

CITY OF APALACHICOLA, FLORIDA
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**CITY OF APALACHICOLA, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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**CITY OF APALACHICOLA, FLORIDA
AUDITED FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

To the City Members 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, 2023, 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, 2023, 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, 2023, 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 auditing 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 November 5, 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
November 5, 2024

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Management’s discussion and analysis provides an easily readable analysis of the City of Apalachicola, Florida’s (“City”) financial activities. The analysis provides summary financial information for the City and should be read in conjunction with the City’s financial statements.

Financial Highlights

- Total assets and deferred outflows of resources of the City exceeded total liabilities and deferred inflows of resources by \$40,31,382 (net position). Of this amount \$(490,724) is unrestricted net position for governmental activities, \$1,089,905 is unrestricted net position for business-type activities, \$411,211 is restricted net position for governmental activities, \$862,752 is restricted net position for business-type activities and \$264,734 is assigned net position for governmental activities.
- Total net position decreased by \$750,720. Of this amount, a decrease of \$1,118,481 is attributable to governmental activities and an increase of \$367,761 is attributable to business-type activities.
- As of September 30, 2023, the general fund’s unassigned fund balance is \$1,014,634.
- Governmental activities’ revenues increased to \$5,003,606, while governmental activities’ expenses increased to \$6,122,087. Business-type activities’ revenues increased to \$3,211,784, while business-type activities’ expenses increased to \$2,844,023.

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, 2023**

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 \$40,341,382 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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 2,994,770	\$ 3,659,493	\$ 2,831,923	\$ 2,633,494	\$ 5,826,693	\$ 6,292,987
Capital assets	22,346,660	22,778,571	20,373,860	20,914,760	42,720,520	43,693,331
Total assets	25,341,430	26,438,064	23,205,783	23,548,254	48,547,213	49,986,318
Deferred outflows	675,996	734,765	262,887	285,741	938,883	1,020,506
Current liabilities	1,894,626	2,119,294	676,603	1,043,222	2,571,229	3,162,516
Long-term liabilities	585,146	650,823	3,589,182	4,111,067	4,174,328	4,761,890
Net pension liabilities	2,232,273	1,879,254	868,106	730,821	3,100,379	2,610,075
Total liabilities	4,712,045	4,649,371	5,133,891	5,885,110	9,845,936	10,534,481
Deferred inflows	(124,819)	(171,436)	(48,541)	(66,670)	(173,360)	(238,106)
Net position						
Net investment in capital assets	21,772,842	22,133,791	16,430,662	16,410,299	38,203,504	38,544,090
Restricted	411,211	416,873	862,752	482,779	1,273,963	899,652
Assigned	264,734	167,685	-	-	264,734	167,685
Unrestricted	(490,724)	358,195	1,089,905	1,122,480	599,181	1,480,675
Total net position	\$ 21,958,063	\$ 23,076,544	\$ 18,383,319	\$ 18,015,558	\$ 40,341,382	\$ 41,092,102

An additional portion of the City's net position, \$1,273,963, represents resources that are subject to external restrictions on how they may be used and \$264,734 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 \$1,118,485 in the most recent fiscal year. Key elements of this change include an increase to expense related to the City's portion of matching grants and increase in the net pension liability.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Business-type Activities

Business-type activities increased the City's net position by \$367,764 in the most recent fiscal year. Key elements of this change include an increase in grant revenue.

	STATEMENT OF ACTIVITIES					
	Governmental		Business		Total	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 645,533	\$ 630,971	\$ 2,931,959	\$ 2,767,356	\$ 3,577,492	\$ 3,398,327
Operating grants and contributions	858,074	621,423	7,350	-	865,424	621,423
Capital grants and contributions	361,437	406,004	262,191	116,780	623,628	522,784
General revenue:						
Taxes, licenses, and permits	2,573,684	2,374,790	-	-	2,573,684	2,374,790
Intergovernmental and other	564,878	878,377	10,284	8,583	575,162	886,960
Transfers	-	-	-	-	-	-
Total revenues	5,003,606	4,911,565	3,211,784	2,892,719	8,215,390	7,804,284
Expenses:						
General government	2,082,185	2,068,044	-	-	2,082,185	2,068,044
Transportation	675,284	450,864	-	-	675,284	450,864
Public Safety	977,378	699,004	-	-	977,378	699,004
Physical environment	1,572,603	1,203,268	-	-	1,572,603	1,203,268
Economic environment	-	-	-	-	-	-
Culture and recreation	791,578	629,286	-	-	791,578	629,286
Interest on long-term debt	23,059	27,260	-	-	23,059	27,260
Business-type activities	-	-	2,844,023	2,494,025	2,844,023	2,494,025
Total expenses	6,122,087	5,077,726	2,844,023	2,494,025	8,966,110	7,571,751
Increase (decrease) in net position	(1,118,481)	(166,161)	367,761	398,694	(750,720)	232,533
Net position, beginning of year	23,076,544	23,242,705	18,015,558	17,616,864	41,092,102	40,859,569
Net position, end of year	\$ 21,958,063	\$ 23,076,544	\$ 18,383,319	\$ 18,015,558	\$ 40,341,382	\$ 41,092,102

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 \$1,690,579, a decrease of \$299,689 in comparison with the prior year. \$1,014,634 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, 2023**

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 \$1,089,905. The total decrease in net position for the fund was \$32,575. 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 did not exceed 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, 2023, amounts to \$38,203,504 (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 5 of this report.

Long-term Debt

At the end of the current fiscal year, the City had long-term debt outstanding of \$4,609,256.

GENERAL LONG-TERM DEBT			
	Governmental Activities	Business-type Activities	Total
Bonds	\$ 346,500	\$ 2,085,078	\$ 2,431,578
Notes Payable	-	1,671,169	1,671,169
Leases	227,318	186,951	414,269
Accrued Leave	73,900	18,340	92,240
	<u>\$ 647,718</u>	<u>\$ 3,961,538</u>	<u>\$ 4,609,256</u>

Additional information on the City's long-term debt can be found in Note 6 and Note 7 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 2024 fiscal year:

- Budgeted receipt of 95% of ad-valorem assessments,
- Anticipated intergovernmental revenue was based upon revenue accounting estimates calculated by the Florida Department of Revenue's Office of Tax Research
- 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%.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

- 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 include repair and maintenance of the City’s infrastructure needs

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, 2023

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,443,992	\$ 1,885,493	\$ 3,329,485
Investments	771,640	2,316	773,956
Accounts Receivables, Net	-	272,387	272,387
Interfund Receivables (Payables)	385,566	(385,566)	-
Due From Other Governments	393,572	194,541	588,113
Prepaid	121,843	-	121,843
Restricted Assets:			
Cash and Cash Equivalents	406,020	862,752	1,268,772
Capital Assets, Not Being Depreciated	10,504,180	625,248	11,129,428
Capital Assets, Being Depreciated	11,842,480	19,748,612	31,591,092
Total Assets	25,869,293	23,205,783	49,075,076
Deferred Outflows Related to Pensions	675,996	262,887	938,883
Liabilities			
Current Liabilities			
Accounts Payable and Other Current Liabilities	287,456	131,081	418,537
Unearned Revenue	1,544,598	-	1,544,598
Bonds, Lease, and Notes Payables	62,572	545,522	608,094
Noncurrent Liabilities:			
Bonds, Lease, and Notes Payables	511,246	3,397,676	3,908,922
Accrued Compensated Absences	73,900	18,340	92,240
Utility Deposits	-	173,166	173,166
Net Pension Liability	2,232,273	868,106	3,100,379
Total Liabilities	4,712,045	5,133,891	9,845,936
Deferred Inflows Related to Pensions	(124,819)	(48,541)	(173,360)
Net Position			
Net Investment in Capital Assets	21,772,842	16,430,662	38,203,504
Restricted	411,211	862,752	1,273,963
Assigned	264,734	-	264,734
Unrestricted	(490,724)	1,089,905	599,181
Total Net Position	\$ 21,958,063	\$ 18,383,319	\$ 40,341,382

See accompanying notes to basic financial statements.

**CITY OF APALACHICOLA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities:							
General Government	\$ 2,082,185	\$ -	\$ 229,855	\$ -	\$ (1,852,330)	\$ -	\$ (1,852,330)
Transportation	675,284	-	-	7,146	(668,138)	-	(668,138)
Public Safety	977,378	-	-	-	(977,378)	-	(977,378)
Physical Environment	1,572,603	645,533	111,662	354,291	(461,117)	-	(461,117)
Culture and Recreation	791,578	-	516,557	-	(275,021)	-	(275,021)
Interest on Long-term Debt	23,059	-	-	-	(23,059)	-	(23,059)
Total Governmental Activities	6,122,087	645,533	858,074	361,437	(4,257,043)	-	(4,257,043)
Business-Type Activities	2,844,023	2,931,959	7,350	262,191	-	357,477	357,477
Total Primary Government	\$ 8,966,110	\$ 3,577,492	\$ 865,424	\$ 623,628	\$ (4,257,043)	\$ 357,477	\$ (3,899,566)
General Revenues							
					1,546,878	\$ -	\$ 1,546,878
					614,738	-	614,738
					66,957	-	66,957
					345,111	-	345,111
					447,792	-	447,792
					70,089	10,284	80,373
					46,997	-	46,997
					3,138,562	10,284	3,148,846
					(1,118,481)	367,761	(750,720)
					23,076,544	18,015,558	41,092,103
					\$ 21,958,063	\$ 18,383,319	\$ 40,341,382

See accompanying notes to basic financial statements.

CITY OF APALACHICOLA, FLORIDA
BALANCE SHEET-GOVERNMENTAL FUND
SEPTEMBER 30, 2023

	Total Governmental Fund
Assets	
Cash and Cash Equivalent	\$ 1,443,992
Investments	771,640
Accounts Receivable, Net	-
Interfund Receivables (Payables)	385,566
Due From Other Governments	393,572
Prepaid	121,843
Restricted:	
Cash and Cash Equivalent	406,020
Total Assets	3,522,633
Liabilities and Fund Balance	
Liabilities	
Accounts Payable and Accrued Expenses	287,456
Unearned Revenue	1,544,598
Total Liabilities	1,832,054
Fund Balance	
Nonspendable	
Restricted:	
Library Trust	34,467
Revolving Loan	316,340
Debt Service	60,404
Assigned	264,734
Unassigned	1,014,634
Total Fund Balance	1,690,579
Total Liabilities and Fund Balance	\$ 3,522,633

See accompanying notes to basic financial statements.

CITY OF APALACHICOLA, FLORIDA
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUND
SEPTEMBER 30, 2023

Total Fund Balances of Governmental Funds \$ 1,690,579

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. 22,346,660

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	675,996	
Net pension liability	(2,232,273)	
Deferred Inflows	124,819	(1,431,458)

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	(73,900)	
Bonds and Note Payables	(573,818)	(647,718)
Total Net Position of Governmental Activities		\$ 21,958,063

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Total Governmental Fund
Revenues	
Taxes	\$ 1,821,153
Licenses and Permits	345,111
Intergovernmental Revenues	846,044
Grants	1,219,511
Charges for Services	645,533
Fines and Forfeitures	9,168
Miscellaneous	70,089
Investment Earnings and Other	46,997
Total Revenues	5,003,606
Expenditures	
Current:	
General Government	1,885,413
Public Safety	822,121
Physical Environment	1,222,653
Transportation	151,673
Culture and Recreation	535,364
Capital Outlay	592,046
Debt Service:	
Principal	70,962
Interest	23,059
Total Expenditures	5,303,291
Excess (Deficiency) of Revenues Over (Under) Expenditures	(299,685)
Fund Balance Beginning of Year	1,990,264
Fund Balances, End of Year	\$ 1,690,579

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, 2023

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

Net Change in Fund Balances - Total Governmental Funds.	\$	(299,685)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period:

Capital Outlay	592,046	
Depreciation Expense	(1,023,957)	(431,911)

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

Changes in:

Net pension liability	(353,019)	
Deferred outflows related to net pension liability	(58,769)	
Deferred inflows related to net pension liability	(46,617)	(458,405)

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

Accrued Annual Leave	558	
Bonds, Leases and Note Payables	70,962	71,520

Change in Net Position of Governmental Activities	\$	(1,118,481)
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CITY OF APALACHICOLA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2023

	Utility Fund
Current Assets	
Cash and Cash Equivalents	\$ 1,885,493
Investments	2,316
Receivables (Net)	272,387
Due from Other Governments	194,541
Interfund Receivables (Payables)	(385,566)
Total Current Assets	1,969,171
Restricted Assets	
Debt Service	220,463
Customer Deposits	173,166
State Revolving Loan Escrow	469,123
Total Restricted Assets	862,752
Capital Assets	
Property, Plant, and Equipment	40,582,766
Accumulated Depreciation	(20,208,906)
Total Capital Assets	20,373,860
Total Assets	23,205,783
Deferred Outflows Related to Pensions	262,887
Current Liabilities	
Accounts Payable and Accrued Expenses	131,081
Current Portion of Compensated Absences	252
Payable from Restricted Assets	
Current Portion of Long-term Debt	545,522
Utility Deposits	173,166
Total Current Liabilities	850,021
Noncurrent Liabilities	
Long-term Portion of Debt	3,397,676
Net Pension Liability	868,106
Compensated Absences	18,088
Total Noncurrent Liabilities	4,283,870
Total Liabilities	5,133,891
Deferred Inflow Related to Pensions	(48,541)
Net Position	
Net Investment in Capital Assets	16,430,662
Restricted	862,752
Unrestricted	1,089,905
Total Net Position	\$ 18,383,319

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, 2023

	Utility Fund
Operating Revenue	
Utility Billings	\$ 2,748,424
Mooring Fees	183,535
Miscellaneous	10,284
Total Operating Revenue	2,942,243
Operating Expenses	
Personal Services	621,157
Supplies, Gas, and Oil	239,180
Communications	9,732
Utilities	218,752
Repairs and Maintenance	378,595
Insurance	2,522
Professional Fees	93,109
Miscellaneous	174,626
Depreciation	1,024,552
Total Operating Expenses	2,762,225
Operating Income (Loss)	180,018
Non-operating Revenues (Expenses)	
Grant Revenue	269,541
Interest Expense	(81,798)
Total Non-operating Revenues (Expenses)	187,743
Change in Net Position	367,761
Net Position, Beginning of Year	18,015,558
Net Position, End of Year	\$ 18,383,319

See accompanying notes to basic financial statements.

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Utility Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 3,004,938
Cash Paid to Employees	(621,157)
Cash Paid to Suppliers	(1,083,071)
Net Cash Provided (Used in) Operating Activities	1,300,710
Cash Flows from Noncapital Financing Activities	
Grant Revenue	269,541
Net Cash Provided (Used in) Noncapital Financing Activities	269,541
Cash Flows from Capital and Related Financing Activities	
Acquisition and Construction of Capital Assets	(483,652)
Principal Paid on Long-term Debt	(561,262)
Interest Paid on Long-term Debt	(81,798)
Net Cash Provided (Used in) Capital and Related Financing Activities	(1,126,712)
Net Increase (Decrease) in Cash and Cash Equivalents	443,539
Cash and Cash Equivalents, Beginning of Year	2,304,706
Cash and Cash Equivalents, End of Year	\$ 2,748,245
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used in) Operating Activities	
Cash Flow from Operating Activities	
Operating Income (Loss)	\$ 180,018
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	1,024,552
Accounts Receivable	(62,695)
Due from Other Funds	(1,285,741)
Due from Other Governments	(194,540)
Deferred Outflows	22,854
Accounts Payable and Accrued Expenses	5,122
Due to Other Funds	1,436,491
Compensated Absences	252
Customer Deposits	18,981
Net Pension Liability	137,285
Deferred Inflows	18,131
Total Adjustments	1,120,692
Net Cash Provided by (Used in) Operating Activities	\$ 1,300,710

See accompanying notes to basic financial statements.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

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

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

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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies(Continued)

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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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 fund:

- **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 fund:

- **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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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, 2023.

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 uncollectibles. The City has recorded a \$14,454 allowance for uncollectibles 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 2023 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 2023 there were prepaid items for insurance of \$121,843.

▪ **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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

▪ **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 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

▪ **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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

- **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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 1 – Summary of Significant Accounting Policies (Concluded)

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, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position

Cash and Cash Equivalents	\$ 3,329,485
Investments	773,956
Restricted:	
Cash and Cash Equivalents	<u>1,268,772</u>
Total Cash, Cash Equivalents and Investments	<u><u>\$ 5,372,213</u></u>

Deposits

All of the City's cash deposits are held in banks that qualify as public depository 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, 2023:

	<u>Fair Value</u>	<u>FMV Level</u>
Florida PRIME, at Amortized Costs	<u><u>\$ 773,956</u></u>	N/A

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 2 – Cash, Cash Equivalents, and Investments (Concluded)

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, 2023, the City did not hold any investments that were considered to be an interest rate risk.

Custodial Risks - At September 30, 2023, the City did not hold any deposits or investments that were considered to be a custodial risk.

Concentrations of Credit Risk - At September 30, 2023, the City did not hold any investments that were considered to be a concentration of credit risk.

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 3 – Receivables

Accounts receivable as of September 30, 2023, were as follows:

Governmental Fund Receivables:

Due from other governments:

Tax receivables	\$ 42,276
Grant receivables	351,296
Total Governmental Fund Receivables	<u>\$ 393,572</u>

Proprietary Fund Receivables:

Accounts receivable	\$ 286,841
(less allowance for doubtful accounts)	<u>(14,454)</u>
Total accounts receivable, net	<u>272,387</u>
Due from other governments:	
Grant receivables	194,541
Total Proprietary Fund Receivables, net	<u>\$ 466,928</u>

Note 4 – Interfund Receivables and Payables

The outstanding balances between funds results mainly from the time lag between the dates reimbursable expenditures occur, when transactions are recorded in the accounting system and when payments between funds are made. At September 30, 2023, individual fund interfund receivables and payables for the primary government arising from short-term borrowings for cash flow purposes are comprised of:

	<u>Due From</u>	<u>Due To</u>
General Fund:		
Utility Fund	\$ 385,566	\$ -
Utility Fund:		
General Fund	<u>-</u>	<u>385,566</u>
	<u>\$ 385,566</u>	<u>\$ 385,566</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 5 - Capital Assets

	September 30, 2022	Additions	(Reductions)	September 30, 2023
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 10,201,410	\$ -	\$ -	\$ 10,201,410
Construction in Progress	-	302,770	-	302,770
Total capital assets, not being depreciated	10,201,410	302,770	-	10,504,180
Capital assets, being depreciated				
Buildings and improvements	3,159,162	79,082	-	3,238,244
Improvements other than buildings	5,425,365	27,532	-	5,452,897
Infrastructure	9,045,383	-	-	9,045,383
Equipment and other	3,911,802	182,662	-	4,094,464
Total capital assets, being depreciated	21,541,712	289,276	-	21,830,988
Total accumulated depreciation	(8,964,551)	(1,023,957)	-	(9,988,508)
Total capital assets, being depreciated, net	12,577,161	(734,681)	-	11,842,480
Total governmental capital assets, net	\$ 22,778,571	\$ (431,911)	\$ -	\$ 22,346,660
Business-type Activities:				
Capital assets, not being depreciated				
Land	\$ 363,057	\$ -	\$ -	\$ 363,057
Construction in Progress	-	262,191	-	262,191
Total capital assets, not being depreciated	363,057	262,191	-	625,248
Capital assets, being depreciated				
Buildings and utility systems	39,736,057	221,461	-	39,957,518
Total capital assets, being depreciated	39,736,057	221,461	-	39,957,518
Total accumulated depreciation	(19,184,354)	(1,024,552)	-	(20,208,906)
Total capital assets, being depreciated, net	20,551,703	(803,091)	-	19,748,612
Total business-type capital assets, net	\$ 20,914,760	\$ (540,900)	\$ -	\$ 20,373,860

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General government	\$ 96,617
Public safety	91,102
Transportation	417,090
Physical environment	254,079
Culture and recreation	165,070
Total	<u>\$ 1,023,957</u>

Business-type Activities:

Water	\$ 173,136
Sewer	845,416
Mooring	6,000
Total	<u>\$ 1,024,552</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 6 - Long-term Liabilities - Governmental Activities

	September 30, 2022	Additions	(Reductions)	September 30, 2023	Due within one year
\$506,500 Capital improvement revenue bonds - Series 2010. Due in annual installments of \$25,480 to \$30,260 with interest at 4%, maturing in September 2039 (See (a) below).	\$ 361,500	\$ -	\$ (15,000)	\$ 346,500	\$ 16,000
Installment purchase agreement for a fire truck for \$400,000. Payable in annual installments of \$49,008, maturing June 2028.	263,159	-	(41,887)	221,272	40,526
Installment purchase agreement for a 2021 Chevy truck for the police department. Payable in twelve quarterly payments of \$2,427.	13,417	-	(8,832)	4,585	4,585
Installment purchase agreement for a 2021 Chevy truck for the public works. Payable in twelve quarterly payments of \$1,461.	6,704	-	(5,243)	1,461	1,461
Compensated absences	74,458	-	(558)	73,900	18,475
Total governmental activities' long-term obligations	\$ 719,238	\$ -	\$ (71,520)	\$ 647,718	\$ 65,047

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 6 – Long-term Liabilities – Governmental Activities (Concluded)

- (a) The series 2010 general fund capital improvement revenue bonds are secured by alcoholic beverage income, fines and forfeiture income and MSBU funds. Current year principal and interest payments on the bonds are 49 percent of pledged revenues. The total principal outstanding at September 30, 2023, was \$346,500.

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 \$55,213 at September 30, 2023.

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

Year ending September 30,	Principal
2024	\$ 62,572
2025	59,095
2026	60,726
2027	63,420
2028	68,505
Thereafter	259,500
Total	<u>\$ 573,818</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 7 - Long-term Liabilities - Business-type Activities

	September 30, 2022	Additions	(Reductions)	September 30, 2023	Due within one year
\$3,073,000 Water and sewer revenue bonds - Series 2003. Due in annual installments of \$16,417 to \$592,000 with interest at 3%, matures in 2043 (See (c) below).	\$ 2,079,000	\$ -	\$ (75,000)	\$ 2,004,000	\$ 77,000
\$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).	45,448	-	(27,000)	18,448	18,448
\$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).	81,630	-	(19,000)	62,630	20,000
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).	2,042,540	-	(371,371)	1,671,169	371,371
Installment purchase agreement for a ditch witch. Payable in twelve quarterly payments of \$5,885 including 0.935% interest.	22,007	-	(16,123)	5,884	5,884
Installment purchase agreement for water meters for \$267,000 payable in annual installments of \$32,034 including 3.48% interest, maturing November 2026.	146,211	-	(28,482)	117,729	27,941
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.	87,624	-	(24,286)	63,338	24,878
Compensated absences	18,088	252	-	18,340	4,585
Total business-type activities' long-term obligations	\$ 4,522,548	\$ 252	\$ (561,262)	\$ 3,961,538	\$ 550,107

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 7 – Long-term Liabilities – Business-type Activities (Concluded)

- (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 \$18,448. Principal and interest paid for the current year were \$27,000 and \$2,232, 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 \$62,630. Principal and interest paid for the current year were \$19,000 and \$4,898 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 \$2,004,000. Principal and interest paid for the current year were \$75,000 and \$67,568 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, 2023, was \$1,671,169.

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 \$688,0948 at September 30, 2023.

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

Year ending September 30,	Principal
2024	\$ 545,522
2025	525,768
2026	515,020
2027	490,203
2028	273,685
Thereafter	1,593,000
Total	<u>\$ 3,943,198</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 8 – Pension Plans (Continued)

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, 2023 were as follows:

	Year Ended June 30, 2022		Year Ended June 30, 2023	
	FRS	HIS	FRS	HIS
Regular Class	10.1%	1.66%	11.51%	1.66%
Senior Management	29.8%	1.66%	32.46%	1.66%
Special Risk Employee Class	27.74%	1.66%	32.67%	1.66%
DROP Plan Participants	16.9%	1.66%	16.13%	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, 2023, were \$281,705 to FRS and \$31,770 to HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2023, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2023, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuation date July 1, 2023. 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	\$ 2,333,379	\$ 767,001
Proportion at:		
Current Measurement Date	0.00585587%	0.004829576%
Prior Measurement Date	0.00564178%	0.004823803%
Pension Expense (Benefit)	\$ 535,580	\$ 296,698

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 8 – Pension Plans (Continued)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 219,084	\$ -
Changes of assumptions	152,109	-
Net difference between projected and actual earnings on Pension Plan Investments	97,448	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	248,300	(54,447)
Employer contributions subsequent to the measurement date	81,795	-
Total	<u>\$ 798,736</u>	<u>\$(54,447)</u>

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,228	\$ (1,800)
Changes of assumptions	20,164	(66,463)
Net difference between projected and actual earnings on Pension Plan Investments	396	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	98,087	(50,649)
Employer contributions subsequent to the measurement date	10,272	-
Total	<u>\$ 104,147</u>	<u>\$(118,912)</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 8 – Pension Plans (Continued)

Deferred outflows or resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending September 30, 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 ending June 30,	FRS	HIS
2024	\$ 108,191	\$ 5,213
2025	21,825	2,585
2026	449,053	1,807
2027	69,559	2,504
2028	13,866	(660)
Thereafter	-	(488)
Total	<u>\$ 662,494</u>	<u>\$ 10,961</u>

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2023, was determined by an actuarial valuation dated July 1, 2023, 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%	3.65%
Long-term Expected Rate of Return,		
Net of Investment Income	6.70%	N/A
Municipal Bond	N/A	3.65%

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, 2023 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 2023:

- FRS: The long-term expected rate of return remained at 6.70% and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 3.54% to 3.65%.
- 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 FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 8 – Pension Plans (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Geometric Return	Standard Deviation
Cash	1%	2.9%	2.9%	1.1%
Fixed income	19.8%	4.5%	4.4%	3.4%
Global equity	54.0%	8.7%	7.1%	18.1%
Real estate (property)	10.3%	7.6%	6.6%	14.8%
Private equity	11.1%	11.9%	8.8%	26.3%
Strategic investments	3.8%	6.3%	6.1%	7.7%
	<u>100%</u>			
Assumed Inflation-Mean			2.4%	1.4%

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 3.65% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

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

	FRS		
	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 3,985,886	\$ 2,333,379	\$ 950,859
	HIS		
	1% Decrease	Current Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 875,029	\$ 767,001	\$ 677,454

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

Note 8 – Pension Plans (Concluded)

Pension Plans’ Fiduciary Net Position

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

Defined Contribution Plan

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

Note 9 – Other Postemployment Benefits

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 – Notes Receivable

During the 2023 fiscal year, the City determined that the Revolving Loan Fund’s note receivables were no longer collectible. The City did acquire property for the majority of the prior year receivable which will be recorded at the date of sale.

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 November 5, 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, 2023

CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Original	Final	Actual Amounts Fund	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,007,925	\$ 2,007,925	\$ 1,821,153	\$ (186,772)
Licenses and Permits	135,380	135,380	345,111	209,731
Intergovernmental Revenues	544,554	544,554	846,044	301,490
Grants	1,625	1,625	1,219,511	1,217,886
Charges for Services	630,000	630,000	645,533	15,533
Fines and Forfeitures	14,000	14,000	9,168	(4,832)
Miscellaneous	711,066	711,066	70,089	(640,977)
Investment Earnings and Other	-	-	46,997	46,997
Total Revenues	4,044,550	4,044,550	5,003,606	959,056
Expenditures				
Current:				
General Government	2,860,508	2,860,508	1,885,413	(975,095)
Public Safety	799,504	799,504	822,121	22,617
Physical Environment	1,213,789	1,213,789	1,222,653	8,864
Transportation	-	-	151,673	151,673
Culture and Recreation	237,218	237,218	535,364	298,146
Capital Outlay	482,000	482,000	592,046	110,046
Debt Service:				
Principal	54,914	54,914	70,962	16,048
Interest	-	-	23,059	23,059
Total Expenditures	5,647,933	5,647,933	5,303,291	(344,642)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,603,383)	(1,603,383)	(299,685)	1,303,698
Fund Balance Beginning of Year	1,603,383	1,603,383	1,990,264	386,881
Fund Balances, End of Year	\$ -	\$ -	\$ 1,690,579	\$ 1,690,579

**CITY OF APALACHICOLA, FLORIDA
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

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
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)									
Proportion of the net pension liability (asset)	0.005855870%	0.005641700%	0.004772883%	0.0044869%	0.0049942%	0.0052853%	0.0048474%	0.0047791%	0.0046555%
Proportionate share of the net pension liability (asset)	\$ 2,333,379	\$ 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	\$ 1,928,781	\$ 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	120.98%	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	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%	92.00%
Health Insurance Subsidy Program (HIS)									
Proportion of the net pension liability (asset)	0.00482958%	0.00482380%	0.00399275%	0.00359251%	0.00445478%	0.00473766%	0.00421390%	0.00449100%	0.00440540%
Proportionate share of the net pension liability (asset)	\$ 767,001	\$ 510,918	\$ 489,770	\$ 438,640	\$ 498,446	\$ 501,439	\$ 450,570	\$ 523,410	\$ 449,282
Covered-employee payroll	\$ 1,928,781	\$ 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	39.77%	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	4.12%	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
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Florida Retirement System (FRS)									
Contractually required contribution	\$ 281,705	\$ 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	(281,705)	(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	\$ 1,928,781	\$ 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	14.61%	13.74%	11.77%	157.22%	121.29%	112.08%	130.72%	8.78%	9.20%
Health Insurance Subsidy Program (HIS)									
Contractually required contribution	\$ 31,770	\$ 29,188	\$ 23,469	\$ 238,640	\$ 236,854	\$ 215,157	\$ 217,059	\$ 20,854	\$ 16,118
Contributions in relation to the contractually required contribution	(31,770)	(29,188)	(23,469)	(238,640)	(236,854)	(215,157)	(217,059)	(20,854)	(16,118)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,928,781	\$ 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	1.65%	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, 2023**

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, 2023

CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	ALN	Contract #	Grant Amount	Total Expenditures
<i>U.S. Department of Agriculture</i>				
Rural Business Development Grant (RBDG)	10.351	09-019-791803963	\$ 319,286	\$ 54,013
<i>U.S. Department of Housing and Urban Development</i>				
Rural Business Development Grant (RBDG)	14.228	M0033	910,753	56,662
<i>U.S. Department of the Interior, National Park Service, Emergency Supplemental Historic Preservation Gunt, Florence, Yutu, and Michael Recovery Grant</i>				
<u>Passed Through the Florida Department of State, Division of Historical Resources</u>				
2020 Hurricane Michael National Park Service Subgrant - HCA	15.957	21.h.fh.900.018	281,884	114,097
Emergency Supplemental Historic Preservation Grant - City Hall	15.957	21.h.fh.900.006	399,916	181,527
<i>U.S. Department of the Treasury</i>				
<u>Passed Through the Florida Division of Emergency Management</u>				
American Rescue Plan Act - Coronavirus State and Local Fiscal Recovery Funds	21.027	Y5005	1,179,010	114,518
<u>Passed Through the Florida Division of Environmental Protection</u>				
Coronavirus State and Local Fiscal Recovery Funds	21.027	WG038	5,551,875	262,191
<i>U.S. Department of Education</i>				
<u>Passed Through the Florida Department of Education</u>				
Nita M Lowey 21st Century Community Learning Centers Statewide Continuation	84.287	19A-2441B-1PCC2	511,320	466,770
<i>U.S. Department of Homeland Security - Federal Emergency Management Agency (FEMA)</i>				
<u>Passed Through the Florida Division of Emergency Management</u>				
Federal Public Assistance DR-4564 Hurricane Sally	97.036	Z2597	-	4,654
Federal Public Assistance DR-4399 Hurricane Michael	97.036	Z0892	-	29,462
Total Federal Awards			\$ 9,154,044	\$ 1,283,894

CITY OF APALACHICOLA, FLORIDA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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, 2023**

Section I - Summary of Auditor's Results

Financial Statements

1. Type of auditor's report issued:	<u>Unmodified</u>	
2. Internal control over financial reporting:		
Material weakness identified?	<u> X </u> yes	<u> </u> no
Significant deficiency identified?	<u> </u> yes	<u> X </u> none noted
3. Noncompliance material to financial statements noted?	<u> X </u> yes	<u> </u> no

Federal Awards

1. Internal control over major federal programs:		
Material weakness identified?	<u> X </u> yes	<u> </u> no
Significant deficiency identified?	<u> </u> yes	<u> X </u> none noted
2. Type of auditor's report issued on compliance for major federal programs:	<u>Unmodified</u>	
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> X </u> yes	<u> </u> no

Identification of Major Federal Programs

Major Federal Programs	Assistance Listing Number
American Rescue Plan Act	21.027
21st Century Community Learning Centers	84.287

Dollar threshold used to distinguish between Type A and Type B programs:

Federal Programs	\$ <u>750,000</u>	
Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FINDINGS – FINANCIAL STATEMENT FINDINGS

See Schedule of Findings.

FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS

2023-005 – 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

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.

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, 2023. 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, 2023.

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 2023-005. 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
November 5, 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, 2023, and the related notes to the financial statements, and have issued our report thereon dated November 5, 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 findings to be material weaknesses, 2023-001, 2023-002, 2023-003, and 2023-004.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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 findings as item 2023-002, 2023-003 and 2023-004.

Purpose of This Report

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

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
November 5, 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, 2023, 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, 2023.

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
November 5, 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, 2023, and have issued our report thereon dated November 5, 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 been taken to address findings and recommendations made in the preceding annual financial audit report. However, additional actions are still needed in order to clear these findings.

Tabulation of Uncorrected Audit Findings

Current Year Finding No.	2021-22 FY Finding No.	2020-2021 FY Finding No.
2023-001	2017-001	2017-001
2023-002	2017-002	2017-002
2023-003	2017-004	2017-004
2023-004	2021-001	2021-001
2023-005	2022-001	N/A

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
November 5, 2024

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

2023-001 Segregation of duties (Repeated Finding from the Prior Year)

Condition: Due to the limited number of staff, the City lacks proper segregation of duties in various areas. Currently, the City Manager has the authority to issue and approve cash disbursements, reconcile cash accounts, input and edit accounting journal entries, and prepare financial information. This concentration of responsibilities increases the risk of error and unauthorized transactions.

Criteria: To ensure effective internal controls and prevent theft or mismanagement of funds, it is essential to separate these critical duties among different individuals.

Effect: The absence of segregation creates opportunities for error and allows unauthorized transactions to go undetected for extended periods.

Recommendation: We recommend that the City implement segregation of duties wherever feasible and establish mitigating controls for instances where separation is not possible.

Views of Responsible Officials and Planned Corrective Action: As reported in prior audit reports, this issue arises from the limited number of employees in the City office. The City has hired a new Finance Director to help in segregating duties. The office staff works diligently in segregating duties as much as possible.

2023-002 Significant Adjustments to the Financial Records (Repeated Finding from the Prior Year)

Condition: Adjustments were necessary for the financial statements to comply with generally accepted accounting principles (GAAP).

Criteria: The City is required to provide materially accurate financial information.

Effect: The auditors identified several journal entries that the City subsequently reviewed and approved.

Recommendation: While we acknowledge that some adjustments may be unavoidable, we recommend that the accounting staff continue to focus on minimizing the number of audit adjustments needed in the future audits.

Views of Responsible Officials and Planned Course of Action: The City has hired a new Finance Director and the City will strive to reduce the number of audit adjustments.

2023-003 Property and Equipment Records and Disposal Procedures (Repeated Finding from the Prior Year)

Condition: The records for property and equipment were incomplete, failing to meet the requirements established by the state of Florida. Additionally, property and equipment are not being properly tagged. An inventory was not conducted for the year ending September 30, 2023, which could be reconciled with the general fixed asset records presented in the audit report.

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Criteria: A documented physical inventory and inspection of property and equipment should be conducted at least annually as required by the state of Florida per Rule 691-73. Additionally, a reconciliation should be performed between current year additions on the property listing and the capital outlay accounts. The inventory log should be reviewed for errors, and a tagging system should be implemented throughout the city to effectively track the City's assets.

Effect: Failing to properly track assets may lead to undetected errors in property and equipment records, increasing the risk of theft or misplacement without the City's awareness. There is also a potential for overstating property and equipment values for assets not disposed of timely. Furthermore, the City may lack necessary documentation related to funding sources, making it difficult to verify asset disposal as required by grantors when applicable.

Recommendation: We recommend that the City enhance its procedures for tracking assets, including the proper disposal of assets, in accordance with the requirements set forth in Florida Rule 691-73.

Views of Responsible Officials and Planned Corrective Action: The City will purchase property tags and place them appropriately on all City owned equipment and vehicles. All City property will be reconciled to the City's insurance policy to verify coverage.

2023-004 General Ledger Posting (Repeated Finding from the Prior Year)

Condition: The City lost its Finance Director immediately after the fiscal year-end and did not post any audit adjustments from the 2022 annual audit. The absence of experienced accounting staff led to numerous daily activities being posted incorrectly or not at all. Consequently, financial statements were not provided to the Board. Additionally, cash, accounts receivable, accounts payable, general long-term debt, utility billings, and state revenues were not reconciled on a monthly basis.

Criteria: The City is required to provide materially accurate financial information.

Effect: As a result, auditors proposed a significant number of journal entries, which the City subsequently reviewed and approved.

Recommendation: While we acknowledge that some adjustments may be unavoidable, we recommend that the accounting staff work diligently to minimize the number of proposed audit adjustments in the future.

Views of Responsible Officials and Planned Course of Action: The City is upgrading the current financial and utility billing software as well as purchasing property management software. With the new Finance Director, the City will have monthly reconciled 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, 2023. 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, 2023.

Moran & Smith LLP
Tallahassee, Florida
November 5, 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, 2023, and have issued our report thereon dated November 5, 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
November 5, 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, 2023

Source	Amount Received in the 2023-2024 Fiscal Year	Amount Expended in the 2023-2024 Fiscal Year
British Petroleum:		
Agreement Settlement	\$ 0	\$ 0
Total	<u>\$ 0</u>	<u>\$ 0</u>