

**CITY OF APALACHICOLA, FLORIDA**  
**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**CITY OF APALACHICOLA, FLORIDA  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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## **INDEPENDENT AUDITOR'S REPORT**

To the City Members of the City of Apalachicola  
City of Apalachicola, Florida:

### **Qualified and Unmodified Opinion**

We have audited the accompanying financial statements of the governmental activities and business-type activities of the City of Apalachicola, Florida (the "City"), as of and for the fiscal year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Qualified Opinion on the Governmental Activities, Business-type Activities, and Utility Fund**

In our opinion, except for the effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and utility fund of the City as of September 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Unmodified Opinion of the General Fund**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the general fund of the City as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Qualified and Unmodified Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

### **Matter Giving Rise to the Qualified Opinion on the Governmental Activities, Business-type Activities, and Utility Fund**

As discussed in Note 9 to the financial statements, the City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require recording of an obligation for postemployment benefits other than pensions, which would increase liabilities, decrease net position, and change the expenses in governmental activities, business-type activities and the utility fund. The effects of this departure from accounting principles generally accepted in the United States of America on the governmental activities, business-type activities and the utility fund, has not been determined.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted audited standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**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 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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.

Management has omitted the schedule of changes in the City's total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion of the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purpose of additional analysis and not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Moran & Smith LLP*

Moran & Smith LLP  
Tallahassee, Florida  
March 14, 2024

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

Management’s discussion and analysis provides an easily readable analysis of the City of Apalachicola, Florida’s (the “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 \$41,092,103 (net position). Of this amount \$358,195 is unrestricted net position for governmental activities, \$1,122,480 is unrestricted net position for business-type activities, \$416,877 is restricted net position for governmental activities, \$482,776 is restricted net position for business-type activities and \$167,685 is assigned net position for governmental activities.
- Total net position increased by \$232,533. Of this amount, a decrease of \$166,161 is attributable to governmental activities and an increase of \$398,694 is attributable to business-type activities.
- As of September 30, 2022, the general fund’s unassigned fund balance is \$1,405,706.
- Governmental activities’ revenues increased to \$4,911,565, while governmental activities expenses increased to \$5,077,726. Business-type activities’ revenues decreased to \$2,892,719, while business-type activities’ expenses increased to \$2,494,025.

**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.



**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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.

**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 \$41,092,103 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.

|                                  | STATEMENT OF NET POSITION |               |               |               |               |               |
|----------------------------------|---------------------------|---------------|---------------|---------------|---------------|---------------|
|                                  | Governmental              |               | Business      |               | Total         |               |
|                                  | 2022                      | 2021          | 2022          | 2021          | 2022          | 2021          |
| Current and other assets         | \$ 3,659,493              | \$ 3,758,594  | \$ 2,633,494  | \$ 2,154,144  | \$ 6,292,987  | \$ 5,912,738  |
| Capital assets                   | 22,778,571                | 22,834,942    | 20,914,760    | 21,181,176    | 43,693,331    | 44,016,118    |
| Total assets                     | 26,438,064                | 26,593,536    | 23,548,254    | 23,335,320    | 49,986,318    | 49,928,856    |
| Deferred outflows                | 734,765                   | 429,834       | 285,741       | 167,157       | 1,020,506     | 596,991       |
| Current liabilities              | 2,119,294                 | 1,415,258     | 1,043,222     | 570,787       | 3,162,516     | 1,986,045     |
| Long-term liabilities            | 650,823                   | 682,722       | 4,111,067     | 4,660,453     | 4,761,890     | 5,343,175     |
| Net pension liabilities          | 1,879,254                 | 612,221       | 730,821       | 238,086       | 2,610,075     | 850,307       |
| Total liabilities                | 4,649,371                 | 2,710,201     | 5,885,110     | 5,469,326     | 10,534,481    | 8,179,527     |
| Deferred inflows                 | (171,436)                 | 4,070,461     | (66,670)      | 416,290       | (238,106)     | 4,486,751     |
| Net position                     |                           |               |               |               |               |               |
| Net investment in capital assets | 22,133,791                | 22,105,709    | 16,410,299    | 16,229,868    | 38,544,090    | 38,335,577    |
| Restricted                       | 416,877                   | 988,202       | 482,776       | 342,603       | 899,653       | 1,330,805     |
| Assigned                         | 167,685                   | -             | -             | -             | 167,685       | -             |
| Unrestricted                     | 358,195                   | 148,798       | 1,122,480     | 1,044,390     | 1,480,675     | 1,193,188     |
| Total net position               | \$ 23,076,548             | \$ 23,242,709 | \$ 18,015,555 | \$ 17,616,861 | \$ 41,092,103 | \$ 40,859,570 |

An additional portion of the City's net position, \$899,653, represents resources that are subject to external restrictions on how they may be used and \$167,685, represents resources that are assigned by the Board. 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 decreased the City's net position by \$166,161 in the most recent fiscal year. Key elements of this change include an increase deferred inflows related to pension and deferred grant revenue.

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Business-type Activities**

Business-type activities increased the City's net position by \$398,694 in the most recent fiscal year. Key elements of this change include a decrease in deferred inflows related to pension.

|                                     | STATEMENT OF ACTIVITIES |               |               |               |               |               |
|-------------------------------------|-------------------------|---------------|---------------|---------------|---------------|---------------|
|                                     | Governmental            |               | Business      |               | Total         |               |
|                                     | 2022                    | 2021          | 2022          | 2021          | 2022          | 2021          |
| Program revenues:                   |                         |               |               |               |               |               |
| Charges for services                | \$ 630,971              | \$ 639,669    | \$ 2,767,356  | \$ 3,219,320  | \$ 3,398,327  | \$ 3,858,989  |
| Operating grants and contributions  | 621,423                 | 779,181       | -             | -             | 621,423       | 779,181       |
| Capital grants and contributions    | 406,004                 | 555,261       | 116,780       | -             | 522,784       | 555,261       |
| General revenue:                    |                         |               |               |               |               |               |
| Taxes, licenses, and permits        | 2,374,790               | 2,333,075     | -             | -             | 2,374,790     | 2,333,075     |
| Intergovernmental and other         | 878,377                 | 558,041       | 8,583         | 38,233        | 886,960       | 596,274       |
| Transfers                           | -                       | 11,227        | -             | (11,227)      | -             | -             |
| Total revenues                      | 4,911,565               | 4,876,454     | 2,892,719     | 3,246,326     | 7,804,284     | 8,122,780     |
| Expenses:                           |                         |               |               |               |               |               |
| General government                  | 2,068,044               | 1,397,758     | -             | -             | 2,068,044     | 1,397,758     |
| Transportation                      | 450,864                 | 44,254        | -             | -             | 450,864       | 44,254        |
| Public Safety                       | 699,004                 | 619,248       | -             | -             | 699,004       | 619,248       |
| Physical environment                | 1,203,268               | 793,202       | -             | -             | 1,203,268     | 793,202       |
| Economic environment                | -                       | (60,574)      | -             | -             | -             | (60,574)      |
| Culture and recreation              | 629,286                 | 800,431       | -             | -             | 629,286       | 800,431       |
| Interest on long-term debt          | 27,260                  | 30,562        | -             | -             | 27,260        | 30,562        |
| Business-type activities            | -                       | -             | 2,494,025     | 2,002,388     | 2,494,025     | 2,002,388     |
| Total expenses                      | 5,077,726               | 3,624,881     | 2,494,025     | 2,002,388     | 7,571,751     | 5,627,269     |
| Increase (decrease) in net position | (166,161)               | 1,251,573     | 398,694       | 1,243,938     | 232,533       | 2,495,511     |
| Net position, beginning of year     | 23,242,709              | 21,991,136    | 17,616,861    | 16,372,923    | 40,859,570    | 38,364,059    |
| Net position, end of year           | \$ 23,076,548           | \$ 23,242,709 | \$ 18,015,555 | \$ 17,616,861 | \$ 41,092,103 | \$ 40,859,570 |

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

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

**Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental fund reported an ending fund balance of \$1,990,268, a decrease of \$450,168 in comparison with the prior year. \$1,405,706 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.

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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 \$1,122,480. The total increase in net position for the fund was \$398,694. 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, 2022, amounts to \$38,544,090 (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 \$5,241,786.

| GENERAL LONG-TERM DEBT |                            |                             |                     |
|------------------------|----------------------------|-----------------------------|---------------------|
|                        | Governmental<br>Activities | Business-type<br>Activities | Total               |
| Bonds                  | \$ 361,500                 | \$ 2,206,078                | \$ 2,567,578        |
| Notes Payable          | -                          | 2,042,540                   | 2,042,540           |
| Leases                 | 283,280                    | 255,842                     | 539,122             |
| Accrued Leave          | 74,458                     | 18,088                      | 92,546              |
|                        | <u>\$ 719,238</u>          | <u>\$ 4,522,548</u>         | <u>\$ 5,241,786</u> |

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

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

All of the following factors were considered in preparing the City's budget for the 2023 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.

**CITY OF APALACHICOLA, FLORIDA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

- 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, 2022**

**CITY OF APALACHICOLA, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2022**

|                                       | <b>Primary Government</b> |                      |                      |
|---------------------------------------|---------------------------|----------------------|----------------------|
|                                       | <b>Governmental</b>       | <b>Business-Type</b> |                      |
|                                       | <b>Activities</b>         | <b>Activities</b>    | <b>Total</b>         |
| <b>Assets</b>                         |                           |                      |                      |
| Cash and Cash Equivalents             | \$ 2,169,321              | \$ 1,821,930         | \$ 3,991,251         |
| Investments                           | 735,373                   | 2,316                | \$ 737,689           |
| Accounts Receivable, Net              | 2,517                     | 209,692              | 212,209              |
| Notes Receivable                      | 78,848                    | -                    | 78,848               |
| Due From Other Funds                  | 351,596                   | 116,780              | 468,376              |
| Due From Other Governments            | 321,838                   | -                    | 321,838              |
| Restricted Assets:                    |                           |                      |                      |
| Cash and Cash Equivalents             | 416,877                   | 482,776              | 899,653              |
| Capital Assets, Not Being Depreciated | 10,201,410                | 363,057              | 10,564,467           |
| Capital Assets, Being Depreciated     | 12,577,161                | 20,551,703           | 33,128,864           |
| <b>Total Assets</b>                   | <b>26,854,941</b>         | <b>23,548,254</b>    | <b>50,403,195</b>    |
| Deferred Outflows Related to Pensions | 734,765                   | 285,741              | 1,020,506            |
| <b>Liabilities</b>                    |                           |                      |                      |
| <b>Current Liabilities</b>            |                           |                      |                      |
| Accounts Payable                      | 416,673                   | 125,959              | 542,632              |
| Accrued Expenses                      | 35,223                    | -                    | 35,223               |
| Unearned Revenue                      | 1,517,426                 | -                    | 1,517,426            |
| Bonds, Lease, and Notes Payable       | 68,415                    | 565,667              | 634,082              |
| Due To Other Governments              | 116,780                   | 351,596              | 468,376              |
| <b>Noncurrent Liabilities:</b>        |                           |                      |                      |
| Bonds, Lease, and Notes Payable       | 576,365                   | 3,938,794            | 4,515,159            |
| Accrued Compensated Absences          | 74,458                    | 18,088               | 92,546               |
| Utility Deposits                      | -                         | 154,185              | 154,185              |
| Net Pension Liability                 | 1,879,254                 | 730,821              | 2,610,075            |
| <b>Total Liabilities</b>              | <b>4,684,594</b>          | <b>5,885,110</b>     | <b>10,569,704</b>    |
| Deferred Inflows Related to Pensions  | (171,436)                 | (66,670)             | (238,106)            |
| <b>Net Position</b>                   |                           |                      |                      |
| Net Investment in Capital Assets      | 22,133,791                | 16,410,299           | 38,544,090           |
| Restricted                            | 416,877                   | 482,776              | 899,653              |
| Assigned                              | 167,685                   | -                    | 167,685              |
| Unrestricted                          | 358,195                   | 1,122,480            | 1,480,675            |
| <b>Total Net Position</b>             | <b>\$ 23,076,548</b>      | <b>\$ 18,015,555</b> | <b>\$ 41,092,103</b> |

See accompanying notes to basic financial statements.

**CITY OF APALACHICOLA, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| Functions/Programs                          | Expenses            | Program Revenues           |                                          |                                        | Net (Expense) Revenue and<br>Changes in Net Assets |                                 |                      |
|---------------------------------------------|---------------------|----------------------------|------------------------------------------|----------------------------------------|----------------------------------------------------|---------------------------------|----------------------|
|                                             |                     | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                         | Business-<br>Type<br>Activities | Total                |
| <b>Governmental Activities:</b>             |                     |                            |                                          |                                        |                                                    |                                 |                      |
| General Government                          | \$ 2,068,044        | \$ -                       | \$ 133,526                               | \$ -                                   | \$ (1,934,518)                                     | \$ -                            | \$ (1,934,518)       |
| Transportation                              | 450,864             | -                          | -                                        | -                                      | (450,864)                                          | -                               | (450,864)            |
| Public Safety                               | 699,004             | -                          | -                                        | 33,776                                 | (665,228)                                          | -                               | (665,228)            |
| Physical Environment                        | 1,203,268           | 630,971                    | -                                        | 372,228                                | (200,069)                                          | -                               | (200,069)            |
| Culture and Recreation                      | 629,286             | -                          | 487,897                                  | -                                      | (141,389)                                          | -                               | (141,389)            |
| Interest on Long-term Debt                  | 27,260              | -                          | -                                        | -                                      | (27,260)                                           | -                               | (27,260)             |
| <b>Total Governmental Activities</b>        | <b>5,077,726</b>    | <b>630,971</b>             | <b>621,423</b>                           | <b>406,004</b>                         | <b>(3,419,328)</b>                                 | <b>-</b>                        | <b>(3,419,328)</b>   |
| <b>Business-Type Activities</b>             | <b>2,494,025</b>    | <b>2,767,356</b>           | <b>-</b>                                 | <b>116,780</b>                         | <b>-</b>                                           | <b>390,111</b>                  | <b>390,111</b>       |
| <b>Total Primary Government</b>             | <b>\$ 7,571,751</b> | <b>\$ 3,398,327</b>        | <b>\$ 621,423</b>                        | <b>\$ 522,784</b>                      | <b>(3,419,328)</b>                                 | <b>390,111</b>                  | <b>(3,029,217)</b>   |
| <b>General Revenues</b>                     |                     |                            |                                          |                                        |                                                    |                                 |                      |
|                                             |                     |                            |                                          |                                        |                                                    |                                 |                      |
|                                             |                     |                            |                                          |                                        | 1,691,935                                          | -                               | 1,691,935            |
|                                             |                     |                            |                                          |                                        | 412,165                                            | -                               | 412,165              |
|                                             |                     |                            |                                          |                                        | 58,479                                             | -                               | 58,479               |
|                                             |                     |                            |                                          |                                        | 212,211                                            | -                               | 212,211              |
|                                             |                     |                            |                                          |                                        | 716,267                                            | -                               | 716,267              |
|                                             |                     |                            |                                          |                                        | 152,343                                            | 8,583                           | 160,926              |
|                                             |                     |                            |                                          |                                        | 9,767                                              | -                               | 9,767                |
| <b>Total General Revenues and Transfers</b> |                     |                            |                                          |                                        | <b>3,253,167</b>                                   | <b>8,583</b>                    | <b>3,261,750</b>     |
| <b>Change in Net Position</b>               |                     |                            |                                          |                                        | <b>(166,161)</b>                                   | <b>398,694</b>                  | <b>232,533</b>       |
| <b>Net Position, Beginning of Year</b>      |                     |                            |                                          |                                        | <b>23,242,709</b>                                  | <b>17,616,861</b>               | <b>40,859,570</b>    |
| <b>Net Position, End of Year</b>            |                     |                            |                                          |                                        | <b>\$ 23,076,548</b>                               | <b>\$ 18,015,555</b>            | <b>\$ 41,092,103</b> |

See accompanying notes to basic financial statements.

**CITY OF APALACHICOLA, FLORIDA**  
**BALANCE SHEET-GOVERNMENTAL FUND**  
**SEPTEMBER 30, 2022**

|                                           | <b>Governmental<br/>Fund</b> |
|-------------------------------------------|------------------------------|
| <b>Assets</b>                             |                              |
| Cash and Cash Equivalents                 | \$ 2,169,321                 |
| Investments                               | 735,373                      |
| Accounts Receivable, Net                  | 2,517                        |
| Due From Other Funds                      | 351,596                      |
| Due From Other Governments                | 321,838                      |
| Notes Receivable                          | 78,848                       |
| Restricted:                               |                              |
| Cash and Cash Equivalents                 | 416,877                      |
| <b>Total Assets</b>                       | <b>4,076,370</b>             |
| <b>Liabilities and Fund Balance</b>       |                              |
| <b>Liabilities</b>                        |                              |
| Accounts Payable                          | 416,673                      |
| Accrued Expenses                          | 35,223                       |
| Due To Other Funds                        | 116,780                      |
| Unearned Revenue                          | 1,517,426                    |
| <b>Total Liabilities</b>                  | <b>2,086,102</b>             |
| <b>Fund Balance</b>                       |                              |
| Nonspendable                              |                              |
| Restricted:                               |                              |
| Library Trust                             | 34,209                       |
| Revolving Loan                            | 314,763                      |
| Debt Service                              | 67,905                       |
| Assigned                                  | 167,685                      |
| Unassigned                                | 1,405,706                    |
| <b>Total Fund Balance</b>                 | <b>1,990,268</b>             |
| <b>Total Liabilities and Fund Balance</b> | <b>\$ 4,076,370</b>          |

See accompanying notes to basic financial statements.



**CITY OF APALACHICOLA, FLORIDA**  
**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2022**

|                                                 |                     |
|-------------------------------------------------|---------------------|
| <b>Total Fund Balances of Governmental Fund</b> | <b>\$ 1,990,268</b> |
|-------------------------------------------------|---------------------|

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

|                                                                                                                                    |            |
|------------------------------------------------------------------------------------------------------------------------------------|------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | 22,778,571 |
|------------------------------------------------------------------------------------------------------------------------------------|------------|

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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     | 734,765     |           |
| Net Pension Liability | (1,879,254) |           |
| Deferred Inflows      | 171,436     | (973,053) |

---

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                                 | (74,458)  |                      |
| Bonds, Leases and Notes Payable                      | (644,780) | (719,238)            |
| <b>Total Net Position of Governmental Activities</b> |           | <b>\$ 23,076,548</b> |

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**CITY OF APALACHICOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

|                                                                      | <b>Governmental<br/>Fund</b> |
|----------------------------------------------------------------------|------------------------------|
| <b>Revenues</b>                                                      |                              |
| Taxes                                                                | \$ 1,882,413                 |
| Licenses and Permits                                                 | 212,211                      |
| Intergovernmental Revenues                                           | 994,276                      |
| Grants                                                               | 1,027,427                    |
| Charges for Services                                                 | 630,971                      |
| Fines and Forfeitures                                                | 2,157                        |
| Miscellaneous                                                        | 152,343                      |
| Investment Earnings and Other                                        | 9,767                        |
| <b>Total Revenues</b>                                                | <b>4,911,565</b>             |
| <b>Expenditures</b>                                                  |                              |
| Current:                                                             |                              |
| General Government                                                   | 2,036,474                    |
| Public Safety                                                        | 652,309                      |
| Physical Environment                                                 | 1,026,612                    |
| Transportation                                                       | 132,440                      |
| Culture and Recreation                                               | 530,647                      |
| Capital Outlay                                                       | 871,537                      |
| Debt Service:                                                        |                              |
| Principal                                                            | 84,454                       |
| Interest                                                             | 27,260                       |
| <b>Total Expenditures</b>                                            | <b>5,361,733</b>             |
| <b>Excess (Deficiency) of Revenues<br/>Over (Under) Expenditures</b> | <b>(450,168)</b>             |
| <b>Fund Balance, Beginning of Year</b>                               | <b>2,440,436</b>             |
| <b>Fund Balance, End of Year</b>                                     | <b>\$ 1,990,268</b>          |

See accompanying notes to basic financial statements.

**CITY OF APALACHICOLA, FLORIDA**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Amounts reported for Governmental Activities in the Statement of Activities are different because:**

|                                                |              |
|------------------------------------------------|--------------|
| Net Change in Fund Balance - Governmental Fund | \$ (450,168) |
|------------------------------------------------|--------------|

The Governmental Fund reports capital outlay 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       | 871,537   |          |
| Depreciation Expense | (927,907) | (56,370) |

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 the Governmental Fund.

Changes in:

|                                                    |             |         |
|----------------------------------------------------|-------------|---------|
| Net Pension Liability                              | (1,267,032) |         |
| Deferred Outflows Related to Net Pension Liability | 304,931     |         |
| Deferred Inflows Related to Net Pension Liability  | 1,241,897   | 279,796 |

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 Fund:

|                                 |          |        |
|---------------------------------|----------|--------|
| Accrued Annual Leave            | (23,872) |        |
| Bonds, Leases and Notes Payable | 84,453   | 60,581 |

|                                                          |                     |
|----------------------------------------------------------|---------------------|
| <b>Change in Net Position of Governmental Activities</b> | <b>\$ (166,161)</b> |
|----------------------------------------------------------|---------------------|

**CITY OF APALACHICOLA, FLORIDA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2022**

|                                              | <b>Utility Fund</b>  |
|----------------------------------------------|----------------------|
| <b>Current Assets</b>                        |                      |
| Cash and Cash Equivalents                    | \$ 1,821,930         |
| Investments                                  | 2,316                |
| Receivables (Net)                            | 209,692              |
| Due from Other Funds                         | 116,780              |
| <b>Total Current Assets</b>                  | <b>2,150,718</b>     |
| <b>Restricted Assets</b>                     |                      |
| Debt Service                                 | 200,464              |
| Customer Deposits                            | 139,453              |
| State Revolving Loan Escrow                  | 142,859              |
| <b>Total Restricted Assets</b>               | <b>482,776</b>       |
| <b>Capital Assets</b>                        |                      |
| Property, Plant, and Equipment               | 40,099,114           |
| Accumulated Depreciation                     | (19,184,354)         |
| <b>Total Capital Assets</b>                  | <b>20,914,760</b>    |
| <b>Total Assets</b>                          | <b>23,548,254</b>    |
| <b>Deferred Outflows Related to Pensions</b> | <b>285,741</b>       |
| <b>Current Liabilities</b>                   |                      |
| Accounts Payable and Accrued Expenses        | 125,959              |
| Due to Other Funds                           | 351,596              |
| Current Portion of Compensated Absences      | 4,522                |
| Payable from Restricted Assets               |                      |
| Current Portion of Long-term Debt            | 565,667              |
| Utility Deposits                             | 154,185              |
| <b>Total Current Liabilities</b>             | <b>1,201,929</b>     |
| <b>Noncurrent Liabilities</b>                |                      |
| Long-term Portion of Debt                    | 3,938,794            |
| Net Pension Liability                        | 730,821              |
| Compensated Absences                         | 13,566               |
| <b>Total Noncurrent Liabilities</b>          | <b>4,683,181</b>     |
| <b>Total Liabilities</b>                     | <b>5,885,110</b>     |
| <b>Deferred Inflow Related to Pensions</b>   | <b>(66,670)</b>      |
| <b>Net Position</b>                          |                      |
| Net Investment in Capital Assets             | 16,410,299           |
| Restricted                                   | 482,776              |
| Unrestricted                                 | 1,122,480            |
| <b>Total Net Position</b>                    | <b>\$ 18,015,555</b> |

See accompanying notes to basic financial statements.

**CITY OF APALACHICOLA, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

|                                                | <b>Utility Fund</b>  |
|------------------------------------------------|----------------------|
| <b>Operating Revenue</b>                       |                      |
| Utility Billings                               | \$ 2,602,316         |
| Mooring Fees                                   | 165,040              |
| Miscellaneous                                  | 8,583                |
| <b>Total Operating Revenue</b>                 | <b>2,775,939</b>     |
| <b>Operating Expenses</b>                      |                      |
| Personal Services                              | 337,477              |
| Supplies, Gas, and Oil                         | 265,488              |
| Communications                                 | 10,713               |
| Utilities                                      | 247,932              |
| Repairs and Maintenance                        | 329,433              |
| Insurance                                      | 3,107                |
| Professional Fees                              | 148,039              |
| Miscellaneous                                  | 62,328               |
| Depreciation                                   | 1,000,062            |
| <b>Total Operating Expenses</b>                | <b>2,404,579</b>     |
| <b>Operating Income (Loss)</b>                 | <b>371,360</b>       |
| <b>Non-operating Revenues (Expenses)</b>       |                      |
| Grant Revenue                                  | 116,780              |
| Interest Expense                               | (89,446)             |
| <b>Total Non-operating Revenues (Expenses)</b> | <b>27,334</b>        |
| <b>Change in Net Position</b>                  | <b>398,694</b>       |
| <b>Net Position, Beginning of Year</b>         | <b>17,616,861</b>    |
| <b>Net Position, End of Year</b>               | <b>\$ 18,015,555</b> |

See accompanying notes to basic financial statements.

**CITY OF APALACHICOLA, FLORIDA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

|                                                                                                                | <b>Utility Fund</b> |
|----------------------------------------------------------------------------------------------------------------|---------------------|
| <b>Cash Flows from Operating Activities</b>                                                                    |                     |
| Cash Received from Customers                                                                                   | \$ 2,775,939        |
| Cash Paid to Employees                                                                                         | (397,192)           |
| Cash Paid to Suppliers                                                                                         | (839,010)           |
| <b>Net Cash Provided (Used in) Operating Activities</b>                                                        | <b>1,539,737</b>    |
| <b>Cash Flows from Noncapital Financing Activities</b>                                                         |                     |
| Grant Revenue                                                                                                  | 116,780             |
| <b>Net Cash Provided (Used in) Noncapital Financing Activities</b>                                             | <b>116,780</b>      |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                                |                     |
| Acquisition and Construction of Capital Assets                                                                 | (733,646)           |
| Proceeds from Long-term Debt                                                                                   | 99,550              |
| Principal Paid on Long-term Debt                                                                               | (546,399)           |
| Interest Paid on Long-term Debt                                                                                | (89,446)            |
| <b>Net Cash Provided (Used in) Capital and Related Financing Activities</b>                                    | <b>(1,269,941)</b>  |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                                                    | <b>386,576</b>      |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                                                            | <b>1,918,130</b>    |
| <b>Cash and Cash Equivalents, End of Year</b>                                                                  | <b>\$ 2,304,706</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)                                                                                        | \$ 371,360          |
| <b>Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b> |                     |
| Depreciation                                                                                                   | 1,000,062           |
| Decrease in Accounts Receivable                                                                                | 18,087              |
| Increase in Due from Other Funds                                                                               | (116,780)           |
| Decrease in Prepaids                                                                                           | 8,235               |
| Increase in Deferred Outflows                                                                                  | (118,584)           |
| Increase in Accounts Payable and Accrued Expenses                                                              | 92,182              |
| Increase in Due to Other Funds                                                                                 | 351,596             |
| Increase in Compensated Absences                                                                               | 425                 |
| Decrease in Customer Deposits                                                                                  | (74,307)            |
| Increase in Net Pension Liability                                                                              | 492,735             |
| Decrease in Deferred Inflows                                                                                   | (485,274)           |
| Total Adjustments                                                                                              | 1,168,377           |
| <b>Net Cash Provided by (Used in) Operating Activities</b>                                                     | <b>\$ 1,539,737</b> |

See accompanying notes to basic financial statements.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**Reporting Entity**

The City of Apalachicola, Florida (the “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 (the “Authority”), which makes the Authority a related organization. However, the Authority is not considered a component unit since it is not financially accountable to or fiscally dependent on the Board.

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



**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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 activities of the City. 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.

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: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) 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.

**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 sixty 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.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, such as grants and similar items, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

License and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. Utility services, investment earnings, franchise fees, and utility taxes are recorded as earned, since they are measurable and available.

Property taxes are recognized as revenue at the time an enforceable legal claim is established. This is determined to occur November 1, of each year. The assessment roll is validated July 1, and the millage resolution is approved by September 30. The City's property tax becomes a lien on October 1, and the tax is levied by Franklin County each November 1, for real and personal property located in the City. Property taxes are due before April 1, with the maximum discount available, if payment is made on or before November 30. If payment remains delinquent, a tax certificate for the full amount of any unpaid taxes is sold no later than June 1. Under this arrangement, there are no property tax receivables at the end of the fiscal year on September 30.

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 sales and services. The City's enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the enterprise fund include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major governmental funds:

- **General Fund**

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary funds:

- **Utility Fund**

The Utility Fund accounts for the revenues and expenses associated with the City's water, sewer and docking facilities.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

▪ **Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid instruments with original maturities of three months or less from the date of acquisition.

Florida Statutes require state and local governmental units to deposit monies with financial institutions classified as qualified depositories, a multiple financial institution pool whereby groups of securities pledged by various financial institutions provide common collateral for their deposits of public funds. This pool is provided as additional insurance to the federal depository insurance and allows for additional assessments against the member institutions providing full insurance for public deposits. The City had deposits only with qualifying institutions as of September 30, 2022.

Investments of the City are held in the Florida PRIME portion of the State Investment Pool. These investments are classified as cash and cash equivalents and reported at amortized costs, which approximates fair value.

▪ **Receivables and Payables**

Outstanding balances between funds are reported as due to/from other or advances to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables are reported net of an allowance for uncollectible accounts. The City has recorded a \$303,464 allowance for uncollectible accounts in the Utility Fund.

▪ **Inventory**

Inventories are valued at cost, which approximates market value, using the first-in, first-out (FIFO) method. Generally, the costs of governmental fund type inventories are recorded as expenditures when consumed (consumption method) rather than when purchased. For the fiscal year 2022 there was no inventory.

▪ **Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are accounted for by use of the consumption method. For the fiscal year 2022 there were no prepaid items.

▪ **Restricted Assets**

Certain resources are set aside for debt reserves, customer deposits, unspent bond proceeds, and other purposes. These resources are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants, ordinances, or regulations.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

▪ **Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets (i.e., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value rather than fair value.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extended assets lives, are not capitalized.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

|                                    |             |
|------------------------------------|-------------|
| Buildings                          | 10-50 years |
| Improvements                       | 10-35 years |
| Infrastructure                     | 40-55 years |
| Furniture, Fixtures, and Equipment | 3-20 years  |

▪ **Compensated Absences**

Accumulated unpaid vacation time, compensatory time, and sick time amounts, including the related direct and incremental salary-related payments, accrues in the enterprise funds, and appear as an increase in salary expenses in the proprietary financial statements. In the governmental funds, these costs are recognized when payments are made to employees or when the costs mature as a result of an employee resignation or retirement. All vacation, compensatory and sick pay accrues when incurred in the government-wide financial statements.

▪ **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the bond premium or discount. Bond issuance costs are expensed when incurred, with the exception of bond insurance, which is amortized over the term of the related debt.

In the fund financial statements, governmental fund-types record bond premiums and discounts, as well as bond issuance costs in the year incurred. The face amount of debt issued is reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

▪ **Deferred Inflows and Outflows of Resources**

Deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources until that future time. Deferred inflows of resources represent an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources until that future time. Deferred outflows have a positive effect on net position, similar to assets, while deferred inflows have a negative effect on net position, similar to liabilities. The City reports deferred outflows of resources related to unamortized refunding losses, as well as pension related deferred inflows and outflows of resources.

- **Unavailable Revenues** – In the governmental funds, revenues not received within the City’s availability period are considered unavailable and, therefore, reported as a deferred inflow. 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.
- **Pension Related** – The difference between expected and actual experience with regard to economic and demographic factors and changes to assumption in the measurement of total pension, the difference between expected and actual earnings on pension plan investments, and the change in the proportionate share of the net pension liability resulting from a change in proportion are reported as deferred inflows or outflows or resources, to be recognized in expense. Contributions made subsequent to the measurement date, but prior to the reporting date, are reported as deferred outflows of resources.

▪ **Fund Balance**

Fund balance classifications comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: non-spendable, restricted, committed, assigned and unassigned.

- **Non-Spendable** – This component of fund balance consists of amounts that cannot be spent because (a) they are not expected to be converted to cash; or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items and principal (corpus) of an endowment fund. On the governmental funds balance sheet, the prepaid balances reported is offset by a non-spendable fund balance classification which indicates it does not constitute “available spendable resources” even though it is a component of current assets.
- **Restricted** – This component of fund balance consists of amounts that are constrained either (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments); or (b) by law through constitutional provisions or enabling legislation.
- **Committed** – This component of fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (i.e., by ordinance) of the City Commission. These committed amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action employed to constrain those amounts.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

- **Assigned** – This component of fund balance consists of amounts that the City intends to use for a specific purpose as determined by the City Commission in accordance with the City’s fiscal policies. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund, as approved by the City Commission through the budget process.
- **Unassigned** – This classification is used for: (a) deficit unrestricted fund balances in any governmental fund; or (b) fund balances within the general fund that are not restricted, committed, or assigned.

When both restricted and unrestricted resources are available for use, it is generally the practice of the City to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City’s practice to use committed resources first, then assigned, and then unassigned as needed.

- **Net Position**

Net position invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position invested in capital assets, net of related debt, excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations. Net position not reported as net position invested in capital assets, net of related debt or restricted net position, are reported as unrestricted net position.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as needed.

**Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

**Upcoming Governmental Accounting Standards Board (GASB) Pronouncements**

GASB has issued new accounting and financial reporting pronouncements, which will become effective for the City’s 2023 fiscal year reporting period:

- GASB Statement No. 96, Subscription-Based Information Technology Arrangements, changes the accounting and financial reporting related to Subscription-Based Information Technology Arrangements (SBITAs) for government end-users. Upon adoption, a SBITA will result in a right-to-use subscription asset, which will be an intangible asset, and a corresponding subscription liability. The new guidance also provides capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and requires note disclosures regarding SBITA.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**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.

**Note 2 – Cash, Cash Equivalents, and Investments**

Deposits and investments as of September 30, 2022, are classified in the accompanying financial statements as follows:

**Statement of Net Position**

|                                                     |                            |
|-----------------------------------------------------|----------------------------|
| Cash and Cash Equivalents                           | \$ 3,991,251               |
| Investments                                         | 737,689                    |
| Restricted:                                         |                            |
| Cash and Cash Equivalents                           | <u>899,653</u>             |
| <b>Total Cash, Cash Equivalents and Investments</b> | <b><u>\$ 5,628,593</u></b> |

**Deposits**

All of the City's cash deposits are held in banks that qualify as public depositories under the *Florida Security for Public Deposits Act* as required by Chapter 280, Florida Statutes. Under the Act, all qualified depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledged level. The pledging level may range from 25% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. In event of default by a qualified public depository, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Therefore, all cash and time deposits held by the banks are fully insured and collateralized.

**Investments**

The City's investment is summarized below at September 30, 2022:

|                                   | <u>Fair Value</u> | <u>FMV Level</u> |
|-----------------------------------|-------------------|------------------|
| Florida PRIME, at Amortized Costs | <u>\$ 737,689</u> | N/A              |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**Fair Market Value Hierarchy**

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require, or permit, in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

**Florida PRIME**

The City's investments in the Florida Prime Investment Pool (Florida PRIME) are similar to money market funds in which units are owned in the fund rather than the underlying investments. Florida PRIME is administered by the Florida State Board of Administration (SBA), which provides regulatory oversight. These investments are reported at amortized cost and meet the requirements of GASB Statement No. 31, as amended by GASB Statement No. 79, Certain External Investment Pools and Pool Participants, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There is no limitation or restrictions on withdrawals from Florida PRIME; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the funds' executive director may limit contributions to our withdrawals from the trust fund for a period of 48 hours.

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

**Interest Rate Risks** - At September 30, 2022, the City did not hold any investments that were considered to be an interest rate risk.

**Custodial Risks** - At September 30, 2022, the City did not hold any deposits or investments that were considered to be a custodial risk.

**Concentrations of Credit Risk** - At September 30, 2022, the City did not hold any investments that were considered to be a concentration of credit risk.



**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**Note 3 – Receivables**

Accounts receivable as of September 30, 2022, were as follows:

Governmental Fund Receivables:

|                                     |                          |
|-------------------------------------|--------------------------|
| Accounts receivable                 | \$ 2,517                 |
| Due from other funds                | 351,596                  |
| Due from other governments:         |                          |
| Tax receivable                      | 42,549                   |
| Grant receivable                    | 279,289                  |
| Total due from other governments    | <u>321,838</u>           |
| Revolving loan receivable           | <u>78,848</u>            |
| Total Governmental Fund Receivables | <u><u>\$ 754,799</u></u> |

Proprietary Fund Receivables:

|                                         |                          |
|-----------------------------------------|--------------------------|
| Accounts receivable, net                |                          |
| Accounts receivable                     | \$ 513,156               |
| (less allowance for doubtful accounts)  | <u>(303,464)</u>         |
| Total accounts receivable, net          | <u>209,692</u>           |
| Due from other funds                    | <u>116,780</u>           |
| Total Proprietary Fund Receivables, net | <u><u>\$ 326,472</u></u> |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**Note 4 - Capital Assets**

|                                              | September 30,<br>2021 | Additions    | (Reductions) | September 30,<br>2022 |
|----------------------------------------------|-----------------------|--------------|--------------|-----------------------|
| <b>Governmental Activities:</b>              |                       |              |              |                       |
| Capital assets, not being depreciated        |                       |              |              |                       |
| Land                                         | \$ 10,201,410         | \$ -         | \$ -         | \$ 10,201,410         |
| Total capital assets, not being depreciated  | 10,201,410            | -            | -            | 10,201,410            |
| Capital assets, being depreciated            |                       |              |              |                       |
| Buildings and improvements                   | 2,797,357             | 361,805      | -            | 3,159,162             |
| Improvements other than buildings            | 5,425,365             | -            | -            | 5,425,365             |
| Infrastructure                               | 8,794,619             | 250,764      | -            | 9,045,383             |
| Equipment and other                          | 3,652,834             | 258,968      | -            | 3,911,802             |
| Total capital assets, being depreciated      | 20,670,175            | 871,537      | -            | 21,541,712            |
| Total accumulated depreciation               | (8,036,644)           | (927,907)    | -            | (8,964,551)           |
| Total capital assets, being depreciated, net | 12,633,531            | (56,370)     | -            | 12,577,161            |
| Total governmental capital assets, net       | \$ 22,834,941         | \$ (56,370)  | \$ -         | \$ 22,778,571         |
| <b>Business-type Activities:</b>             |                       |              |              |                       |
| Capital assets, not being depreciated        |                       |              |              |                       |
| Land                                         | \$ 363,057            | \$ -         | \$ -         | \$ 363,057            |
| Total capital assets, not being depreciated  | 363,057               | -            | -            | 363,057               |
| Capital assets, being depreciated            |                       |              |              |                       |
| Buildings and utility systems                | 39,002,411            | 733,646      | -            | 39,736,057            |
| Total capital assets, being depreciated      | 39,002,411            | 733,646      | -            | 39,736,057            |
| Total accumulated depreciation               | (18,184,292)          | (1,000,062)  | -            | (19,184,354)          |
| Total capital assets, being depreciated, net | 20,818,119            | (266,416)    | -            | 20,551,703            |
| Total business-type capital assets, net      | \$ 21,181,176         | \$ (266,416) | \$ -         | \$ 20,914,760         |

Depreciation expense was charged to functions/programs as follows:

|                                  |                     |
|----------------------------------|---------------------|
| <b>Governmental Activities:</b>  |                     |
| General government               | \$ 87,554           |
| Public safety                    | 82,556              |
| Transportation                   | 377,966             |
| Physical environment             | 230,245             |
| Culture and recreation           | 149,586             |
| Total                            | <u>\$ 927,907</u>   |
| <b>Business-type Activities:</b> |                     |
| Water                            | \$ 170,011          |
| Sewer                            | 830,051             |
| Mooring                          | 6,000               |
| Total                            | <u>\$ 1,006,062</u> |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

|                                                                                                                                                                                | September 30,<br>2021 | Additions | (Reductions) | September 30,<br>2022 | Due within<br>one year |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------|--------------|-----------------------|------------------------|
| \$506,500 Capital improvement revenue bonds - Series 2010. Due in annual installments of \$25,480 to \$30,260 with interest at 4%, maturing in September 2039 (See (a) below). | \$ 376,500            | \$ -      | \$ (15,000)  | \$ 361,500            | \$ 15,000              |
| Installment purchase agreement for a fire truck for \$400,000. Payable in annual installments of \$49,008, maturing June 2021.                                                 | 300,718               | -         | (37,559)     | 263,159               | 39,014                 |
| 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.       | 17,493                | -         | (17,493)     | -                     | -                      |
| Installment purchase agreement for a 2021 Chevy truck for the police department. Payable in twelve quarterly payments of \$2,427.                                              | 22,375                | -         | (8,958)      | 13,417                | 8,958                  |
| Installment purchase agreement for a 2021 Chevy truck for the public works. Payable in twelve quarterly payments of \$1,461.                                                   | 12,147                | -         | (5,443)      | 6,704                 | 5,443                  |
| Compensated absences                                                                                                                                                           | 50,589                | 23,869    | -            | 74,458                | 18,615                 |
| Total governmental activities' long-term obligations                                                                                                                           | \$ 779,822            | \$ 23,869 | \$ (84,453)  | \$ 719,238            | \$ 87,030              |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

- (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, 2022, was \$361,500.

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 \$67,905 at September 30, 2022.

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

| <u>Year ending<br/>September 30,</u> | <u>Principal</u>  |
|--------------------------------------|-------------------|
| 2023                                 | \$ 68,415         |
| 2024                                 | 62,246            |
| 2025                                 | 59,095            |
| 2026                                 | 60,726            |
| 2027                                 | 63,420            |
| Thereafter                           | <u>325,680</u>    |
| Total                                | <u>\$ 639,582</u> |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

|                                                                                                                                                                                  | September 30,<br>2021 | Additions | (Reductions) | September 30,<br>2022 | Due within<br>one year |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------|--------------|-----------------------|------------------------|
| \$3,073,000 Water and sewer revenue bonds - Series 2003. Due in annual installments of \$16,417 to \$592,000 with interest at 3%, matures in 2043 (See (c) below).               | \$ 2,151,000          | \$ -      | \$ (72,000)  | \$ 2,079,000          | \$ 75,000              |
| \$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). | 70,448                | -         | (25,000)     | 45,448                | 27,000                 |
| \$361,630 Water and sewer revenue bonds - Series 1986. Due in annual installments of \$3,000 to \$21,630 from September 1989-September 2026 with interest at 6% (See (b) below). | 99,630                | -         | (18,000)     | 81,630                | 19,000                 |
| 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).     | 2,413,911             | -         | (371,371)    | 2,042,540             | 371,371                |
| Installment purchase agreement for a ditch witch. Payable in twelve quarterly payments of \$5,885 including 0.935% interest.                                                     | 44,014                | -         | (22,007)     | 22,007                | 22,007                 |
| Installment purchase agreement for water meters for \$267,000 payable in annual installments of \$32,034 including 3.48% interest, maturing November 2026.                       | 172,306               | -         | (26,095)     | 146,211               | 27,002                 |
| Installment purchase agreement for a backhoe for \$99,550 payable in eight semi-annual installments of \$13,131, including 2.41% interest, maturing January 2026.                | -                     | 99,550    | (11,926)     | 87,624                | 24,287                 |
| Compensated absences                                                                                                                                                             | 17,663                | 425       | -            | 18,088                | 4,522                  |
| Total business-type activities' long-term obligations                                                                                                                            | \$ 4,968,972          | \$ 99,975 | \$ (546,399) | \$ 4,522,548          | \$ 570,189             |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

- (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 \$45,448. Principal and interest paid for the current year were \$25,000 and \$3,522, 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 \$81,630. Principal and interest paid for the current year were \$18,000 and \$5,978 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 \$2,079,000. Principal and interest paid for the current year were \$72,000 and \$69,908 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, 2021. The balance as of September 30, 2022, was \$2,042,540.

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 \$342,318 at September 30, 2022.

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

| <u>Year ending<br/>September 30,</u> | <u>Principal</u>   |
|--------------------------------------|--------------------|
| 2023                                 | \$ 565,667         |
| 2024                                 | 550,190            |
| 2025                                 | 525,768            |
| 2026                                 | 515,020            |
| 2027                                 | 486,329            |
| Thereafter                           | <u>1,866,684</u>   |
| Total                                | <u>\$4,509,658</u> |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

As of September 30, 2022, the enterprise fund owed the general fund \$351,596 and the general fund owed the enterprise fund \$116,780; for a net of \$234,816 in interfund activity.

As of September 30, 2022, there were no transfers between funds.

**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.

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

**Contributions**

The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The City's contribution rates for the year ended September 30, 2022 were as follows:

|                             | Year Ended June 30,<br>2022 |       | Year Ended June 30,<br>2023 |       |
|-----------------------------|-----------------------------|-------|-----------------------------|-------|
|                             | FRS                         | HIS   | FRS                         | HIS   |
| Regular Class               | 9.10%                       | 1.66% | 10.19%                      | 1.66% |
| Senior Management           | 27.29%                      | 1.66% | 29.85%                      | 1.66% |
| Special Risk Employee Class | 24.17%                      | 1.66% | 27.74%                      | 1.66% |
| DROP Plan Participants      | 16.62%                      | 1.66% | 16.93%                      | 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, 2022, were \$240,741 to FRS and \$29,188 to HIS.

**Pension Liabilities and Pension Expense**

In its financial statements for the year ended September 30, 2022, 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, 2021. 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     | \$ 2,099,158 | \$ 510,918   |
| Proportion at:            |              |              |
| Current Measurement Date  | 0.00564178%  | 0.004823803% |
| Prior Measurement Date    | 0.00477288%  | 0.003992747% |
| Pension Expense (Benefit) | \$ 337,681   | \$ 36,052    |



**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                  | FRS                                  |                                     |
|------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                                                  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience                                                               | \$ 99,698                            | \$ -                                |
| Changes of assumptions                                                                                           | 258,520                              | -                                   |
| Net difference between projected and actual earnings<br>on Pension Plan Investments                              | 138,607                              | -                                   |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | 270,838                              | (85,515)                            |
| Employer contributions subsequent to the measurement date                                                        | 72,387                               | -                                   |
| Total                                                                                                            | <u>\$ 840,050</u>                    | <u>\$ (85,515)</u>                  |

|                                                                                                                  | HIS                                  |                                     |
|------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                                                  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience                                                               | \$ 15,508                            | \$ (2,248)                          |
| Changes of assumptions                                                                                           | 29,286                               | (79,039)                            |
| Net difference between projected and actual earnings<br>on Pension Plan Investments                              | 740                                  | -                                   |
| Changes in proportion and differences between employer<br>contributions and proportionate share of contributions | 126,865                              | (71,304)                            |
| Employer contributions subsequent to the measurement date                                                        | 8,057                                | -                                   |
| Total                                                                                                            | <u>\$ 180,456</u>                    | <u>\$(152,591)</u>                  |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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, 2023. 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<br>ending June 30, | FRS               | HIS              |
|---------------------------------------|-------------------|------------------|
| 2023                                  | \$ 160,975        | \$ 111           |
| 2024                                  | 78,181            | 6,868            |
| 2025                                  | (4,923)           | 4,234            |
| 2026                                  | 470,361           | 3,459            |
| 2027                                  | 40,554            | 4,163            |
| Thereafter                            | -                 | 973              |
| Total                                 | <u>\$ 682,148</u> | <u>\$ 19,808</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                                                  | 6.70%                              | 3.54% |
| Long-term Expected Rate of Return,<br>Net of Investment Income | 6.70%                              | N/A   |
| Municipal Bond                                                 | N/A                                | 3.54% |

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 2022:

- FRS: The long-term expected rate of return was decreased from 6.80% to 6.70% and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 2.16% to 3.54%.
- 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, 2022**

| Asset Class            | Target Allocation | Annual Arithmetic Return | Geometric Return | Standard Deviation |
|------------------------|-------------------|--------------------------|------------------|--------------------|
| Cash                   | 1%                | 2.6%                     | 2.6%             | 1.1%               |
| Fixed income           | 19.8%             | 4.4%                     | 4.4%             | 3.2%               |
| Global equity          | 54.0%             | 8.8%                     | 7.3%             | 17.8%              |
| Real estate (property) | 10.3%             | 7.4%                     | 6.3%             | 15.7%              |
| Private equity         | 11.1%             | 12.0%                    | 8.9%             | 26.3%              |
| Strategic investments  | 3.8%              | 6.2%                     | 5.9%             | 7.8%               |
|                        | <u>100%</u>       |                          |                  |                    |
| Assumed Inflation-Mean |                   |                          | 2.4%             | 1.3%               |

**Discount Rate**

The discount rate used to measure the total pension liability for FRS was 6.70%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.54% 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 | \$ 3,630,349 | \$ 2,099,158  | \$ 818,900  |

|                                                             | HIS         |               |             |
|-------------------------------------------------------------|-------------|---------------|-------------|
|                                                             | Current     |               |             |
|                                                             | 1% Decrease | Discount Rate | 1% Increase |
| Employer's proportionate share of the net pension liability | \$ 35,313   | \$ 29,010     | \$ 24,251   |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**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**

The City has not implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities, note disclosures, and required supplementary information.

**Note 10 – Community Redevelopment Agency (CRA)**

During the 2022 fiscal year, the City determined that the Apalachicola Community Redevelopment Agency (the CRA) had been administratively dissolved, retroactively in 2019. In the 2021 financial statements the CRA was reported as a blended component unit within the general fund. In the 2022 fiscal year the City returned back to the County, all of the incremental taxes that they had received since 2019. The total of this payback was \$248,127. For the fiscal year ending September 30, 2022, the CRA is no longer presented in the financial statements.

**Note 11 – 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 12 – Subsequent Events**

The City has evaluated events and transactions for potential recognition or disclosure in the financial statements through March 14, 2024, 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, 2022**

**CITY OF APALACHICOLA, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL-GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

|                                        | <b>Original</b>  | <b>Final</b>     | <b>Actual</b>       | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|----------------------------------------|------------------|------------------|---------------------|-------------------------------------------------------------------|
| <b>Revenues</b>                        |                  |                  |                     |                                                                   |
| Taxes                                  | \$ 1,902,502     | \$ 1,902,502     | \$ 1,882,413        | \$ (20,089)                                                       |
| Licenses and Permits                   | 125,150          | 285,150          | 212,211             | (72,939)                                                          |
| Intergovernmental Revenues             | 597,712          | 597,712          | 994,276             | 396,564                                                           |
| Grants                                 | 511,320          | 511,320          | 1,027,427           | 516,107                                                           |
| Charges for Services                   | 611,923          | 611,923          | 630,971             | 19,048                                                            |
| Fines and Forfeitures                  | 300              | 300              | 2,157               | 1,857                                                             |
| Miscellaneous                          | 814,514          | 814,514          | 152,343             | (662,171)                                                         |
| Investment Earnings and Other          | -                | -                | 9,767               | 9,767                                                             |
| <b>Total Revenues</b>                  | <b>4,563,421</b> | <b>4,723,421</b> | <b>4,911,565</b>    | <b>188,144</b>                                                    |
| <b>Expenditures</b>                    |                  |                  |                     |                                                                   |
| Current:                               |                  |                  |                     |                                                                   |
| General Government                     | 1,806,784        | 1,914,735        | 2,036,474           | 121,739                                                           |
| Public Safety                          | 860,750          | 860,750          | 652,309             | (208,441)                                                         |
| Physical Environment                   | 1,328,269        | 1,328,269        | 1,026,612           | (301,657)                                                         |
| Transportation                         | -                | -                | 132,440             | 132,440                                                           |
| Culture and Recreation                 | 711,968          | 711,968          | 530,647             | (181,321)                                                         |
| Capital Outlay                         | -                | 7,000            | 871,537             | 864,537                                                           |
| Debt Service:                          |                  |                  |                     |                                                                   |
| Principal                              | -                | -                | 84,454              | 84,454                                                            |
| Interest                               | -                | -                | 27,260              | 27,260                                                            |
| <b>Total Expenditures</b>              | <b>4,707,771</b> | <b>4,822,722</b> | <b>5,361,733</b>    | <b>539,011</b>                                                    |
| <b>Excess (Deficiency) of Revenues</b> |                  |                  |                     |                                                                   |
| <b>Over (Under) Expenditures</b>       | <b>(144,350)</b> | <b>(99,301)</b>  | <b>(450,168)</b>    | <b>(350,867)</b>                                                  |
| <b>Fund Balance, Beginning of Year</b> | <b>144,350</b>   | <b>99,301</b>    | <b>2,440,436</b>    | <b>2,341,135</b>                                                  |
| <b>Fund Balance, End of Year</b>       | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 1,990,268</b> | <b>\$ 1,990,268</b>                                               |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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 THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS AS OF SEPTEMBER 30**

|                                                                                                          | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
|----------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Florida Retirement System (FRS)</b>                                                                   |              |              |              |              |              |              |              |              |
| Proportion of the net pension liability (asset)                                                          | 0.005641700% | 0.004772883% | 0.0044869%   | 0.0049942%   | 0.0052853%   | 0.0048474%   | 0.0047791%   | 0.0046555%   |
| Proportionate share of the net pension liability (asset)                                                 | \$ 2,099,166 | \$ 360,537   | \$ 1,944,708 | \$ 1,719,925 | \$ 1,591,960 | \$ 1,433,819 | \$ 1,206,733 | \$ 601,324   |
| Covered-employee payroll                                                                                 | \$ 1,752,650 | \$ 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 | 119.77%      | 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                               | 82.89%       | 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)                                                          | 0.00482380%  | 0.00399275%  | 0.00359251%  | 0.00445478%  | 0.00473766%  | 0.00421390%  | 0.00449100%  | 0.00440540%  |
| Proportionate share of the net pension liability (asset)                                                 | \$ 510,918   | \$ 489,770   | \$ 438,640   | \$ 498,446   | \$ 501,439   | \$ 450,570   | \$ 523,410   | \$ 449,282   |
| Covered-employee payroll                                                                                 | \$ 1,752,650 | \$ 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 | 29.15%       | 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                               | 4.81%        | 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 THE CITY'S CONTRIBUTIONS**  
**LAST 10 FISCAL YEARS AS OF SEPTEMBER 30**

|                                                                      | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         |
|----------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Florida Retirement System (FRS)</b>                               |              |              |              |              |              |              |              |              |
| Contractually required contribution                                  | \$ 240,741   | \$ 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 | (240,741)    | (181,826)    | (1,944,708)  | (1,719,925)  | (1,728,562)  | (1,630,549)  | (111,485)    | (113,485)    |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Covered-employee payroll                                             | \$ 1,752,650 | \$ 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            | 13.74%       | 11.77%       | 157.22%      | 121.29%      | 112.08%      | 130.72%      | 8.78%        | 9.20%        |
| <b>Health Insurance Subsidy Program (HIS)</b>                        |              |              |              |              |              |              |              |              |
| Contractually required contribution                                  | \$ 29,188    | \$ 23,469    | \$ 238,640   | \$ 236,854   | \$ 215,157   | \$ 217,059   | \$ 20,854    | \$ 16,118    |
| Contributions in relation to the contractually required contribution | (29,188)     | (23,469)     | (238,640)    | (236,854)    | (215,157)    | (217,059)    | (20,854)     | (16,118)     |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Covered-employee payroll                                             | \$ 1,752,650 | \$ 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            | 1.67%        | 1.52%        | 19.29%       | 16.70%       | 13.95%       | 17.40%       | 1.64%        | 1.31%        |

**CITY OF APALACHICOLA, FLORIDA  
CITY OFFICIALS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

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, 2022**

**CITY OF APALACHICOLA, FLORIDA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| <b>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</b>                                                                                                                                                                                                                                                        | <b>ALN</b> | <b>Contract #</b>       | <b>Grant Amount</b>        | <b>Total Expenditures</b>  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|-------------------------|----------------------------|----------------------------|
| <i>U.S. Department of Agriculture</i><br>Rural Business Development Grant (RBDG)                                                                                                                                                                                                                                 | 10.351     | 09-019-791803963        | \$ 319,286                 | \$ 245,513                 |
| <i>U.S. Department of the Interior, National Park Service, Emergency Supplemental Historic Preservation Fund, Florence, Yutu, and Michael Recovery Grant</i><br><u>Passed Through the Florida Department of State, Division of Historical Resources</u><br>2020 Hurricane Michael National Park Service Subgrant | 15.957     | 21.h.fh.900.018         | 281,884                    | 112,752                    |
| <i>U.S. Department of Justice</i><br><u>Passed Through the Florida Department of Law Enforcement</u><br>Edward Byrne Memorial Justice Assistance Grant (JAG)                                                                                                                                                     | 16.738     | 2020-JAGC-FRAN-2-5R-179 | 33,776                     | 33,776                     |
| <i>U.S. Department of the Treasury</i><br><u>Passed Through the Florida Division of Emergency Management</u><br>American Rescue Plan Act - Coronavirus State and Local Fiscal Recovery Funds                                                                                                                     | 21.027     | Y5005                   | 1,179,010                  | 133,526                    |
| <i>U.S. Department of Education</i><br><u>Passed Through the Florida Department of Education</u><br>Nita M Lowey 21st Century Community Learning Centers Statewide Continuation                                                                                                                                  | 84.287     | 19A-2441B-1PCC2         | 511,320                    | 487,897                    |
| <i>U.S. Department of Homeland Security - Federal Emergency Management Agency (FEMA)</i><br><u>Passed Through the Florida Division of Emergency Management</u><br>Federal Public Assistance DR-4564 Hurricane Sally                                                                                              | 97.036     | Z2597                   | -                          | 13,963                     |
| <b>Total Federal Awards</b>                                                                                                                                                                                                                                                                                      |            |                         | <u><u>\$ 2,325,276</u></u> | <u><u>\$ 1,027,427</u></u> |

**CITY OF APALACHICOLA, FLORIDA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Note 1 - General**

The accounting policies and presentations of the accompanying schedule of expenditures of federal awards of the City of Apalachicola (the City) have been designed to conform with generally accepted accounting principles applicable to governmental units. The information in this schedule is presented in accordance with the requirements of Title U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance).

**Note 2 – Basis of Presentation**

The accompanying schedule of federal awards includes the federal award activity of the City and is presented using the same basis of accounting as the fund in which the grant is recorded, generally the accrual or modified accrual basis of accounting, as described in Note 1 to the City's financial statements.

**Note 3 – Indirect Cost Rate**

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

**Note 4 – Contingencies**

Grant monies received and disbursed by the City are for specific purposes and are subject to review by grantor agencies. Such audits may result in requests for reimbursements due to disallowance of expenditures. Based upon prior experience, the City does not believe that such disallowances, if any, would have a material effect on the financial position of the City.

**CITY OF APALACHICOLA, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**SUMMARY OF AUDIT RESULTS – FINANCIAL STATEMENTS**

**I. Type of Audit Report Issued on Financial Statement**

Unmodified Opinion – Government-wide financial statements

Qualified Opinion – Governmental activities, business-type activities and utility fund

**II. Significant Deficiencies and/or Material Weaknesses in Internal Control**

The audit disclosed the following findings as significant deficiencies/material weaknesses in internal control over financial reporting: Finding 2017-001, 2017-002, 2017-004, 2021-001, and 2021-002.

**III. Noncompliance Material to Auditee Financial Statements**

The audit disclosed the following material instances of noncompliance: Finding 2017-002, 2017-004, and 2021-001.

**IV. Significant Deficiencies and/or Material Weaknesses in Internal Control Over Major Federal Programs**

The audit disclosed the following findings as significant deficiencies/material weaknesses relating to the audit of the major federal award programs reported in the Independent Auditor's Report on Compliance for Each Major Federal Award project that are required to be reported in the schedule of findings and questioned costs: Findings 2017-002 and 2021-001.

**V. Type of Audit Report Issued on Compliance with Requirements Applicable to Major Federal Programs**

Unmodified Opinion

**VI. Audit Findings Relative to Major Federal Programs**

The audit disclosed finding 2022-001.

**VII. Projects Tested as Major Federal Programs**

|                                                     |            |
|-----------------------------------------------------|------------|
|                                                     | <u>ALN</u> |
| American Rescue Plan Act                            | 21.027     |
| 21 <sup>st</sup> Century Community Learning Centers | 84.287     |

**VIII. Dollar Threshold Used to Distinguish Between Type A and Type B Programs**

The threshold for distinguishing between Type A and Type B programs is \$750,000 for major federal award programs.

**CITY OF APALACHICOLA, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD PROGRAMS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**IX. Low Risk Auditee**

The City of Apalachicola did not qualify as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT FINDINGS**

See Schedule of Prior Year Findings.

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

**2022-001 – Late Submission of Data Collection Form**

CRITERIA: In accordance with Uniform Guidance 2 CFR 200.512(a), the audit package and data collection form shall be submitted 30 days after receipt of the auditor's report, or 9 months after the end of the fiscal year, whichever comes first.

CONDITION: The data collection form in connection with the audit was not filed within 9 months after the fiscal year end.

CAUSE: Management did not have procedures in place to ensure the timely filing of the data collection form to the Federal Audit Clearinghouse.

EFFECT: Late filing will result in noncompliance with timely submission of financial information to the grantor agencies.

RECOMMENDATION: Management should evaluate the current procedures in place to ensure the timely filing of the data collection form to the Federal Audit Clearinghouse.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS RELATIVE TO FEDERAL AWARDS**

There were no prior audit findings.

### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

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

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

##### Opinion on Each Major Federal Program

We have audited the City of Apalachicola, Florida's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

##### Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

##### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.



### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subject to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Moran & Smith LLP*

Moran & Smith LLP  
Tallahassee, Florida  
March 14, 2024

**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, 2022, and the related notes to the financial statements, and have issued our report thereon dated March 14, 2024.

**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, 2017-004, 2021-001 and 2021-002.

*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.

**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- 002, 2017-004, and 2021-001.

**Purpose of This Report**

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

*Moran & Smith LLP*

Moran & Smith LLP  
Tallahassee, Florida  
March 14, 2024

### 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, 2022, 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, 2022.

*Moran & Smith LLP*

Moran & Smith LLP  
Tallahassee, Florida  
March 14, 2024

## **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, 2022, and have issued our report thereon dated March 14, 2024.

### **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 not been taken to address findings and recommendations made in the preceding annual financial audit report.

### **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.

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 any 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*

Moran & Smith LLP  
Tallahassee, Florida  
March 14, 2024

**CITY OF APALACHICOLA, FLORIDA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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 Manager 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. The City is actively search for a new Finance Director to help in segregating duties.

**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 is hiring a new finance director, and the City is making significant strides in reducing the number of audit adjustments.

**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, 2022, that can be agreed to the general fixed asset records presented in the audit report.



**CITY OF APALACHICOLA, FLORIDA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**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, 2022, 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 2021 annual audit. The City did not have experienced accounting staff posting daily activity, and numerous items were not posted correctly or 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 is hiring a new finance director and is in the process of switching general ledger software systems. The City is working on having the 2023 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.

**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.

**CITY OF APALACHICOLA, FLORIDA  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

**Effect:** The budget that was adopted 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, 2022. 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, 2022.

*Moran & Smith LLP*

Moran & Smith LLP  
Tallahassee, Florida  
March 14, 2024

### **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, 2022, and have issued our report thereon dated March 14, 2024, 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 62 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*

Moran & Smith LLP  
Tallahassee, Florida  
March 14, 2024

**CITY OF APALACHICOLA, FLORIDA**  
**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS**  
**RELATED TO THE DEEPWATER HORIZON OIL SPILL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

| Source               | Amount Received<br>in the 2022-2023<br>Fiscal Year | Amount Expended<br>in the 2022-2023<br>Fiscal Year |
|----------------------|----------------------------------------------------|----------------------------------------------------|
| British Petroleum:   |                                                    |                                                    |
| Agreement Settlement | \$ 0                                               | \$ 0                                               |
| Total                | <u>\$ 0</u>                                        | <u>\$ 0</u>                                        |