

CITY OF APALACHICOLA, FLORIDA
AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2025

**CITY OF APALACHICOLA, FLORIDA
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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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, 2025, 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, 2025, 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, 2025, 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 8 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 schedules of expenditures of federal awards and state financial assistance, 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* (Uniform Guidance) and Chapter 10.550, Rules of the Auditor General, are presented for the purpose of additional analysis and are 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 and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2026, 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
June 10, 2026

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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 \$44,829,632 (net position). Of this amount \$1,439,976 is unrestricted net position for governmental activities, \$1,031,394 is unrestricted net position for business-type activities, \$700,383 is restricted net position for governmental activities, \$1,223,312 is restricted net position for business-type activities.
- Total net position increased by \$2,435,135. Of this amount, an increase of \$1,208,459 is attributable to governmental activities and an increase of \$1,226,676 is attributable to business-type activities.
- As of September 30, 2025, the general fund’s unassigned fund balance is \$1,862,210.
- Governmental activities’ revenues increased to \$7,060,660, while governmental activities’ expenses decreased to \$5,852,201. Business-type activities’ revenues increased to \$4,200,082 while business-type activities’ expenses increased to \$2,973,406.

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, 2025**

Notes to the Basic Financial Statements

The *notes to basic financial statements* provide additional details 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 \$44,829,632 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	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 3,178,294	\$ 3,076,192	\$ 2,889,046	\$ 1,353,720	\$ 6,067,340	\$ 4,429,912
Capital assets	22,918,449	22,523,665	20,869,978	21,281,070	43,788,427	43,804,735
Total assets	26,096,743	25,599,857	23,759,024	22,634,790	49,855,767	48,234,647
Deferred outflows	453,547	663,299	176,379	257,949	629,926	921,248
Current liabilities	323,697	572,694	694,320	678,115	1,018,017	1,250,809
Long-term liabilities	524,399	572,411	2,550,677	3,072,749	3,075,076	3,645,160
Net pension liabilities	1,590,314	2,166,453	618,454	842,508	2,208,768	3,008,961
Total liabilities	2,438,410	3,311,558	3,863,451	4,593,372	6,301,861	7,904,930
Deferred inflows	(464,976)	(214,819)	(180,824)	(83,581)	(645,800)	(298,400)
Net position						
Net investment in capital assets	22,436,497	22,012,419	17,998,070	17,883,394	40,434,567	39,895,813
Restricted	700,383	700,383	1,223,312	1,227,047	1,923,695	1,927,430
Unrestricted	1,439,976	453,720	1,031,394	499,554	2,471,370	953,274
Total net position	\$ 24,576,856	\$ 23,166,522	\$ 20,252,776	\$ 19,609,995	\$ 44,829,632	\$ 42,776,517

An additional portion of the City's net position, \$1,923,695, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities

Governmental activities increased the City's net position by \$1,367,743 in the most recent fiscal year. The net position as of September 30, 2024, was restated by \$42,591 for grant related expenses not accounted for in the previous year.

Key elements of this change include an increase in grant and tax revenue as well as a decrease in operating expenses.

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Business-type Activities

Business-type activities increased the City's net position by \$642,782 in the most recent fiscal year. Key elements of this change include a decrease in grant revenue and increase in operating expenses.

	STATEMENT OF ACTIVITIES					
	Governmental		Business		Total	
	2025	2024	2025	2024	2025	2024
Program revenues:						
Charges for services	\$ 807,506	\$ 695,493	\$ 3,114,246	\$ 3,049,361	\$ 3,921,752	\$ 3,744,854
Operating grants and contributions	233,337	1,961,686	87,150	87,150	320,487	2,048,836
Capital grants and contributions	1,471,748	991,629	572,219	1,011,448	2,043,967	2,003,077
General revenue:						
Taxes, licenses, and permits	3,012,248	2,860,430	-	-	3,012,248	2,860,430
Intergovernmental and other	700,136	551,422	255,984	52,123	956,120	603,545
Transfers	65,526	-	(65,526)	-	-	-
Total revenues	6,290,501	7,060,660	3,964,073	4,200,082	10,254,574	11,260,742
Expenses:						
General government	1,108,831	1,329,241	-	-	1,108,831	1,329,241
Transportation	372,468	410,387	-	-	372,468	410,387
Public Safety	1,069,930	1,127,635	-	-	1,069,930	1,127,635
Physical environment	1,708,737	1,878,644	-	-	1,708,737	1,878,644
Culture and recreation	642,981	1,083,664	-	-	642,981	1,083,664
Interest on long-term debt	19,812	22,630	-	-	19,812	22,630
Business-type activities	-	-	3,321,291	2,973,406	3,321,291	2,973,406
Total expenses	4,922,758	5,852,201	3,321,291	2,973,406	8,244,049	8,825,607
Increase (decrease) in net position	1,367,743	1,208,459	642,782	1,226,676	2,010,525	2,435,135
Net position, beginning of year	23,166,522	21,958,063	19,609,994	18,383,319	42,776,516	40,341,382
Net position, beginning of year, restated	42,591	-	-	-	42,591	-
Net position, end of year	\$ 24,576,856	\$ 23,166,522	\$ 20,252,776	\$ 19,609,995	\$ 44,829,632	\$ 42,776,517

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 \$2,926,885, an increase of \$364,289 in comparison with the prior year. \$2,226,502 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, 2025**

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 \$1,031,394. The total increase in net position for the fund was \$642,782. Other factors concerning the finances of the fund have already been addressed in the discussion of the City's business-type activities.

GENERAL BUDGETARY HIGHLIGHTS

The City's expenditures exceeded the final budget by \$1,729,247, while revenues exceeded the budget by \$1,589,133. These variances were primarily attributable to grant revenues and related expenditures that were not included in the final budget.

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, 2025, amounts to \$40,434,567 (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 \$3,490,668.

GENERAL LONG-TERM DEBT			
	Governmental Activities	Business-type Activities	Total
Bonds	\$ 313,500	\$ 1,869,630	\$ 2,183,130
Notes Payable	-	928,427	928,427
Installments	168,452	73,851	242,303
Accrued Leave	114,735	22,073	136,808
	<u>\$ 596,687</u>	<u>\$ 2,893,981</u>	<u>\$ 3,490,668</u>

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

All of the following factors were considered in preparing the City's budget for the 2025 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

**CITY OF APALACHICOLA, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Commission adopted Ordinance 2018-01 on April 3, 2018 which requires an automatic 3.0% increase in all water and wastewater rates. Budget reflects increase of 3.0%.

- Payment of principal and interest on all Bond Series obligating water and sewer revenue; and reserve balances required by the Bond Issuance Covenants
- Vehicle and equipment needs of the City
- Wastewater and water testing requirements
- Anticipated FRS Employer Contribution Rates
- Other anticipated operating expenses 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, 1 Bay Avenue. Apalachicola, FL 32320.

CITY OF APALACHICOLA, FLORIDA
BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
Assets			
Cash	\$ 422,641	\$ 517,476	\$ 940,117
Investments	856,187	-	856,187
Accounts Receivables, Net	69,659	215,802	285,461
Internal Balances	(363,367)	363,367	-
Due From Other Governments	1,360,767	569,089	1,929,856
Restricted Assets:			
Cash	832,407	1,223,312	2,055,719
Capital Assets, Not Being Depreciated	11,614,361	1,737,533	13,351,894
Capital Assets, Being Depreciated, Net	11,304,088	19,132,445	30,436,533
Total Assets	26,096,743	23,759,024	49,855,767
Deferred Outflows Related to Pensions	453,547	176,379	629,926
Liabilities			
Current Liabilities			
Accounts Payable and Other Current Liabilities	157,354	175,426	332,780
Unearned Revenue	94,055	-	94,055
Bonds, Lease, and Notes Payables	72,288	518,894	591,182
Noncurrent Liabilities:			
Bonds, Lease, and Notes Payables	409,664	2,353,014	2,762,678
Accrued Compensated Absences	114,735	22,073	136,808
Utility Deposits	-	175,590	175,590
Net Pension Liability	1,590,314	618,454	2,208,768
Total Liabilities	2,438,410	3,863,451	6,301,861
Deferred Inflows Related to Pensions	(464,976)	(180,824)	(645,800)
Net Position			
Net Investment in Capital Assets	22,436,497	17,998,070	40,434,567
Restricted	700,383	1,223,312	1,923,695
Unrestricted	1,439,976	1,031,394	2,471,370
Total Net Position	\$ 24,576,856	\$ 20,252,776	\$ 44,829,632

See accompanying notes to basic financial statements.

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		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	\$ 1,108,831	-	40,240	143,603	\$ (924,988)	\$ -	\$ (924,988)	
Transportation	372,468	-	-	420,602	48,134	-	48,134	
Public Safety	1,069,930	-	-	-	(1,069,930)	-	(1,069,930)	
Physical Environment	1,708,737	807,506	193,097	833,119	124,985	-	124,985	
Culture and Recreation	642,981	-	-	74,424	(568,557)	-	(568,557)	
Interest on Long-term Debt	19,812	-	-	-	(19,812)	-	(19,812)	
Total Governmental Activities	4,922,758	807,506	233,337	1,471,748	(2,410,167)	-	(2,410,167)	
Business-Type Activities	3,321,291	3,114,246	87,150	572,219	-	452,324	452,324	
Total Primary Government	\$ 8,244,049	\$ 3,921,752	\$ 320,487	\$ 2,043,967	\$ (2,410,167)	\$ 452,324	\$ (1,957,843)	
General Revenues								
					2,205,846	\$ -	\$ 2,205,846	
					608,289	-	608,289	
					65,413	-	65,413	
					132,700	-	132,700	
					417,817	-	417,817	
					147,331	5,586	152,917	
					72,848	-	72,848	
					-	231,357	231,357	
					62,140	19,041	81,181	
					65,526	(65,526)	-	
					3,777,910	190,458	3,968,368	
					1,367,743	642,782	2,010,525	
					23,166,522	19,609,994	42,776,516	
					42,591	-	42,591	
					\$ 24,576,856	\$ 20,252,776	\$ 44,829,632	

See accompanying notes to basic financial statements.

CITY OF APALACHICOLA, FLORIDA
BALANCE SHEET-GOVERNMENTAL FUND
SEPTEMBER 30, 2025

	Total Governmental Fund
Assets	
Cash	\$ 422,641
Investments	856,187
Accounts Receivable, Net	69,659
Interfund Receivables (Payables)	(363,367)
Due From Other Governments	1,360,767
Restricted:	
Cash	832,407
Total Assets	3,178,294
Liabilities and Fund Balance	
Liabilities	
Accounts Payable and Accrued Expenses	157,354
Unearned Revenue	94,055
Total Liabilities	251,409
Fund Balance	
Restricted:	
Library Trust	34,774
Revolving Loan	317,926
Debt Service	32,964
Assigned	314,719
Unassigned	2,226,502
Total Fund Balance	2,926,885
Total Liabilities and Fund Balance	\$ 3,178,294

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, 2025

Total Fund Balances of Governmental Funds	\$	2,926,885
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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.		22,918,449
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Net pension liability and related deferred inflows/outflows are not due
and payable in the current period and, therefore, are not reported
in the funds.

Deferred Outflows	453,547	
Net Pension Liability	(1,590,314)	
Deferred Inflows	464,976	(671,791)

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	(114,735)	
Bonds, Leases and Notes Payable	(481,952)	(596,687)
Total Net Position of Governmental Activities	\$	24,576,856

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Total Governmental Fund
Revenues	
Taxes	\$ 2,587,625
Licenses and Permits	132,700
Intergovernmental Revenues	709,740
Grants	1,705,082
Charges for Services	805,458
Fines and Forfeitures	2,048
Miscellaneous	147,331
Investment Earnings and Other	62,140
Total Revenues	6,152,124
Expenditures	
Current:	
General Government	1,139,648
Public Safety	1,057,849
Physical Environment	1,562,220
Transportation	62,859
Culture and Recreation	586,995
Capital Outlay	1,467,532
Debt Service:	
Principal	76,494
Interest	19,812
Total Expenditures	5,973,409
Excess (Deficiency) of Revenues Over (Under) Expenditures	178,715
Other Financing Sources (Uses)	
Transfers In	65,526
Sale of Capital Assets	72,848
Loan Proceeds	47,200
Total Other Financing Sources (Uses)	185,574
Net Change in Fund Balance	364,289
Fund Balance Beginning of Year	2,562,596
Fund Balances, End of Year	\$ 2,926,885

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, 2025

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

Net Change in Fund Balances - Total Governmental Funds.	\$	364,289
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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	1,467,532	
Depreciation Expense	(1,115,339)	352,193

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	576,139	
Deferred Outflows	(209,752)	
Deferred Inflows	250,055	616,442

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Issuance of Debt	(47,200)	
Accrued Annual Leave	5,525	
Bonds, Leases and Notes Payable	76,494	34,819

Change in Net Position of Governmental Activities	\$	1,367,743

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2025

	Utility Fund
Current Assets	
Cash	\$ 517,476
Receivables (Net)	215,802
Due from Other Governments	569,089
Interfund Receivables (Payables)	363,367
Total Current Assets	1,665,734
Restricted Cash Assets	
Debt Service	247,537
Customer Deposits	194,941
State Revolving Loan Escrow	753,486
Grants	27,348
Total Restricted Cash Assets	1,223,312
Capital Assets	
Property, Plant, and Equipment	42,924,133
Accumulated Depreciation	(22,054,155)
Total Capital Assets	20,869,978
Total Assets	23,759,024
Deferred Outflows Related to Pensions	176,379
Current Liabilities	
Accounts Payable and Accrued Expenses	175,426
Current Portion of Compensated Absences	5,518
Payable from Restricted Assets	
Current Portion of Long-term Debt	518,894
Utility Deposits	175,590
Total Current Liabilities	875,428
Noncurrent Liabilities	
Long-term Portion of Debt	2,353,014
Net Pension Liability	618,454
Compensated Absences	16,555
Total Noncurrent Liabilities	2,988,023
Total Liabilities	3,863,451
Deferred Inflow Related to Pensions	(180,824)
Net Position	
Net Investment in Capital Assets	17,998,070
Restricted	1,223,312
Unrestricted	1,031,394
Total Net Position	\$ 20,252,776

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, 2025

	Utility Fund
Operating Revenue	
Utility Billings	\$ 2,930,222
Mooring Fees	184,024
Miscellaneous	5,586
Total Operating Revenue	3,119,832
Operating Expenses	
Personal Services	496,135
Supplies, Gas, and Oil	175,082
Communications	19,006
Utilities	211,334
Repairs and Maintenance	396,614
Insurance	139,572
Professional Fees	499,652
Miscellaneous	286,654
Depreciation	1,028,157
Total Operating Expenses	3,252,206
Operating Income (Loss)	(132,374)
Non-operating Revenues (Expenses)	
Transfers Out	(65,526)
Insurance Proceeds	231,357
Grant Revenue	659,369
Interest Income	19,041
Interest Expense	(69,085)
Total Non-operating Revenues (Expenses)	775,156
Change in Net Position	642,782
Net Position, Beginning of Year	19,609,994
Net Position, End of Year	\$ 20,252,776

See accompanying notes to basic financial statements.

CITY OF APALACHICOLA, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Utility Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 2,942,785
Cash Paid to Employees	(1,121,834)
Cash Paid to Suppliers	(1,704,206)
Net Cash Provided by Operating Activities	116,745
Cash Flows from Noncapital and Related Financing Activities	
Interfund Transfers	(65,526)
Net Cash Used in Noncapital and Related Financing Activities	(65,526)
Cash Flows from Capital and Related Financing Activities	
Cash Received from Capital Grants	453,017
Cash Received from Insurance Proceeds	231,357
Acquisition and Construction of Capital Assets	(617,064)
Principal Paid on Long-term Debt	(525,768)
Interest Paid on Long-term Debt	(69,085)
Net Cash Used in Capital and Related Financing Activities	(527,543)
Cash Flows from Investing Activities	
Interest Received on Investments	19,041
Net Cash Provided by Investing Activities	19,041
Net Increase (Decrease) in Cash and Restricted Cash	(457,283)
Cash and Restricted Cash, Beginning of Year	2,198,071
Cash and Restricted Cash, End of Year	\$ 1,740,788
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used in) Operating Activities	
Cash Flow from Operating Activities	
Operating (Loss)	\$ (132,374)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,028,157
Decrease in Accounts Receivable	24,060
(Increase) in Due from Other Governments	(281,351)
Decrease in Deferred Outflows	81,570
Increase in Accounts Payable and Accrued Expenses	23,079
Increase in Accrued Compensated Absences	2,066
(Decrease) in Net Pension Liability	(349,054)
(Decrease) in Deferred Inflows	(279,014)
(Decrease) in Utility Deposits	(394)
Total Adjustments	249,119
Net Cash Provided by (Used in) Operating Activities	\$ 116,745
Cash Classified as:	
Unrestricted	\$ 517,476
Restricted	1,223,312
Total Cash	\$ 1,740,788

See accompanying notes to basic financial statements.

CITY OF APALACHICOLA, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 1 – Summary of Significant Accounting Policies

The City of Apalachicola, Florida, (the “City”) is a political subdivision of the State of Florida, located in Franklin County. The City was incorporated by an Act of the Legislative Council of the Territory of Florida in 1831 and operates under the council form of government.

The accounting policies of the City of Apalachicola conform to U.S. generally accepted accounting principles as applicable to governments as established by the Governmental Accounting Standards Board (GASB). The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity

The City is a municipal corporation that is governed by a Mayor-Commissioner and four Commissioners, all of whom are elected at large for four-year terms.

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.

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.

Government-wide and Fund Financial Statements

The government-wide statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. The effect of interfund activity has been removed from the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, and other nonexchange transactions, 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 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 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 as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for the governmental fund and proprietary fund.

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 1 – Summary of Significant Accounting Policies(Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. 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 property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. Franchise and utility taxes, grants, other intergovernmental revenues, charges for services, and interest income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, certain expenditures relating to future periods, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when a payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The City reports the following major governmental fund:

- General Fund – 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 City reports the following major proprietary fund:

- Utility Fund – The fund accounts for the activities of the government's water distribution operations, sewer collection operations, and docking fees.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods connected to a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges to customers for services. Operating expenses for the enterprise fund include the cost 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.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds.

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds.

While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental fund) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in the business-type activities are eliminated so that only the net amount is included in as transfers in the business-type activities column.

Budgetary Information

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The appropriated budget is prepared by fund, function, and department. The City's management may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Deposits and Investments

The City's cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. As of September 30, 2025, the City's cash consists of balances held at a single financial institution. The City had no cash equivalent balances as of September 30, 2025.

State statutes authorize the City to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, SEC registered money market funds with the highest credit quality rating and savings and certificate of deposit accounts in state-certified public depositories.

The City's investments are held with Florida Prime and are recorded at fair value.

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

Accounts Receivable

The Utility Fund operating revenues are generally recognized on the basis of billings rendered monthly. Revenues for services delivered during the last month of the applicable reporting period are accrued pro rata based on the meter readings for the applicable consumption taken in the following month. Garbage billings in the General Fund are rendered monthly for the previous month's services.

Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For financial reporting purposes, capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. For financial reporting purposes, infrastructure assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) acquired after September 30, 2003, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Effective with the implementation of GASB Statement 89 – *Accounting for Interest Cost Incurred Before the End of the Construction Period*, interest costs incurred during construction are no longer capitalized, but rather expensed.

Depreciation is recorded using the straight-line method over the estimated lives of the various classes of depreciable assets. The estimated useful lives of the various classes of depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	5 - 40
Public Domain Infrastructure	20 - 40
System Infrastructure	20 - 50
Machinery and Equipment	3-15
Vehicles	3 - 7

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

Compensated Absences

Employees earn vacation and sick leave benefits based on their length of service with the City. Full-time permanent employees accrue vacation and sick leave each pay period in accordance with City personnel policies.

Employees hired prior to April 8, 2003, are eligible upon separation to receive payment for up to 90 days of accumulated sick leave and up to 20 days of accrued vacation leave. Employees hired on or after April 8, 2003, are eligible to receive payments for up to 20 days of accrued vacation leave upon separation. These employees are also eligible for payment of up to 40 days of accumulated sick leave only if they have completed at least 20 years of service with the City. Employees hired on or after April 8, 2003, who separate before completing 20 years of service are not eligible for payment of accumulated sick leave.

Accrued compensatory time is paid to employees at one and one-half times their regular rate of pay.

In the government-wide and proprietary fund financial statements, vacation, sick leave, and compensatory time liabilities are recognized as the benefits are earned. In governmental fund financial statements, liabilities for compensated absences are recognized only to the extent they have matured, such as through employee resignations or retirements.

Net Pension Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Use of Estimates

The preparation of financial statements in accordance with the modified accrual or accrual basis of accounting described in the previous paragraphs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets or liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources and Pensions

In addition to assets, the statement of net position reports a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that is applicable to a future reporting period. The City's deferred outflows of resources are related to various actuarial assumption changes and valuations related to the City's portion of the Florida Retirement System Pension Plan (FRS) and Retiree Health Insurance Subsidy Program (HIS) annual valuations.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that is applicable to a future period. The City's deferred inflows of resources are related to various actuarial assumptions changes and valuations related to the City's portion of the FRS and HIS annual valuation.

Pensions

For purposes of measuring the new pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the FRS and HIS and additions to/deductions from the FRS and HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

Fund balances of the governmental fund is classified as follows:

- Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.
- Restricted – Amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.
- Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's highest level of decision-making authority. The City Commission addresses these commitments through formal action prior to the City's fiscal year end.
- Assigned – Amounts that are intended to be used for specific purposes that are neither considered restricted or committed Assignments can be made by the City Commission.
- Unassigned – All amounts not included in other spendable classifications.

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 1 – Summary of Significant Accounting Policies (Concluded)

Fund Balance Policies

Fund balance of the governmental fund is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City Commission (the “Commission”) is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Commission may also assign general fund balance as it does when appropriating general fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Taxes

Property taxes are billed and collected for the City, by the Franklin County Tax Collector, according to Florida Statute under the following calendar:

Lien Date:	January 1
Levy Date:	October 1
Due Date:	November 1
Delinquency Date:	April 1 of the following year

Implementation of New Accounting Standards

During the year ended September 30, 2025, the City adopted GASB Statement No. 101, *Compensated Absences*. The standard aligns the recognition and measurement guidance for compensated absences under a unified model and amends certain previously required disclosures. Adoption did not have a material effect on the City’s financial statements.

During the year ended September 30, 2025, the City adopted GASB Statement No. 102, *Certain Risk Disclosures*. The standard addresses disclosures regarding risks related to a government’s vulnerabilities due to concentrations and constraints. Adoption did not have a material effect on the City’s financial statements.

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 2 – Cash and Investments

Deposits

The City maintains numerous interest-bearing bank accounts for substantially all of the City funds. As of September 30, 2025, the City's combined bank balance was \$2,667,627. The bank balance was covered by Federal depository insurance or by collateral held by the City's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Public Deposits Act Chapter 280, Florida Statutes.

The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

As of September 30, 2025, the City's governmental and business-type activities consisted of the following cash balances:

Statement of Net Position

Cash	\$ 940,117
Restricted:	
Cash	<u>2,055,719</u>
Total Cash	<u><u>\$ 2,995,836</u></u>

Investments

Florida Statutes also authorizes the City to invest in the State Board of Administration Fund (SBA). The SBA is an investment pool administered by the State of Florida. Investments held in the SBA consist of short-term federal agency obligations, treasury bills, repurchase agreements and commercial paper.

The SBA established the Florida PRIME whereby participants own a share of the respective pool and not the underlying securities.

The Florida PRIME is an external investment pool that meets all of the necessary criteria to elect to measure all of the investments in the Florida PRIME at amortized cost. Therefore, the City's investment in Florida PRIME is reported at amortized cost. The fair value of the position in the pool is equal to the value of the pool's share. The Florida PRIME is rated by Standard and Poor's and is currently rated AAAm. The weighted average days to maturity (WAM) at September 30, 2025 is 47 days, and the weighted average life (WAL) is 763 days. Next interest rate reset dates are used in the calculation of the WAM. The Florida PRIME did not participate in a securities lending program in the year ended September 30, 2025, nor was it exposed to foreign currency risk. The SBA provides separate financial statements for the Florida PRIME (unaudited) as of and for the period ending June 30, which can be obtained at www.sbafla.com/prime/home/asp. It does not issue financial statements as of and for the period ending September 30. At September 30, 2025, there were no redemption fees, maximum transaction amounts, or any other requirements that limit a participant's daily access to 100% of their account balance. With regard to liquidity fees, the SBA has the authority to impose penalties for early withdrawal but has not made any required disclosures relating to these fees. The SBA also has the authority to limit contributions or withdrawals for up to 48 hours in the event of an occurrence or event that has a material impact on the liquidity of the Florida PRIME. No such limitation took place during the year ended September 30, 2025.

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

As of September 30, 2025, the City’s governmental investments consisted of the following:

	Credit Quality Rating (S&P)	Carrying Value
SBA funds - Florida PRIME	AAAm	<u>\$ 856,187</u>

Credit Risk: Credit risk is the risk that a debt issuer or other counterparty to an investment will not fulfill its obligations. The City’s portfolio is held entirely with public depositories and is invested in SBA funds, as described above.

Interest Rate Risks: Interest rate risk exists when there is a possibility that change in interest rates could adversely affect an investment’s fair value. At September 30, 2025, the City did not hold any investments that were considered to be an interest rate risk.

Custodial Credit Risks: Custodial credit risk is the risk that an event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2025, the City’s investment in SBA funds is backed by the full faith and credit of the state of Florida or explicitly guaranteed by the State of Florida.

Concentrations of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single user. At September 30, 2025, the City did not hold any investments that were considered to be a concentration of credit risk.

Note 3 – Receivables

Accounts receivable as of September 30, 2025, were as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Gross Accounts Receivable	\$ 69,659	\$ 259,165
Less: Allowance for Doubtful Accounts	<u>-</u>	<u>(43,363)</u>
Accounts Receivable, Net	69,659	215,802
Due from Other Governments:		
Taxes Receivable	693,309	-
Grants Receivable	<u>667,458</u>	<u>569,089</u>
Total Receivables	<u>\$ 1,430,426</u>	<u>\$ 784,891</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025, the general fund owed the utility fund \$363,367.

For the year ended, September 30, 2025 individual fund transfers to and from funds was comprised of a \$65,526 transfer from the utility fund to the general fund.

Note 5 – Capital Assets

	September 30, 2024	Additions	(Reductions)	September 30, 2025
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 10,201,410	\$ -	\$ -	\$ 10,201,410
Construction in Progress	623,213	832,329	(42,591)	1,412,951
Total capital assets, not being depreciated	10,824,623	832,329	(42,591)	11,614,361
Capital assets, being depreciated				
Buildings and improvements	3,811,333	-	-	3,811,333
Improvements other than buildings	5,452,897	-	-	5,452,897
Infrastructure	9,045,383	510,392	-	9,555,775
Equipment and other	4,431,369	167,402	(7,098)	4,591,673
Total capital assets, being depreciated	22,740,982	677,794	(7,098)	23,411,678
Total accumulated depreciation	(10,999,349)	(1,115,339)	7,098	(12,107,590)
Total capital assets, being depreciated, net	11,741,633	(437,545)	-	11,304,088
Total governmental capital assets, net	\$ 22,566,256	\$ 394,784	\$ (42,591)	\$ 22,918,449
Business-type Activities:				
Capital assets, not being depreciated				
Land	\$ 363,057	\$ -	\$ -	\$ 363,057
Construction in Progress	1,207,182	167,294	-	1,374,476
Total capital assets, not being depreciated	1,570,239	167,294	-	1,737,533
Capital assets, being depreciated				
Buildings and utility systems	40,710,950	439,614	(231,357)	40,919,207
Equipment	257,237	10,156	-	267,393
Total capital assets, being depreciated	40,968,187	449,770	(231,357)	41,186,600
Total accumulated depreciation	(21,257,355)	(1,028,157)	231,357	(22,054,155)
Total capital assets, being depreciated, net	19,710,832	(578,387)	-	19,132,445
Total business-type capital assets, net	\$ 21,281,071	\$ (411,093)	\$ -	\$ 20,869,978

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 5 – Capital Assets (Concluded)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 105,239
Public safety	99,232
Transportation	454,313
Physical environment	276,754
Culture and recreation	179,801
Total	<u>\$ 1,115,339</u>
Business-type Activities:	
Water	\$ 173,743
Sewer	848,274
Mooring	6,140
Total	<u>\$ 1,028,157</u>

Note 6 – Long-term Liabilities

	September 30, 2024	Additions	(Reductions)	September 30, 2025	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).	\$ 330,500	\$ -	\$ (17,000)	\$ 313,500	\$ 17,000
Installment purchase agreement for a fire truck for \$400,000. Payable in annual installments of \$49,008, maturing June 2028. (See (b) below).	180,746	-	(44,420)	136,326	43,726
Installment purchase agreement for a 2025 Chevy truck for the police department. Payable in thirty six quarterly payments of \$4,293. (See (b) below).	-	47,200	(15,074)	32,126	11,562
Compensated absences	120,260	-	(5,525)	114,735	28,684
Total governmental activities' long-term obligations	\$ 631,506	\$ 47,200	\$ (82,019)	\$ 596,687	\$ 100,972

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 6 – Long-term Liabilities (Continued)

- (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, 2025, was \$313,500.

There are limitations and restrictions contained in the bond indentures, including the establishment of specific debt service sinking funds 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 \$38,182 at September 30, 2025.

- (b) The City has entered into several installment purchase agreements to finance vehicles. The interest rates on these agreements range from 3.87% to 8.00%, and payment terms vary, with payments due on either a quarterly or annual basis.

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

Year ending September 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 72,288	\$ 19,139
2027	79,737	16,303
2028	70,427	13,013
2029	19,000	10,380
2030	20,000	9,620
2031-2035	115,000	35,300
2036-2040	105,500	10,480
Total	<u>\$481,952</u>	<u>\$ 114,235</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 6 – Long-term Liabilities (Continued)

	September 30, 2024	Additions	(Reductions)	September 30, 2025	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 (b) below).	\$ 1,927,000	\$ -	\$ (79,000)	\$ 1,848,000	\$ 83,000
\$361,630 Water and sewer revenue bonds - Series 1986. Due in annual installments of \$3,000 to \$21,630 from September 1989-September 2026 with interest at 6% (See (a) below).	42,630	-	(21,000)	21,630	21,630
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 (c) below).	1,299,798	-	(371,371)	928,427	371,371
Installment purchase agreement for water meters for \$267,000 payable in annual installments of \$32,034 including 3.48% interest, maturing November 2026. (See (d) below).	89,788	-	(28,912)	60,876	29,918
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. (See (d) below).	38,460	-	(25,485)	12,975	12,975
Compensated absences	20,007	2,066	-	22,073	5,518
Total business-type activities' long-term obligations	\$ 3,417,683	\$ 2,066	\$ (525,768)	\$ 2,893,981	\$ 524,412

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 6 – Long-term Liabilities (Concluded)

- (a) 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 \$21,630.
- (b) 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 \$1,848,000.
- (c) 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, 2025, was \$928,427.
- (d) The City has entered into several installment purchase agreements to finance vehicles. The interest rates on these agreements range from 2.41% to 3.48%, and payment terms vary, with payments due on either a semiannual or annual basis.

There are a number of limitations and restrictions contained in the bond indentures, including the establishment of specific debt service sinking funds and reserve accounts. The sinking fund and reserve account balances relating to the Series 1986 and 2003 bond issues and state revolving loan total \$855,637 at September 30, 2025.

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

Year ending September 30,	Business-type Activities	
	Principal	Interest
2026	\$ 518,894	\$ 63,632
2027	486,329	58,439
2028	273,685	54,633
2029	91,000	51,723
2030	95,000	48,815
2031-2035	520,000	195,943
2036-2040	612,000	105,690
2041-2042	275,000	13,520
Total	<u>\$ 2,871,908</u>	<u>\$ 592,395</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 7 – 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, 2025

Note 7 – 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 \$7.50. The minimum payment is \$45, and the maximum payment is \$225 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, 2025 were as follows:

	Year Ended June 30, 2025		Year Ended June 30, 2026	
	FRS(2)	HIS	FRS(2)	HIS
Regular Class	13.63%	1.66%	11.57%	1.66%
Senior Management	58.68%	1.66%	56.62%	1.66%
Special Risk Employee Class	34.52%	1.66%	32.46%	1.66%
DROP Plan Participants	21.13%	1.66%	19.13%	1.66%
	(1)		(1)	

(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, 2025, were \$315,782 to FRS and \$39,562 to HIS.

Pension Liabilities and Pension Expense

In its financial statements for the year ended September 30, 2025, the City reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2025, and the total pension liabilities used to calculate the net pension liability were determined by actuarial valuation date July 1, 2025. The City's proportions of the net pension liabilities were based on the City's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net Pension Liability	\$ 1,641,407	\$ 567,361
Proportion at:		
Current Measurement Date	0.00528887%	0.004426479%
Prior Measurement Date	0.00584942%	0.004973854%
Pension Expense (Benefit)	\$ 178,982	\$ 5,920

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 7 – Pension Plans (Continued)

Deferred Outflows/Inflows of Resources Related to Pensions

At September 30, 2025, 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	\$175,320	\$ -
Changes of assumptions	190,610	
Net difference between projected and actual earnings on Pension Plan Investments	-	(274,049)
Changes in proportion and differences between employer contributions and proportionate share of contributions	102,402	(142,692)
Employer contributions subsequent to the measurement date	81,352	-
Total	<u>\$ 549,684</u>	<u>\$ (416,741)</u>

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,387	\$ (900)
Changes of assumptions	5,022	(137,230)
Net difference between projected and actual earnings on Pension Plan Investments	-	(472)
Changes in proportion and differences between employer contributions and proportionate share of contributions	61,946	(90,457)
Employer contributions subsequent to the measurement date	9,887	-
Total	<u>\$ 70,355</u>	<u>\$ (229,059)</u>

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, 2026.

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 7 – Pension Plans (Continued)

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
2026	\$ 293,196	\$ (2,617)
2027	(52,714)	3,446
2028	(105,892)	(5,648)
2029	(83,000)	(11,637)
2030	-	(11,240)
Thereafter	-	-
Total	<u>\$ 51,590</u>	<u>\$ (27,696)</u>

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2025, was determined by an actuarial valuation dated July 1, 2025, using the individual entry age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.40%	2.40%
Salary Increase	3.50% Average, Including Inflation	3.50%
Discount Rate	6.70%	5.20%
Long-term Expected Rate of Return, Net of Investment Income	6.70%	N/A
Municipal Bond	N/A	5.20%

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 July 1, 2025, were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

The following changes in key actuarial assumptions occurred in 2025:

- 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 increased from 3.93% to 5.20%.
- 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, 2025

Note 7 – Pension Plans (Continued)

Asset Class	Target Allocation	Annual Arithmetic Return	Geometric Return	Standard Deviation
Cash	1.0%	3.2%	3.2%	1.1%
Fixed income	29.0%	5.5%	5.4%	4.0%
Global equity	45.0%	8.5%	6.9%	18.3%
Real estate (property)	12.0%	8.4%	7.1%	16.8%
Private equity	11.0%	12.4%	8.8%	28.4%
Strategic investments	2.0%	6.6%	6.1%	8.7%
	<u>100%</u>			
Assumed Inflation-Mean			2.4%	1.5%

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 5.20% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity Analysis

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

	FRS		
	Current		
	1% Decrease	Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 3,221,236	\$ 1,641,407	\$ 316,901
	HIS		
	Current		
	1% Decrease	Discount Rate	1% Increase
Employer's proportionate share of the net pension liability	\$ 639,791	\$ 567,361	\$ 506,616

CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

Note 7 – 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 8 – 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 9 – 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 10 – Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally Federal and State governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects amounts, if any, to be immaterial.

Note 11 – Commitments

As of September 30, 2025, the City had numerous commitments with contractors related to capital projects.

Note 12 – Restatement

The City determined that beginning net position for the general fund was understated by \$42,591 due to understating capital assets related to grant expenditures at September 30, 2024. The restatement increased the net position of the governmental activities for the prior year and had no impact on the current year change in net position.

**CITY OF APALACHICOLA, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

Note 13 – Subsequent Events

Subsequent events were reviewed June 10, 2026, which is the date the financial statements were available to be issued.

CITY OF APALACHICOLA, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2025

CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 2,578,899	\$ 2,614,533	\$ 2,587,625	\$ (26,908)
Licenses and Permits	155,750	129,256	132,700	3,444
Intergovernmental Revenues	759,035	772,574	709,740	(62,834)
Grants	-	-	1,705,082	1,705,082
Charges for Services	848,400	931,904	805,458	(126,446)
Fines and Forfeitures	6,500	6,574	2,048	(4,526)
Miscellaneous	83,500	108,150	147,331	39,181
Investment Earnings and Other	-	-	62,140	62,140
Total Revenues	4,432,084	4,562,991	6,152,124	1,589,133
Expenditures				
Current:				
General Government	1,056,334	1,081,129	1,139,648	(58,519)
Public Safety	998,921	1,074,440	1,057,849	16,591
Physical Environment	1,501,184	1,376,986	1,562,220	(185,234)
Transportation	-	-	62,859	(62,859)
Culture and Recreation	535,149	541,213	586,995	(45,782)
Capital Outlay	73,900	94,527	1,467,532	(1,373,005)
Debt Service:				
Principal	85,393	75,867	76,494	(627)
Interest	-	-	19,812	(19,812)
Total Expenditures	4,250,881	4,244,162	5,973,409	(1,729,247)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	181,203	318,829	178,715	(140,114)
Other Financing Sources (Uses)				
Transfers In	22,300	22,300	65,526	43,226
Sale of Capital Assets	-	-	72,848	72,848
Loan Proceeds	-	-	47,200	47,200
Total Other Financing Sources (Uses)	22,300	22,300	185,574	163,274
Net Change in Fund Balance	203,503	341,129	364,289	23,160
Fund Balance Beginning of Year	(203,503)	(341,129)	2,562,596	2,903,725
Fund Balances, End of Year	\$ -	\$ -	\$ 2,926,885	\$ 2,926,885

**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, 2025**

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.

Note 2 – Overspent Budget

The City's expenditures exceeded the final budget by \$1,729,247, while revenues exceeded the budget by \$1,589,133. These variances were primarily attributable to grant revenues and related expenditures that were not included in the final budget.

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System (FRS)										
Proportion of the net pension liability (asset)	0.00528886708%	0.00584942738%	0.005855870%	0.005641700%	0.004772883%	0.0044869%	0.0049942%	0.0052853%	0.0048474%	0.0047791%
Proportionate share of the net pension liability (asset)	\$ 1,641,407	\$ 2,262,834	\$ 2,333,379	\$ 2,099,166	\$ 360,537	\$ 1,944,708	\$ 1,719,925	\$ 1,591,960	\$ 1,433,819	\$ 1,206,733
Covered-employee payroll	\$ 1,898,500	\$ 2,118,030	\$ 1,928,781	\$ 1,752,650	\$ 1,544,360	\$ 1,236,903	\$ 1,417,997	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	86.46%	106.84%	120.98%	119.77%	23.35%	157.22%	121.29%	103.22%	114.95%	95.00%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	83.70%	82.38%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%
Health Insurance Subsidy Program (HIS)										
Proportion of the net pension liability (asset)	0.004426479%	0.004973854%	0.00482958%	0.00482380%	0.00399275%	0.00359251%	0.00445478%	0.00473766%	0.00421390%	0.00449100%
Proportionate share of the net pension liability (asset)	\$ 567,361	\$ 746,127	\$ 767,001	\$ 510,918	\$ 489,770	\$ 438,640	\$ 498,446	\$ 501,439	\$ 450,570	\$ 523,410
Covered-employee payroll	\$ 1,898,500	\$ 2,118,030	\$ 1,928,781	\$ 1,752,650	\$ 1,544,360	\$ 1,236,903	\$ 1,417,997	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29.88%	35.23%	39.77%	29.15%	31.71%	35.46%	35.15%	32.51%	36.12%	41.20%
Plan fiduciary net position as a percentage of the total pension liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%

Note 1 - GASB 68 requires information for 10 years.

CITY OF APALACHICOLA, FLORIDA
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS AS OF SEPTEMBER 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Florida Retirement System (FRS)										
Contractually required contribution	\$ 315,782	\$ 331,232	\$ 281,705	\$ 240,741	\$ 181,826	\$ 1,944,708	\$ 1,719,925	\$ 1,728,562	\$ 1,630,549	\$ 111,485
Contributions in relation to the contractually required contribution	(315,782)	(331,232)	(281,705)	(240,741)	(181,826)	(1,944,708)	(1,719,925)	(1,728,562)	(1,630,549)	(111,485)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Health Insurance Subsidy Program (HIS)										
Contractually required contribution	\$ 39,562	\$ 42,110	\$ 31,770	\$ 29,188	\$ 23,469	\$ 238,640	\$ 236,854	\$ 215,157	\$ 217,059	\$ 20,854
Contributions in relation to the contractually required contribution	(39,562)	(42,110)	(31,770)	(29,188)	(23,469)	(238,640)	(236,854)	(215,157)	(217,059)	(20,854)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,898,500	\$ 2,118,030	\$ 1,928,781	\$ 1,752,650	\$ 1,544,360	\$ 1,236,903	\$ 1,417,997	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306
Contributions as a percentage of covered-employee payroll	16.63%	15.64%	14.61%	13.74%	11.77%	157.22%	121.29%	112.08%	130.72%	8.78%
Covered-employee payroll	\$ 1,898,500	\$ 2,118,030	\$ 1,928,781	\$ 1,752,650	\$ 1,544,360	\$ 1,236,903	\$ 1,417,997	\$ 1,542,326	\$ 1,247,349	\$ 1,270,306
Contributions as a percentage of covered-employee payroll	2.08%	1.99%	1.65%	1.67%	1.52%	19.29%	16.70%	13.95%	17.40%	1.64%

**CITY OF APALACHICOLA, FLORIDA
CITY OFFICIALS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

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, 2025

CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	ALN	Contract #	Grant Amount	Total Expenditures
<i>U.S. Department of Housing and Urban Development</i>				
<i><u>Passed Through the Florida Department of Commerce</u></i>				
Community Development Block Grant (CDBG)	14.228	M0016	\$ 4,225,219	\$ 212,116
Community Development Block Grant (CDBG)	14.228	M0033	910,753	34,814
Community Development Block Grant (CDBG)	14.228	M0034	4,414,686	583,911
<i>Total U.S. Department of Housing and Urban Development</i>			<u>9,550,658</u>	<u>830,841</u>
<i>U.S. Department of the Treasury</i>				
<i><u>Passed Through the Florida Division of Environmental Protection</u></i>				
Coronavirus State and Local Fiscal Recovery Funds - Wastewater Treatment Plant	21.027	WG038	5,551,875	224,700
<i><u>Passed Through the Department of State</u></i>				
Coronavirus State and Local Fiscal Recovery Funds - Museum for African-American Culture	21.027	23.s.aa.900.039	1,000,000	74,424
<i>Total U.S. Department of the Treasury</i>			<u>6,551,875</u>	<u>299,124</u>
<i>U.S. Department of Environmental Protection Agency</i>				
<i><u>Passed Through the Florida Department of Environmental Protection</u></i>				
Capitalization Grants for Drinking Water - State Revolving Loan	66.468	LS190310	51,600	48,000
<i>Total U.S. Department Of Environmental Protection</i>			<u>51,600</u>	<u>48,000</u>
<i>U.S. Department of Homeland Security - Federal Emergency Management Agency (FEMA)</i>				
<i><u>Passed Through the Executive Office of the Governor</u></i>				
Hazard Mitigation Grant	97.039	DEM-22-HM-4399-19-00-H0651	241,862	36,086
Hazard Mitigation Grant	97.039	DEM-23-HM-4486-19-00-H0930	176,436	116,947
<i>Total U.S. Department of Homeland Security - Federal Emergency Management Agency (FEMA)</i>			<u>418,298</u>	<u>153,033</u>
Total Federal Awards			<u>\$ 16,572,431</u>	<u>\$ 1,330,998</u>

CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

STATE GRANTOR/PROGRAM TITLE	CSFA	Contract #	Grant Amount	Total Expenditures
<u><i>Florida Department of Environmental Protection</i></u>				
STW Restoration/Wastewater Project	37.039	LPA0140	\$ 100,000	\$ 20,765
STW Restoration/Wastewater Project	37.039	LPA0451	300,000	115,000
STW Restoration/Wastewater Project	37.039	LPA0452	130,000	129,456
<i>Total STW Restoration/Wastewater Project</i>			<u>530,000</u>	<u>265,221</u>
 Resilient Florida Programs	37.098	22PLN10	272,500	62,500
Resilient Florida Programs	37.098	24PLN12	67,000	5,000
Resilient Florida Programs	37.098	24SRP65	2,403,500	7,280
<i>Total Resilient Florida Programs</i>			<u>2,743,000</u>	<u>74,780</u>
<i>Total Florida Department of Environmental Protection</i>			<u>3,273,000</u>	<u>340,001</u>
 <u><i>Florida Department of Commerce</i></u>				
Rural Community Development and Infrastructure	40.042	D0225	147,000	52,500
Rural Community Development and Infrastructure	40.042	D0260	300,000	130,597
<i>Total Florida Department of Commerce</i>			<u>447,000</u>	<u>183,097</u>
 <u><i>Florida Department of State</i></u>				
State Aid to Libraries	45.030	25-ST-97	2,181	2,181
Acquisition/Restoration/Historic Property	45.032	24.h.sc.100.069	395,000	54,512
<i>Total Florida Department of State</i>			<u>397,181</u>	<u>56,693</u>
 <u><i>Florida Department of Transportation</i></u>				
Small County Outreach Program	55.009	F2N05	676,728	420,088
<i>Total Florida Department of Transportation</i>			<u>676,728</u>	<u>420,088</u>
 Total State Awards			<u>\$ 4,793,909</u>	<u>\$ 999,879</u>

CITY OF APALACHICOLA, FLORIDA
NOTES TO SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 and state financial assistance includes the federal and state grant 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 up to 15% 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
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of auditor's report issued: Unmodified
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? X yes no

Federal Programs and State Financial Assistance Programs

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

Identification of Major Federal Programs and State Financial Assistance Projects

<u>Major Federal Programs</u>	<u>Assistance Listing Number</u>
Community Development Block Grant	14.228

<u>Major Federal Programs</u>	<u>CSFA Number</u>
Small County Outreach Program	55.009

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

Federal Programs	\$ <u>1,000,000</u>
State Programs	\$ <u>300,000</u>

Auditee qualified as low-risk auditee? yes X no

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Section II – Financial Statement Findings

See Schedule of Findings.

Section III – Findings and Questioned Costs – Federal and State Awards

None.

Section IV – Summary Schedule of Prior Audit Findings Relative to Federal Award Programs

2024-004 – 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 end of the fiscal year.

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 STATE PROJECT AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE AND CHAPTER 10.550, RULES OF THE
AUDITOR GENERAL**

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

Report on Compliance for Each Major Federal Program and State Project

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* and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs and state projects for the year ended September 30, 2025. The City's major federal programs and state projects 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 and state projects for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program and State Project

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); and Chapter 10.550, Rules of the Auditor General. Our responsibilities under those standards and the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, 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 and state project. 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 and state projects.

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*, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General, 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 and state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General 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 and Chapter 10.550, Rules of the Auditor General, 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.

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 or state project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
June 10, 2026

**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, 2025, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2026.

Report on 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. *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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings, as items 2025-001, 2025-002, 2025-003 and 2025-004 that we consider to be material weaknesses.

Report on 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 2025-002 and 2025-003.

City of Apalachicola's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Apalachicola, Florida's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
June 10, 2026

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, 2025, 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, 2025.

This report is intended solely for the information and use of the City of Apalachicola, management, and the State of Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
June 10, 2026

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, 2025, and have issued our report thereon dated June 10, 2026.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance of Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated June 10, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations 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.	2023-24 FY Finding No.	2022-23 FY Finding No.
2025-001	2024-001	2023-001
2025-002	2024-002	2023-002
2025-003	2024-003	2023-003
2025-004	N/A	N/A

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in 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 and Management

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 an such recommendations.

Property Assessed Clean Energy (PACE) Programs

As required by Section 10554(1)(i)6.a., Rules of the Auditor General, the City of Apalachicola, Florida is required to provide a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163082, Florida Statutes, did/did not operate within the City of Apalachicola, Florida's geographical boundaries during the fiscal year under audit. During the fiscal year ended September 30, 2025, a PACE program did not operate within the City's geographical boundaries.

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
June 10, 2026

**CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

2025-001 Segregation of Duties

Condition: During our audit, we noted that certain accounting and financial duties are concentrated among a limited number of employees. Specifically, certain employees have the ability to initiate, record and reconcile transactions without sufficient independent review or oversight.

Criteria: Internal controls should be in place to provide adequate segregation of duties over significant accounting functions to reduce the risk of errors or fraud occurring and not being detected in a timely manner.

Cause: The condition is primarily due to the limited number of personnel available to perform accounting and financial reporting functions.

Effect: Inadequate segregation of duties increases the risk of errors, misstatements, or unauthorized transactions could occur and not be detected timely by management.

Recommendation: We recommend management evaluate the current assignment of duties and implement additional compensating control where practical. Such controls may include increased management review and approval of procedures, independent reconciliation reviews, or additional oversight by governing bodies.

Management Response: Management acknowledges the finding and will continue to evaluate opportunities to strengthen internal controls and implement additional review procedures where feasible given staffing limitations.

2025-002 Financial Statement not Prepared in Accordance with Generally Accepted Accounting Principles (GAAP)

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.

Management Response: Management acknowledges the finding and recognizes the importance of maintaining accurate accounting records and timely financial reporting in accordance with GAAP. The City has hired a new Finance Director and will work to strengthen its financial reporting processes, improve year-end closing procedures, and reduce the number and significance of audit adjustments in future years.

2025-003 Property and Equipment Records and Disposal Procedures

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, 2025, 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, 2025**

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.

Management Response: Management acknowledges the finding and has hired an individual to perform a physical inventory of the City's assets and to reconcile the results to the general ledger. The City will also strengthen procedures for recording and documenting asset disposals going forward.

2025-004 Overtime Compensatory Time Policy Compliance

Condition: During our review of payroll and personnel policies, we noted the City implemented a practice whereby certain employees accrued compensatory time at one and one-half times overtime hours worked rather than being paid overtime compensation. This practice was reportedly communicated by management approximately two years ago despite the City's written personnel policy prohibiting compensatory time accruals.

Criteria: The City's adopted personnel policy provides that nonexempt employees who work in excess of forty hours per week are to be compensated at one and one-half times their regular rate of pay. The policy further states that employees are not permitted to accrue compensatory time in lieu of overtime pay. Management is responsible for ensuring payroll practices comply with adopted policies and applicable Fair Labor Standards Act (FLSA) requirements.

Effect: Failure to administer overtime in accordance with adopted personnel policies may result in increased payroll liabilities, inconsistent payroll practices, and potential noncompliance with internal policies and applicable labor regulations.

Recommendation: We recommend the City review its overtime and compensatory time practices to ensure compliance with adopted personnel policies and applicable FLSA requirements. Due to the inconsistencies noted, we further recommend that the City Attorney review the City's overtime and compensatory time procedures and provide guidance regarding any necessary corrective action and policy revisions.

Management Response: Management concurs with the finding and will consult with the City Attorney regarding the City's overtime and compensatory time policies and practices.

**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, 2025. 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, 2025.

Moran & Smith LLP

Moran & Smith LLP
Tallahassee, Florida
June 10, 2026

**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, 2025, and have issued our report thereon dated June 10, 2026, 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
June 10, 2026

CITY OF APALACHICOLA, FLORIDA
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS
RELATED TO THE DEEPWATER HORIZON OIL SPILL
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Source	Amount Received in the 2024-2025 Fiscal Year	Amount Expended in the 2024-2025 Fiscal Year
British Petroleum:		
Agreement Settlement	\$ -	\$ -
Total	\$ -	\$ -