depreciation	948,438
<b>Total Operating Expenses</b>	<b>1,925,568</b>
<b>Operating Income (Loss)</b>	<b>1,331,985</b>
<b>Non-operating Revenues (Expenses)</b>	
Investment Earnings	0
Interest Expense	(76,820)
<b>Total Non-operating Revenues (Expenses)</b>	<b>(76,820)</b>
<b>Income Before Transfers and Capital Contributions</b>	<b>1,255,165</b>
<b>Transfer</b>	
Transfers In	0
Transfers Out	(11,227)
<b>Total Transfers</b>	<b>(11,227)</b>
<b>Change in Net Position</b>	<b>1,243,937</b>
<b>Net Position, Beginning of Year</b>	<b>16,372,924</b>
<b>Net Position, End of Year</b>	<b>\$ 17,616,861</b>

**CITY OF APALACHICOLA, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Utility Fund</b>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 3,219,320
Cash Paid to Employees	(468,278)
Cash Paid to Suppliers	(839,010)
<b>Net Cash Provided (Used in) Operating Activities</b>	<b>1,912,032</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating Transfers Out	(11,227)
<b>Net Cash Provided (Used in) Noncapital Financing Activities</b>	<b>(11,227)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition and Construction of Capital Assets	(1,055,128)
Proceeds from Long-term Debt	66,024
Principal Paid on Long-term Debt	(529,597)
Interest Paid on Long-term Debt	(76,820)
<b>Net Cash Provided (Used in) Capital and Related Financing Activities</b>	<b>(1,595,521)</b>
<b>Cash Flows from Investing Activities</b>	
Interest on Investments	0
<b>Net Cash Provided (Used in) Investing Activities</b>	<b>0</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>305,284</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>1,612,846</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,918,130</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used in) Operating Activities</b>	
<b>Cash Flow from Operating Activities</b>	
Operating Income (Loss)	\$ 1,331,985
<b>Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>	
Depreciation	948,438
Accounts Receivable	7,563
Deferred Outflows	38,903
Accounts Payable and Accrued Expenses	7,808
Compensated Absences	1,254
Customer Deposits	11,503
Other Post Employment Benefits	(342,305)
Net Pension Liability	(429,252)
Deferred Inflows	336,135
Total Adjustments	580,047
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,912,032</b>

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 1 – Summary of Significant Accounting Policies**

**Reporting Entity**

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

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

The 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.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 1 – Summary of Significant Accounting Policies (Continued)**

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

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

**Government-wide and Fund Financial Statements**

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

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

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

The City reports the following major governmental fund:

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

The City reports the following major proprietary fund:

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

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 1– Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

**Budgets and Budgetary Accounting**

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

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

**Cash and Cash Equivalents**

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

**Receivables**

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

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 1— Summary of Significant Accounting Policies (Continued)**

**Due From (To) Other Funds**

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

**Inventories**

Inventory items of materials and supplies, which are not significant in amount, are considered 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, storm water system, sidewalks, and similar items) are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment with initial, individual costs that exceed \$750 and estimated useful lives of over one year are recorded as capital assets. Infrastructure, such as buildings, roads, bridges, and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if original cost is unknown. Donated capital assets are recorded at acquisition cost at the date of donation.

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

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

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

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

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 1– Summary of Significant Accounting Policies (Continued)**

**Unearned Revenues**

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

**Compensated Absences**

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

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

**Property Taxes**

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mils for general operations. The City’s millage rate for the year ended September 30, 2021, was 9.30 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 of December, 2% in the month of January, and 1% in the month of February. Taxes paid in March are without discount.

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

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 1-- Summary of Significant Accounting Policies (Continued)**

**Fund Balances**

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

*Nonspendable* – This category includes the resources that cannot be spent because they are either not spendable form or are legally or contractually required to be maintained intact. There are no nonspendable funds as of September 30, 2021.

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

*Committed* – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority. Commitments may be established, modified, or rescinded only through ordinances approved by the City Commission. There are no committed funds as of September 30, 2021.

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

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

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

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

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

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

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

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

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 1– Summary of Significant Accounting Policies (Continued)**

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.

**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.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 1– Summary of Significant Accounting Policies (Concluded)**

**Long-term Obligations**

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

**Prepaid**

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

**Dates of Management’s Review**

In preparing the financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 5, 2023, the date the financial statements were available to be issued.

**Note 2 – Cash and Investments**

**Deposits**

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

**Investments**

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

**Credit Risks**

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



**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 2 – Cash and Investments (Continued)**

**Interest Rate Risks**

At September 30, 2021, the City did not hold any investments that were considered to be an interest rate risk.

**Custodial Risks**

At September 30, 2021, the City did not hold any deposits or investments that were considered to be a custodial risk.

**Concentrations of Credit Risk**

At September 30, 2021, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2021, 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>	\$4,661,280	\$ 0	\$4,661,280
U.S. Government Agencies	AAA	142,772	0	142,772
Local Government Surplus Trust Fund Pool	AAAm	708,956	0	708,956
Total		<u>\$5,513,008</u>	<u>\$ 0</u>	<u>\$5,513,008</u>

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

**Local Government Surplus Trust Fund Pool**

As of September 30, 2021, the City had investments for general funds on deposit in a 2a7-like pool in the amount of \$708,956 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**  
**SEPTEMBER 30, 2021**

**Note 2 – Cash and Investments (Concluded)**

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

As of September 30, 2021, there were no redemption fees, maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of their account value.

**Note 3 – Receivables**

Accounts receivable as of September 30, 2021, governmental funds:

Current Receivables	\$	16,270
Due from Other Funds		0
Due from Other Governments		42,979
Loan Receivables		118,217
Total Receivables		<u>177,466</u>
Allowance for Doubtful Accounts		<u>(13,750)</u>
Total Receivables, net	\$	<u><u>163,716</u></u>

Accounts receivable as of September 30, 2021, proprietary funds:

Current Receivables	\$	473,315
Allowance for Doubtful Accounts		<u>(245,536)</u>
Total Receivables, net	\$	<u><u>227,779</u></u>

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 4 - Capital Assets**

	September 30, 2020	Additions	(Reductions)	September 30, 2021
<b>Governmental Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 10,201,410	\$ 0	\$ 0	\$ 10,201,410
Construction in progress	40,538	0	(40,538)	0
<b>Total capital assets, not being depreciated</b>	<b>10,241,948</b>	<b>0</b>	<b>(40,538)</b>	<b>10,201,410</b>
Capital assets, being depreciated				
Buildings and improvements	2,797,357	0	0	2,797,357
Improvements other than buildings	5,425,365	0	0	5,425,365
Infrastructure	8,297,655	496,964	0	8,794,619
Equipment and other	3,301,431	402,226	(50,823)	3,652,834
<b>Total capital assets, being depreciated</b>	<b>19,821,808</b>	<b>899,190</b>	<b>(50,823)</b>	<b>20,670,175</b>
<b>Total accumulated depreciation</b>	<b>(7,416,325)</b>	<b>(671,142)</b>	<b>50,823</b>	<b>(8,036,644)</b>
<b>Total capital assets, being depreciated, net</b>	<b>12,405,483</b>	<b>228,048</b>	<b>0</b>	<b>12,633,531</b>
<b>Total governmental capital assets, net</b>	<b>\$ 22,647,431</b>	<b>\$ 228,048</b>	<b>\$ (40,538)</b>	<b>\$ 22,834,941</b>
<b>Business-type Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 363,057	\$ 0	\$ 0	\$ 363,057
Construction in progress	0	0	0	0
<b>Total capital assets, not being depreciated</b>	<b>363,057</b>	<b>0</b>	<b>0</b>	<b>363,057</b>
Capital assets, being depreciated				
Buildings and utility systems	37,947,282	1,055,129	0	39,002,411
<b>Total capital assets, being depreciated</b>	<b>37,947,282</b>	<b>1,055,129</b>	<b>0</b>	<b>39,002,411</b>
<b>Total accumulated depreciation</b>	<b>(17,235,854)</b>	<b>(948,438)</b>	<b>0</b>	<b>(18,184,292)</b>
<b>Total capital assets, being depreciated, net</b>	<b>20,711,428</b>	<b>106,691</b>	<b>0</b>	<b>20,818,119</b>
<b>Total business-type capital assets, net</b>	<b>\$ 21,074,485</b>	<b>\$ 106,691</b>	<b>\$ 0</b>	<b>\$ 21,181,176</b>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General government	\$ 58,531
Public safety	55,190
Transportation	252,675
Culture and recreation	253,922
<b>Total</b>	<b>\$ 620,318</b>

<b>Business-type Activities:</b>	
Water	\$ 157,482
Sewer	784,856
Mooring	6,100
<b>Total</b>	<b>\$ 948,438</b>

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 5 - Long-term Liabilities - Governmental Activities**

	September 30, 2020	Additions	(Reductions)	September 30, 2021	Due within one year
\$506,500 Capital improvement revenue bonds - Series 2010. Due in annual installments of \$25,480 to \$30,260 with interest at 4%, maturing in September 2039 (See (a) below).	\$ 390,500	\$ 0	\$ (14,000)	\$ 376,500	\$ 15,000
Installment purchase agreement for a fire truck for \$400,000. Payable in annual installments of \$49,008, maturing June 2028.	336,876	0	(36,158)	300,718	37,559
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.	32,817	0	(15,324)	17,493	17,493
Installment purchase agreement for a 2021 Chevy truck for the police department. Payable in twelve quarterly payments of \$2,427.	0	26,854	(4,479)	22,375	8,958
Installment purchase agreement for a 2021 Chevy truck for the public works. Payable in twelve quarterly payments of \$1,461.	0	16,330	(4,183)	12,147	5,443
Compensated absences	44,646	5,943	0	50,589	12,647
Net pension liability	1,716,010	0	(1,103,789)	612,221	0
Other postemployment benefits	829,417	0	(829,417)	0	0
<b>Total governmental activities' long-term obligations</b>	<b>\$ 3,350,266</b>	<b>\$ 49,127</b>	<b>\$ (2,007,350)</b>	<b>\$ 1,392,043</b>	<b>\$ 97,100</b>

**CITY OF APALACHICOLA, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

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

(a) The series 2010 general fund capital improvement revenue bonds are secured by alcoholic beverage income, fines and forfeiture income and MSBU funds. Current year principal and interest payments on the bonds are 49 percent of pledged revenues. The total principal outstanding at September 30, 2021 was \$376,500.

There are limitations and restrictions contained in the bond indentures, including the establishment of specific debt service sinking fund and reserve accounts. The City is not in compliance with all aspects of the bond indenture. The sinking fund and reserve account balance for the Series 2010 bond issue totals \$52,433 at September 30, 2021.

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

Year ending September 30,	Principal
2022	\$ 84,453
2023	69,415
2024	71,926
2025	61,456
2026	62,726
Thereafter	<u>379,257</u>
Total	<u>\$ 729,233</u>

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

	September 30, 2020	Additions	(Reductions)	September 30, 2021	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).	\$ 2,222,000	\$ 0	\$ (71,000)	\$ 2,151,000	\$ 72,000
\$390,000 Water and sewer revenue bonds - Series 1983. Due in annual installments of \$2,000 to \$29,000 from September 1987-September 2024 with interest at 5% (See (a) below).	93,448	0	(23,000)	70,448	24,000
\$361,630 Water and sewer revenue bonds - Series 1986. Due in annual installments of \$3,000 to \$21,6300 from September 1989-September 2026 with interest at 6% (See (b) below).	116,630	0	(17,000)	99,630	18,000
Note payable to the State of Florida Revolving Loan Fund for SRF refinancing. Semiannual payments of \$185,685 including 0% interest maturing December 2027 (See (d) below).	2,785,281	0	(371,370)	2,413,911	371,370
Installment purchase agreement for a ditchwitch. Payable in twelve quarterly payments of \$5,885 including 0.935% interest.	0	66,024	(22,010)	44,014	21,129
Installment purchase agreement for water meters for \$267,000 payable in annual installments of \$32,139 including 3.48% interest, maturing November 2026.	197,523	0	(25,217)	172,306	26,095
Compensated absences	16,409	1,254	0	17,663	4,416
Net pension liability	667,338	0	(383,058)	284,280	0
Other postemployment benefits	342,305	0	(342,305)	0	0
<b>Total business-type activities' long-term obligations</b>	<b>\$ 6,440,934</b>	<b>\$ 67,278</b>	<b>\$ (1,254,960)</b>	<b>\$ 5,253,252</b>	<b>\$ 537,010</b>

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

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

- (a) The series 1983 water and sewer revenue bonds are secured by a first lien on the gross revenues of the water and sewer system and a first lien on the City's public service taxes and guaranteed entitlement revenues. Current year principal and interest payments on the bonds are 11 percent of pledged revenues. The total principal to be paid on the bonds is \$70,448. Principal and interest paid for the current year were \$23,000 and \$4,672, respectively.
- (b) The series 1986 water and sewer revenue bonds are secured by a junior lien on the above-mentioned revenues. Current year principal and interest payments on the bonds are 11 percent of pledged revenues. The total principal remaining to be paid on the bonds is \$99,630. Principal and interest paid for the current year were \$17,000 and \$6,998 respectively.
- (c) The series 2003 water and sewer revenue bonds were issued on parity with the 1983 and 1986 water and sewer revenue bonds. Current year principal and interest payments on the bonds are 63 percent of pledged revenues. The total principal remaining to be paid on the bonds is \$2,151,000. Principal and interest paid for the current year were \$71,000 and \$72,215 respectively.
- (d) The City was awarded a new loan of \$2,785,281 (funding number CS120 427090). The funds were disbursed as a refinancing of the City's State Revolving Loan. The new loan is at 0% with semi-annual payments of \$185,685, due on June 15 and December 15, with the first payment due December 15, 2020.

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

The sinking fund and reserve account balances relating to the Series 2003, 1986, and 1983 bond issues total \$142,772 at September 30, 2021.

**CITY OF APALACHICOLA, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021**

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

Year ending September 30,	Principal
2022	\$ 532,594
2023	540,716
2024	543,164
2025	505,587
2026	523,465
Thereafter	2,395,783
Total	\$ 4,951,309

**Note 7 – Interfund Receivables, Payables, and Transfers**

As of September 30, 2021, there were no interfund receivables or payables.

Transfers are summarized below:

Transfers Out	Transfers In	Amount
Enterprise Fund	General Fund	\$ 11,227



**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 8 – Pension Plans**

**Defined Benefit Plans**

**Plan Description**

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

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

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

**Benefits Provided**

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

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

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 8 – Pension Plans (Continued)**

**Contributions**

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City’s contribution rates for the year ended September 30, 2021 were as follows:

	Year Ended June 30, 2021		Year Ended June 30, 2022	
	FRS	HIS	FRS	HIS
Regular Class	8.28%	1.66%	9.10%	1.66%
Senior Management	25.57%	1.66%	27.29%	1.66%
Special Risk Employee Class	22.73%	1.66%	24.17%	1.66%
DROP Plan Participants	15.32%	1.66%	16.62%	1.66%

- (1) Contribution rates are dependent upon retirement class in which reemployed.
- (2) The rates include the normal cost and unfunded actuarial liability contributions, but to not include the fee of 0.06% for administration of the FRS Investment Plan and provision of education tools.

The City’s contributions for the year ended September 30, 2021, were \$181,826 to FRS and \$23,469 to HIS.

**Pension Liabilities and Pension Expense**

In its financial statements for the year ended September 30, 2021, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2022, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuation date July 1, 2018. The City’s proportions of the net pension liabilities were based on the City’s share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net Pension Liability	\$ 360,537	\$ 489,770
Proportion at:		
Current Measurement Date	0.00477288%	0.003992747%
Prior Measurement Date	0.00448695%	0.003592511%
Pension Expense (Benefit)	\$ 912	\$ 29,850

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 8 – Pension Plans (Continued)**

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

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 61,797	\$ 0
Changes of assumptions	246,697	0
Net difference between projected and actual earnings on Pension Plan Investments	0	(1,257,823)
Changes in proportion and differences between employer contributions and proportionate share of contributions	106,381	(116,583)
Employer contributions subsequent to the measurement date	57,007	0
Total	\$ 471,882	\$(1,374,406)

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,389	\$ (205)
Changes of assumptions	38,485	(20,180)
Net difference between projected and actual earnings on Pension Plan Investments	511	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	62,483	(91,959)
Employer contributions subsequent to the measurement date	7,241	0
Total	\$ 125,109	\$ (112,344)

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 8 – Pension Plans (Continued)**

Deferred outflows or resources related to employer contributions paid subsequent to the measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 2021. 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
2022	\$ (167,201)	\$ 9,640
2023	(194,972)	3,071
2024	(258,262)	6,336
2025	(330,945)	8,411
2026	2,050	6,290
Thereafter	-	1,251
Total	<u>\$ (949,330)</u>	<u>\$ 34,999</u>

**Actuarial Assumptions**

The total pension liability for each of the defined benefit plans, measured as of June 30, 2022, was determined by an actuarial valuation dated July 1, 2018, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary Increase	3.25% Average, Including Inflation	3.25%
Discount Rate	6.80%	2.16%
Long-term Expected Rate of Return, Net of Investment Income	6.80%	N/A
Municipal Bond	N/A	2.16%

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

For both plans, the actuarial assumptions used in the valuation date June 30, 2022 were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2021:

- FRS: The long-term expected rate of return remained at 6.80% and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was decreased from 2.21% to 2.16%.
- The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For FRS, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 8 – Pension Plans (Continued)**

Asset Class	Target Allocation	Annual Arithmetic Return	Geometric Return	Standard Deviation
Cash	1%	2.1%	2.1%	1.1%
Fixed income	20%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate (property)	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.4%	5.7%	5.4%	8.4%
	<u>100%</u>			
Assumed Inflation-Mean			2.4%	1.2%

**Discount Rate**

The discount rate used to measure the total pension liability for FRS was 6.80%. 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 2.16% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

**Sensitivity Analysis**

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

	FRS		
	Current		
	1% Decrease	Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 1,612,346	\$ 360,537	\$ (685,835)

  

	HIS		
	Current		
	1% Decrease	Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 566,222	\$ 489,770	\$ 427,135

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 8 – Pension Plans (Concluded)**

**Pension Plans' Fiduciary Net Position**

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

**Defined Contribution Plan**

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

**Note 9 – Other Postemployment Benefits**

**Plan Description**

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

The Plan, which is administered by the City, allows employees who retire and meet retirement eligibility requirements under one of the City's retirement plans to continue medical insurance coverage as a participant in the City's plan. The plan is funded on a pay-as-you-go basis and is not administered as a formal qualifying trust. There were no plan assets as of September 30, 2021. For purposes of applying Paragraph 4 under Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the Plan does not meet the requirements for an OPEB plan administered through a trust. All amounts have been determined on the same basis as they are reported by the City.

**Benefits Provided**

The retiree must pay the full amount of the monthly medical premium for themselves or for eligible dependent coverage. Retirees are covered for their lifetime and eligible dependents are also covered for their lifetime as long as they continue to pay the premium.

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

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 9 – Other Postemployment Benefits (Continued)**

**TOTAL OPEB LIABILITY**

The measurement date is September 30, 2021.

The measurement period for the OPEB expense was October 1, 2020 to September 30, 2021.

The reporting period is October 1, 2020 through September 30, 2021.

The City’s Total OPEB Liability was measured as of September 30, 2021.

**Actuarial Assumptions**

The Total OPEB Liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions:

Inflation Rate	2.50%
Salary Increase Rate(s)	3.25%
Discount Rate	2.43%
Initial Trend Rate	7.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

All mortality rates were based on the RP-2000 mortality tables. All mortality rates are those outlined in Milliman’s July 1, 2021 Florida Retirement System (FRS) valuation report.

**Mortality – Active Lives:**

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

**Mortality – Inactive Healthy Lives:**

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

**Mortality – Disabled Lives:**

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

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 9 – Other Postemployment Benefits (Concluded)**

Given the City’s decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody’s Investors Service’s Aa2 rating and Standard & Poor’s Corp.’s AA.

**CHANGE IN TOTAL OPEB LIABILITY**

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ending September 30, 2020	\$ 1,171,722
Changes for the Year:	
Service Cost	0
Interest	33,284
Differences between Expected and Actual Experience	(1,142,763)
Changes of benefit terms	0
Contributions – Employer	0
Benefit Payments	0
Other Changes	0
Net Changes	(62,243)
Reporting Period Ending September 30, 2021	\$ 0

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

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

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability (Asset)	\$ 0	\$ 0	\$ 0

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

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

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability (Asset)	\$ 0	\$ 0	\$ 0



**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021**

**Note 10- Restatement of Fund Balance**

At the beginning of the fiscal year, the City made the decision to combine all the major and non-major special revenue funds into the general fund. This resulted in a restatement of the opening fund balance in the general fund.

Opening general fund fund balance	\$ 1,674,060
Combining fund balances by fund:	
CRA fund	309,936
Library fund	34,154
Local option gas tax fund	92,429
HUD revolving loan fund	259,635
Restated opening fund balance	<u>\$ 2,370,214</u>

**Note 11 – Community Redevelopment Agency (CRA)**

The Apalachicola Community Redevelopment Agency (CRA) was operated by the City and was presented as a major special revenue fund for the first time in the 2019 financial statements. In prior years it was recorded as a blended component unit within the general fund. During the 2022 year, the City determined that the CRA had been administratively dissolved retroactively back to 2019. During 2022, the City returned all the incremental taxes collected from the County since 2019. There is no CRA presented in the financial statements for the 2021 year, and the final payback of the incremental taxes will be presented in the 2022 financial statements.

**Note 12 – Commitments, Contingencies, and Risk Management**

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

**Note 13 – Subsequent Events**

The City has evaluated event and transactions for potential recognition or disclosure in the financial statements through January 5, 2023 the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

**CITY OF APALACHICOLA, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2021**

**DRAFT**

**CITY OF APALACHICOLA, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL-GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original	Final	Actual Amounts Fund	Variance with Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 1,735,176	\$ 1,735,176	\$ 1,941,513	\$ 206,337
Licenses and Permits	245,000	245,000	294,008	49,008
Intergovernmental Revenues	1,881,255	1,881,255	1,926,747	45,492
Charges for Services	568,000	568,000	581,404	13,404
Fines and Forfeitures	2,000	2,000	1,111	(889)
Miscellaneous	59,000	59,000	79,823	20,823
Investment Earnings and Other	0	0	40,619	40,619
<b>Total Revenues</b>	<b>4,490,431</b>	<b>4,490,431</b>	<b>4,865,226</b>	<b>374,795</b>
<b>Expenditures</b>				
Current:				
General Government	875,271	875,271	1,549,860	674,589
Public Safety	667,040	667,040	698,980	31,940
Physical Environment	1,460,080	1,460,080	934,250	(525,830)
Transportation	0	0	15,600	15,600
Economic Environment	0	0	0	0
Culture and Recreation	114,153	114,153	738,191	624,038
Capital Outlay	1,094,335	1,094,335	858,652	(235,683)
Debt Service:				
Principal	204,552	204,552	74,144	(130,408)
Interest	0	0	30,562	30,562
<b>Total Expenditures</b>	<b>4,415,431</b>	<b>4,415,431</b>	<b>4,900,238</b>	<b>484,807</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>75,000</b>	<b>75,000</b>	<b>(35,012)</b>	<b>(110,012)</b>
<b>Other Financing Sources (Uses)</b>				
Sale of Fixed Assets	0	0	50,823	50,823
Transfers In	0	0	11,227	11,227
Transfers Out	0	0	0	0
Debt Issuance	0	0	43,184	43,184
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>105,234</b>	<b>105,234</b>
<b>Net Change in Fund Balances</b>	<b>75,000</b>	<b>75,000</b>	<b>70,222</b>	<b>(4,778)</b>
<b>Fund Balances, Beginning of Year</b>	<b>(75,000)</b>	<b>(75,000)</b>	<b>1,674,060</b>	<b>1,749,060</b>
<b>Fund Balance Restatement</b>	<b>0</b>	<b>0</b>	<b>696,154</b>	<b>696,154</b>
<b>Fund Balance Beginning of Year, Restated</b>	<b>(75,000)</b>	<b>(75,000)</b>	<b>2,370,214</b>	<b>2,445,214</b>
<b>Fund Balances, End of Year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,440,436</b>	<b>\$ 2,440,436</b>

**CITY OF APALACHICOLA, FLORIDA  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Note 1 – Budgetary Information**

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year-end.

The City follows their procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Commission receives a proposed operating budget for the next fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council.
5. The legal level of budgetary control is the fund level.
6. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

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

	2021	2020	2019	2018	2017	2016	2015
<b>Florida Retirement System (FRS)</b>							
Proportion of the net pension liability (asset)	0.004772883%	0.0044869%	0.0049942%	0.0052853%	0.0048474%	0.0047791%	0.0046555%
Proportionate share of the net pension liability (asset)	\$ 360,537	\$ 1,944,708	\$ 1,719,925	\$ 1,591,960	\$ 1,433,819	\$ 1,206,733	\$ 601,324
Covered-employee payroll	\$ 1,544,360	\$ 1,236,903	\$ 1,417,997	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306	\$ 1,233,891
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.35%	157.22%	121.29%	103.22%	114.95%	95.00%	48.73%
Plan fiduciary net position as a percentage of the total pension liability	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
<b>Health Insurance Subsidy Program (HIS)</b>							
Proportion of the net pension liability (asset)	0.00399275%	0.00359251%	0.0045478%	0.00473766%	0.00421390%	0.00449100%	0.00440540%
Proportionate share of the net pension liability (asset)	\$ 489,770	\$ 438,640	\$ 498,446	\$ 501,439	\$ 450,570	\$ 523,410	\$ 449,282
Covered-employee payroll	\$ 1,544,360	\$ 1,236,903	\$ 1,417,997	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306	\$ 1,233,891
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.71%	35.46%	35.15%	32.51%	36.12%	41.20%	36.41%
Plan fiduciary net position as a percentage of the total pension liability	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%

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

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

	2021	2020	2019	2018	2017	2016	2015
<b>Florida Retirement System (FRS)</b>							
Contractually required contribution	\$ 181,826	\$ 1,944,708	\$ 1,719,925	\$ 1,728,562	\$ 1,630,549	\$ 111,485	\$ 113,485
Contributions in relation to the contractually required contribution	(181,826)	(1,944,708)	(1,719,925)	(1,728,562)	(1,630,549)	(111,485)	(113,485)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-employee payroll	\$1,544,360	\$ 1,236,903	\$ 1,417,997	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306	\$ 1,233,891
Contributions as a percentage of covered-employee payroll	11.77%	157.22%	121.29%	112.08%	130.72%	8.78%	9.20%
<b>Health Insurance Subsidy Program (HIS)</b>							
Contractually required contribution	\$ 23,469	\$ 238,640	\$ 236,854	\$ 215,157	\$ 217,059	\$ 20,854	\$ 16,118
Contributions in relation to the contractually required contribution	(23,469)	(238,640)	(236,854)	(215,157)	(217,059)	(20,854)	(16,118)
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered-employee payroll	\$1,544,360	\$ 1,236,903	\$ 1,417,997	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306	\$ 1,233,891
Contributions as a percentage of covered-employee payroll	1.52%	19.29%	16.70%	13.95%	17.40%	1.64%	1.31%

**CITY OF APALACHICOLA, FLORIDA**  
**SCHEDULE OF CHANGES IN CITY'S TOTAL LIABILITY AND RELATED RATIOS**  
**OTHER POSTEMPLOYMENT BENEFITS (OPEB)**  
**LAST 10 FISCAL YEARS AS OF SEPTEMBER 30**

Measurement Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018
Reporting Date	9/30/2021	9/30/2020	9/30/2019	9/30/2018
<b>Total OPEB Liability</b>				
Service cost	\$ 0	\$ 158,673	\$ 94,819	\$ 102,853
Interest on total OPEB liability	33,284	45,578	46,765	42,486
Changes in benefit terms	0	0	0	0
Difference between expected and actual experience	(1,142,763)	(171,979)	(167,084)	(36,875)
Benefit payments	0	0	(4,171)	(1,493)
Administrative expense	(62,243)	0	0	0
Net Change	(1,171,722)	32,272	(29,671)	106,971
Total OPEB liability, beginning of the year	1,171,722	1,139,450	1,169,121	1,062,150
Total OPEB liability, end of the year	\$ 0	\$1,171,722	\$1,139,450	\$1,169,121
Estimated covered-employee payroll	\$ 1,544,360	\$1,236,903	\$1,382,307	\$1,258,118
Total OPEB liability as a percentage of covered-employee payroll	0.00%	94.73%	82.43%	92.93%
Actuarial accrued liabilities (AAL)	\$ 0	\$1,171,722	\$1,139,450	\$1,169,121
Actuarial value of plan assets	0	0	0	0
Unfunded actuarial accrued liabilities (UAAL)	\$ 0	\$1,171,722	\$1,139,450	\$1,169,121

Note 1 - Ten years of data will be displayed as information becomes available.

CITY OF APALACHICOLA, FLORIDA  
OFFICIALS  
SEPTEMBER 30, 2021

Brenda Ash  
Mayor

Anita Grove  
Commissioner Seat 3  
Mayor Pro Tem

Despina George  
Commissioner Seat 1

Donna Duncan  
Commissioner Seat 4

Adriane Elliott  
Commissioner Seat 2



**CITY OF APALACHICOLA, FLORIDA**

**COMPLIANCE SECTION**

**SEPTEMBER 30, 2021**

**DRAFT**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of City of Apalachicola, Florida (the "City"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated January 5, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of prior year findings to be material weaknesses, 2017-001, 2017-002, and 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.

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

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

*(concluded)*

**Compliance and Other Matters**

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

**Purpose of This Report**

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

Moran & Smith LLP  
January 5, 2023  
Tallahassee, FL

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE  
REQUIREMENT OF SECTION 218.415 FLORIDA STATUTES**

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

We have examined the City of Apalachicola, Florida (the "City"), compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*; during the fiscal year ended September 30, 2021, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether compliance with the specified requirements listed above is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of compliance with the specified requirement listed above, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2021.

Moran & Smith LLP  
January 5, 2023  
Tallahassee, FL

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

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

**Report on the Financial Statements**

We have audited the financial statements of the City of Apalachicola, Florida (the "City") as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated January 5, 2023

**Auditor's Responsibility**

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

**Prior Audit Findings**

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

**Official Title and Legal City**

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The name or official title and legal City of the primary government and component unit are disclosed in the notes to the financial statements.

**Financial Condition**

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

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

(continued)

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

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

### **Special District Component Units**

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

### **Additional Matters**

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

### **Purpose of this Letter**

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

Moran & Smith LLP  
January 5, 2023  
Tallahassee, FL

**CITY OF APALACHICOLA, FLORIDA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**Schedule of Findings**

**PRIOR YEAR**

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

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

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

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

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

**Views of Responsible Officials and Planned Corrective Action:** As reported in prior audit reports, this issue results from the limited number of employees in the city office. In July of 2020, the City of Apalachicola, the "City", hired a dedicated Finance Director. By creating this position, the controls which previously were held exclusively by the City Manager/Administrator, are now separated. New internal controls for finance, procurement and grant administration have been incorporated into the City's policy.

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

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

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

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

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

**Views of Responsible Officials and Planned Course of Action:** The city has hired a new finance director, and the City is making significant strides in reducing the number of audit adjustments.

**CITY OF APALACHICOLA, FLORIDA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

**Condition:** Property and equipment records were not complete per the requirements set by the state of Florida and the property and equipment is not being properly tagged. An inventory was not taken during the year ended September 30, 2019, that can be agreed to the general fixed asset records presented in the audit report.

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

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

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

**Views of Responsible Officials and Planned Corrective Action:** Subsequent to September 30, 2020, the City has completed an audit of all real property. The project continues as all deeds and titles have been verified. Also, all vehicles and major equipment have been inventoried. Currently, all titles are being verified. Each of these lists is being reconciled to the City's insurance policies to verify coverage.

**2021-001 General Ledger Posting**

**Condition:** The city lost its Finance Director right after year end and did not get any audit adjustments posted from the 2020 annual audit. The City did not have experienced accounting staff posting daily activity, and numerous items were not posted correctly, and numerous items were not posted at all. There were no financial statements being provided to the board. Cash, accounts receivable, accounts payable, general long-term debt, utility billings, and state revenues were not being reconciled on a monthly basis.

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

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

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

**Views of Responsible Officials and Planned Course of Action:** The City has hired a new finance director and is in the process of switching general ledger software systems. The City is working on having the 2022 general ledger in much better condition for the upcoming audit. and is making significant strides in preparing monthly general ledgers and monthly reconciliations of key accounting accounts.



**CITY OF APALACHICOLA, FLORIDA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**2021-002 Annual Budget**

**Condition:** The City overspent the adopted City budget, and the adopted budget was not prepared on a fund level basis consistent with the actual audited financial statements.

**Criteria:** The City is required to adopt an annual operating budget that reflects the fund level accounting of the City's activity.

**Effect:** The budget that was adopted had math errors and was not consistent with the format of the actual financial statements. It was prepared on a department basis and not at the overall fund level. The lack of fund level reconciliation resulted in the general fund being overspent.

**Recommendation:** We recommend that the City adopt an annual budget in accordance with Florida Statutes that is consistent with the fund level accounting the City is using for their financial statements.

**Views of Responsible Officials and Planned Course of Action:** The City has hired a new finance director and will prepare the upcoming budget in the same format as the annual financial statements.

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

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

We have examined the City of Apalachicola, Florida's (the "City's") compliance with the requirements of Section 288.8018, Florida Statutes, *Gulf Coast Audits*, for the year ended September 30, 2021. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

Moran & Smith LLP  
January 5, 2023  
Tallahassee, Florida

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

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

We have audited the financial statements of the City of Apalachicola, Florida (the City), as of and for the year ended September 30, 2021, and have issued our report thereon dated January 5, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The Schedule of Receipts and Expenditures of Funds related to the Deepwater Horizon Oil Spill on page 60 is presented for the purpose of additional analysis as required by Chapter 288.8018, Florida Statutes, and the Rules of the Auditor General Chapter 10.557(3)(f) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

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

Moran & Smith LLP  
January 5, 2023  
Tallahassee, Florida

**CITY OF APALACHICOLA, FLORIDA  
 SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS  
 RELATED TO THE DEEPWATER HORIZON OIL SPILL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Source	Amount Received in the 2020-2021 Fiscal Year	Amount Expended in the 2020-2021 Fiscal Year
British Petroleum:		
Agreement Settlement	\$ 0	\$ 0
Total	\$ 0	\$ 0