

**CITY OF APALACHICOLA
COMMUNITY REDEVELOPMENT AGENCY
(A Component Unit of the City of Apalachicola)**

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT
SEPTEMBER 30, 2020**

City of Apalachicola Community Redevelopment Agency

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the City Members of
Community Redevelopment Agency
City of Apalachicola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Community Redevelopment Agency (the CRA), a component unit of the City of Apalachicola, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the CRA, as of September 30, 2020, and the respective changes in the financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the management's discussion and analysis and other required supplementary information as listed in the table of contents to be presented to supplement the basic financial statements. Such information, although not 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 20, 2021 on our consideration of the CRA'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 CRA'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 internal control over financial reporting and compliance.

Moran & Smith LLP

October 20, 2021
Tallahassee, Florida

The Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City of Apalachicola Community Redevelopment Agency's (the CRA's) financial activities. The analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the CRA's financial activity, identify the changes in the CRA's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues of concern.

Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the CRA's financial statements and independent auditor's report.

▪ **Financial Highlights**

- The assets of the CRA exceeded its liabilities at the close of the most recent fiscal year by \$309,936 (net position). All of which is restricted for community redevelopment uses.
- The CRA's total net position increased by \$262,434 during the year ended September 30, 2020.
- As of the close of the current fiscal year, the CRA's general fund reported ending fund balance of \$309,936 compared to \$47,503 at the end of the prior fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the CRA's basic financial statements. The CRA's 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 required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of the CRA's finances, in a manner similar to a private sector business.

The statement of net position presents information on all the CRA's assets, liabilities, and deferred inflows and outflows of resources with the residual measure reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the CRA is improving or deteriorating.

The statement of activities presents information showing how the CRA's net position changed during the most recent fiscal year. All changes in net position are reported in a manner similar to the approach used by private sector business in that revenue is recognized when earned or established criteria are satisfied, and expenses are reported when incurred. Accordingly, revenues are reported even when they may not be collected for several months after the end of the year, and expenses are reported even though they may not have used cash during the current fiscal year.

Both government-wide financial statements are designed to distinguish functions of the CRA that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (business-type activities). The CRA does not engage in business-type activities and as such, no business-type activities are reported in the financial statements.

The governmental activities of the CRA are exclusively comprised of the community redevelopment function.

The government-wide financial statements can be found by referencing the table of contents of this report.

Fund financial statements: Funds are a group of self-balancing accounts. Funds are used to account for specific activities of the CRA, rather than reporting on the CRA as a whole. The CRA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities if there are any differences between the two. For the current year, there were no differences reported in these reconciliations. The CRA maintains only one fund, a major governmental fund designated as the general fund.

The basic governmental fund financial statements can be found by referencing the table of contents of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found by referencing the table of contents of this report.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the CRA's general fund budgetary comparisons. Required supplementary information can be found by referencing the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position: The following table reflects a summary of the statement of net position compared to the prior year. The statement of net position can be found by referencing the table of contents of this report.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table reflects a summary of net position compared to the prior year.

Statement of Net Position
 (Summary) as of September 30,

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 309,936	\$ 47,503
Total assets	<u>309,936</u>	<u>335,434</u>
Liabilities		
Current liabilities	0	0
Notes payable	<u>0</u>	<u>0</u>
Total liabilities	<u>0</u>	<u>0</u>
Net Position		
Restricted	<u>309,936</u>	<u>47,503</u>
Total net position	<u><u>\$ 309,936</u></u>	<u><u>\$ 47,503</u></u>

On September 30, 2020 and 2019, 100% of the CRA's net position is reported as restricted and can only be used for community redevelopment in accordance with Chapter 163, Florida Statutes, and the community redevelopment plan.

Statement of Activities: The following table reflects a summary of the statement of activities compared to the prior year. The statement of activities can be found by referencing the table of contents of this report.

Statement of Activities
 (Summary) For the year ended September 30,

	Governmental Activities	
	2020	2019
Revenues		
General revenues		
Taxes	\$ 114,175	\$ 41,974
Others	0	25,224
Total revenues	114,175	67,198
 Expenses		
Community redevelopment	12,994	57,549
Capital outlay	0	0
Total expenses	12,994	57,549
 Transfers in	161,253	
Change in net position	262,434	9,649
Net position-beginning	47,503	37,854
Net position-ending	\$ 309,936	\$ 47,503

Governmental Activities

During 2020, governmental activities net position increased by \$262,434 compared to an increase of \$9,649 in the prior year. The main reasons for current year changes were the transfer of prior years' tax increment from the City and a decrease in expenditures related to administrative expenses.

FINANCIAL ANALYSIS OF THE CRA'S FUND

Governmental Funds

The focus of the CRA's governmental fund (general fund) statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the CRA's financing requirements.

As of the end of the current fiscal year, the CRA's sole fund, the general fund, reported ending fund balances of \$309,936 an increase of \$262,434 in comparison with the previously reported balance in the prior year of \$47,503. The entire fund balance of the CRA's general fund is restricted for community redevelopment expenditures.

The major changes in the current year in comparison to the prior year are detailed below:

- Tax revenues increased by \$72,201
- Community redevelopment and project expense decreased by \$44,555

CRA GENERAL FUND BUDGETARY HIGHLIGHTS

The CRA failed to adopt a budget for the CRA that met the statutory requirements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets: The CRA reported no capital assets as of September 30, 2020 or 2019.

The CRA often engages in the construction renovation and/or acquisition of capital assets which may include land, buildings, improvements or furniture and equipment. None of these assets are titled to the CRA and the CRA does not have operational oversight nor obligation for ongoing repair and maintenance of the assets rather the assets are transferred to the City upon acquisition or upon completion of construction or renovation.

For long term construction or renovation projects, the costs are capitalized in the governmental activities of the CRA and are transferred to the City upon completion.

Long-term Debt: The CRA reported no long-term obligations as of September 30, 2020 and no long-term debt as of September 30, 2019.

REQUEST FOR INFORMATION

This financial report is designed to provide users with a general overview of the CRA's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Travis Wade, City Manager, City of Apalachicola, 192 Coach Wagoner Blvd. Apalachicola, FL 32320.

CITY OF APALACHICOLA COMMUNITY REDEVELOPMENT AGENCY

Statement of Net Position

September 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 219,139
Due from General Fund	90,797
Total assets	<u>309,936</u>
Liabilities	
Accounts payable	0
Accrued expenses	0
Notes payable	0
Total liabilities	<u>0</u>
Net Position	
Restricted for:	
Community redevelopment projects	309,936
Total net position	<u><u>\$ 309,936</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF APALACHICOLA COMMUNITY REDEVELOPMENT AGENCY
Statement of Activities
September 30, 2020

Function/Programs	Program Revenues				Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:					
Administrative and operational expenses	\$ 4,561	\$ 0	\$ 0	\$ 0	\$ (4,561))
Project expenses	8,433				(8,433)
Total Governmental Activities	\$ 12,994	\$ 0	\$ 0	\$ 0	\$ (12,944)

General Revenues:	
Property taxes	\$ 114,175
Transfers	161,253
Total General Revenues and Transfers	<u>275,427</u>
Changes in net position	262,433
Net position-beginning	<u>47,503</u>
Net position-ending	<u>\$ 309,936</u>

The accompanying notes are an integral part of these financial statements.

CITY OF APALACHICOLA COMMUNITY REDEVELOPMENT AGENCY
 Balance Sheet – Governmental Fund
 September 30, 2020

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 219,139
Due from general fund	<u>90,797</u>
Total assets	<u>309,936</u>
Liabilities	
Accounts payable	0
Accrued expenses	<u>0</u>
Total liabilities	<u>0</u>
Fund Balance	
Restricted for:	
Community redevelopment projects	<u>309,936</u>
Total fund balance	<u><u>\$ 309,936</u></u>

Summary Reconciliation to the Government-Wide Financial Statements:

Fund Balances-Governmental Fund	\$ 309,936
Reconciling items:	
No reconciling items	<u>0</u>
Net position of governmental activities	<u><u>\$ 309,936</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF APALACHICOLA COMMUNITY REDEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balance
September 30, 2020

	CRA General Fund
Revenues	
General revenues	
Taxes	\$ 114,175
Investment Earnings	0
Total revenues	<u>114,175</u>
Expenditures	
Current	
Economic Environment:	
Administration	4,561
Projects	8,433
Capital outlay (transferred to the City)	0
Total expenditures	<u>12,994</u>
Excess of revenues under expenditures	101,181
Other financing sources	
Transfers in	<u>161,253</u>
Total other financing sources	<u>161,253</u>
Net change in fund balance	262,434
Fund balances-beginning	<u>47,503</u>
Fund balances-ending	<u><u>\$ 309,936</u></u>

Summary Reconciliation to the Government-Wide Financial Statements:

Net change in Fund Balance-Governmental Fund	\$ 262,434
Reconciling items:	
No reconciling items	<u>0</u>
Change in Net Position of Governmental Activities	<u><u>\$ 262,434</u></u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Apalachicola Community Redevelopment Agency's (the CRA) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing U.S. GAAP for state and local governments through its statements (GASBS) and Interpretations (GASBI). The more significant accounting policies established by GAAP and used by the CRA are discussed below.

A. REPORTING ENTITY

The CRA is a dependent special district revived on March 7, 2017 by the City of Apalachicola, Florida (the City) under Chapter 163, Part III, of the Florida Statutes via Ordinance No. 2017-01. In June of 2017, revisions began on the Community Redevelopment Plan. No plan has ever been adopted. The objectives and purpose of the CRA was to eliminate and prevent the development and spread of deterioration and blight through the clearance, replanning, reconstruction, rehabilitation, conservation, or renewal of areas designated for residential, commercial, industrial, community public, and other uses. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The Board of the CRA is comprised of the five members of the City Commission and two citizen members who reside or have business interests located in the CRA district. The Board exercises all powers granted to the agency pursuant to Chapter 163.370 Section III of the Florida Statute.

As the City and the CRA are separate legal entities, the parties also share the mutual goal of redeveloping the CRA areas. The City provides administrative support services to the CRA. City management has operational responsibility for the CRA. For the year ended September 30, 2020, the CRA did not pay the City for administrative support services, other than reimbursement for payroll costs for the CRA staff, who was an employee of the City.

The accompanying financial statements present the CRA. There are no component units of the CRA, or entities for which the CRA is financially accountable. Criteria for determining if other entities are potential component units of the CRA which should be reported with the CRA's basic financial statements are identified and described in the GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. The application of these criteria provides for identification of any entities for which the CRA is financially accountable and other organizations for which the nature and significance of their relationship with the CRA are such that exclusion would cause the CRA's basic financial statements to be misleading or incomplete. Based on these criteria, the financial reporting entity does not include or exclude any component units.

The City is financially accountable for the CRA and as such, the CRA is considered to be a blended component unit in the City's basic financial statements.

B. BASIS OF PRESENTATION

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-wide Financial Statements – The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all the nonfiduciary activities of the CRA. The effects of interfund activity would have been removed from these statements if there were any interfund activity. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from Business-type activities, which rely to a significant extent on fees and charges for support. The CRA does not engage in any business-type activities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – The financial transactions of the CRA are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, deferred inflows and outflows of resources, fund equity, revenues, and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Cod. Sec 2200 sets for minimum criteria (percentage of the assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Each major fund is presented in a separate column and all non-major funds are aggregated and presented in a single column. Due to the CRA’s fund structure, there were no non-major funds.

The financial transactions of the CRA are recorded in a single governmental “general” fund. There are no other governmental funds, no proprietary funds nor any fiduciary funds.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider 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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisition under capital leases are reported as other financing sources.

Property taxes are recognized as revenues in the year for which they are levied. Franchise and public service taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period.

Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the CRA.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions and voluntary nonexchange transactions are reported as liabilities until the eligibility requirements (excluding time requirements) are met and as deferred inflows if received before time requirements are met and all other eligibility requirements have been satisfied.

D. CASH AND INVESTMENTS

Cash and Cash Equivalents-All highly liquid investments with original maturities of three months or less when purchased are considered to be cash equivalents for the purpose of these statements. The CRA has a separate stand-alone bank account. The CRA reimburses the City for payroll costs for the CRA staff, who was an employee of the City.

E. RECEIVABLES AND UNEARNED OR UNAVAILABLE REVENUES

All receivables are reported at their gross value reduced by the estimated portion that is expected to be uncollectible. As of September 30, 2020, the CRA reported no receivables and therefore no allowance for uncollectible accounts receivable. In the fund financial statements, recognition of governmental fund-type revenues is deferred until they become measurable and available, in accordance with the modified accrual basis of accounting. Receivables are considered available if received within 60 days of year end.

Governmental funds report unavailable revenues in connection with receivables whose ultimate collection is not considered to be available to liquidate liabilities of the current period. All funds and activities may also report unearned revenue for resources that have been received, but not yet earned.

F. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

G. CAPITAL ASSETS

In the government-wide financial statements capital assets may include land, buildings, improvements, infrastructure, and furniture and equipment. The CRA often engages in the construction, renovation, and/or acquisition of capital assets which may include land, buildings, improvements or furniture and equipment.

None of these assets are titled to the CRA and the CRA does not have operational oversight nor obligation for ongoing repair and maintenance of the assets rather the assets are transferred to the City upon acquisition or upon completing of the construction or renovation. For long term construction or renovation projects, the costs are incurred in the governmental activities of the CRA and are transferred to the City upon completion.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the event that capital assets are purchased and titled to the CRA or if the CRA has ongoing operational responsibility of a capital asset, the CRA would report these at historical cost, if purchased and at estimated acquisition value if donated. Capital assets are defined by City policy as personal or real property or improvements with an individual cost of \$1,000 or more and estimated useful life in excess of one year. Maintenance and repair costs which do not improve or extend the life of the respective assets are charged to expense. Capital outlay assets are transferred to the City for inclusion in the City's fixed assets.

In the fund financial statements, capital assets are accounted for as capital outlay expenditures of the CRA's general fund upon acquisitions.

H. INTEREST COSTS

Interest costs are recognized as an expense in the period in which the cost is incurred in the statement activities or as an expenditure on a basis consistent with governmental fund accounting principles in the statement of revenues, expenditures, and changes in fund balance.

I. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position will sometimes report a section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

J. LONG-TERM OBLIGATIONS

There are no employees accounted for in the CRA. CRA employees are accounted for in the City's financial statements. Therefore, there are no compensated absences, other post-employment benefits or net pension liability.

K. EQUITY CLASSIFICATIONS

Government-wide Statements-The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is classified as net position and displayed in three components.

1. Net investment in capital assets-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. EQUITY CLASSIFICATIONS (continued)

2. Restricted net position-Consists of restricted assets reduced by liabilities related to those assets. Net position is reported as restricted only when restricted by outside parties or enabling legislation.
3. Unrestricted net position-Consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted net position is available for use, it is the CRA's policy to use restricted net position first, and then unrestricted net position as needed.

Fund Statements-The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the CRA is bound to honor the constraints on the specific purposes for which amounts in those funds can be spent. Spendable resources are to be shown as restricted, committed, assigned and unassigned as considered appropriate in the CRA's circumstances. The following classifications describe the relative strength of the spending constraints:

- Nonspendable-This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted-This classification includes amounts for which constraints have been placed on the use of the resources either (a)externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Total fund balance of the CRA is reported as restricted in accordance with applicable State Statute requirements.
- Committed-This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action (resolution) of the CRA's Board of Commissioners. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned-This classification includes amounts that are constrained by the CRA's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the CRA Board or through the Board delegating this responsibility to the City Manager through the budgetary process. This classification also includes the remaining positive fund balance for the CRA general fund.
- Unassigned-This classification includes all other spendable amounts.

The details of the fund balances are included in the governmental fund balance sheet. The CRA uses restricted funds firsts, followed by committed resources, and then assigned resources, as opportunities arise, but reserves the right to selectively spend unassigned resources first.

CITY OF APALACHICOLA COMMUNITY REDEVELOPMENT AGENCY

Notes to the Financial Statements

September 30, 2020

NOTE 2 – INCREMENTAL PROPERTY TAX REVENUE

The CRA's primary source of revenue is tax increment funds. This revenue is computed by applying the respective operating tax rates for the City multiplied by the increased value of property located within the boundaries of the redevelopment area of the CRA in excess of the base property value, minus 5%. The City is required to fund this amount annually by January 1 of each year without regard to tax collections or other obligations.

The City millage rate in effect for the fiscal year ended September 30, 2020 was 9.3 mills.

NOTE 3 – BUDGETARY LAW AND PRACTICE

The budget is approved by the Board of the CRA and then formally adopted by resolution of the City Commission on or before October 1 of each year. Because the City has operational responsibility for the CRA, the CRA utilizes the City's budgetary level of control policy which establishes the legal level of budgetary control at the fund level for all of the CRA's funds.

All final budget amounts presented in the accompanying required supplementary information have been adjusted for legally authorized amendments.

NOTE 4 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions-The CRA had no material violations of finance related legal and contractual provisions. Except as listed in the table of findings

Deficit Fund Balance or Net Position of Individual Funds-As of September 30, 2020, no individual fund had a deficit fund balance or net position deficit.

NOTE 5 – DEPOSITS AND INVESTMENTS

Cash and cash equivalents include cash on hand, amounts in demand and time deposits and short-term investments with original maturity dates within three months of the date acquired by the City. The CRA's deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280, *Florida Security for Public Deposits Act*. Under the Act, all qualified public depositories are required to be eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits, time the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

CITY OF APALACHICOLA COMMUNITY REDEVELOPMENT AGENCY

Notes to the Financial Statements

September 30, 2020

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Because City management has operational responsibility for the CRA, the type of investments in which the CRA may invest are governed by the City’s written investment policy and approved by the City Commission. The guidelines specify limits by instrument and establish a diversified investment strategy and a minimum credit quality.

As of September 30, 2020, the carrying amount of the CRA’s deposits is summarized below:

Cash and cash equivalents	\$ 219,139
Investments	<u>0</u>
Total	<u><u>\$ 219,139</u></u>

NOTE 6 – DUE FROM GENERAL FUND

The City had not been transferring its share of the Tax increment funding to the restricted CRA cash account. Franklin County had been transferring its share on an annual basis, which the City had been transferring to the CRA account. During the 2020 year, the City determined that it owed the CRA \$161,253 for prior years tax increments and transferred \$70,456 to the CRA. At year end, a balance of \$90,797 remained unpaid.

NOTE 7 – RISK MANAGEMENT

During the ordinary course of its operations, the CRA is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The CRA is covered by the City’s self-insurance programs. The City’s self-insurance programs are accounted for as an Internal Service Fund in the City financial statements, which was established to account for and finance its uninsured risks of loss. All funds of the City, including the CRA, participate in the program. Fund revenues are primarily contributions from other City funds for amounts needed to pay insurance premiums, anticipated self-insured losses and administrative expenses.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF APALACHICOLA COMMUNITY REDEVELOPMENT AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
September 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
General revenues				
Taxes	\$ 0	\$ 0	\$ 114,175	\$ 114,175
Investment Earnings	0	0	0	0
Total revenues	0	0	114,175	114,175
Expenditures				
Current				
Economic Environment:				
Administration	0	0	4,561	(4,561)
Projects	0	0	8,433	(8,433)
Total expenditures	0	0	12,994	(12,994)
Excess of revenues under expenditures	0	0	101,181	101,181
Other financing sources				
Transfers in	0	0	161,253	161,253
Total other financing sources	0	0	161,253	161,253
Net change in fund balance	0	0	262,434	262,434
Fund balances-beginning	0	0	47,503	47,503
Fund balances-ending	\$ 0	\$ 0	\$ 309,936	\$ 309,936

Notes to the Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual

A budget to actual schedule is required supplementary information for the CRA general fund. The annual budget for the CRA is prepared in accordance with the modified accrual basis of accounting. Under 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. For this purpose, the CRA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. During the year and up to 60 days subsequent to year-end. The CRA Board of Commissioners may adopt an amended budget approving such additional expenditures. The accompany schedule shows the budget as originally adopted and as amended.

COMPLIANCE SECTION

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

To the City Members of
Community Redevelopment Agency
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 the major fund of the Community Redevelopment Agency (the CRA), a component unit of the City of Apalachicola, Florida (the City), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the CRA's basic financial statements, and have issued our report thereon dated October 20, 2021

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CRA's internal control over financial reporting (internal control) as a basis for designing 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 CRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CRA'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 the 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 in a timely basis. We consider the deficiencies described in the accompanying schedule of findings to be material weaknesses, findings 2020-001 and finding 2020-002.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies, findings 2020-003, finding 2020-004, finding 2020-005, and finding 2020-006

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CRA's financial statements are free from material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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 no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of the 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 CRA'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 CRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moran & Smith LLP

October 20, 2021
Tallahassee, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF
SECTION 218.415 FLORIDA STATUTES**

To the Members of
Community Redevelopment Agency
City of Apalachicola, Florida

We have examined the Community Redevelopment Agency's (the CRA) compliance with 218.415, Florida Statutes during the fiscal year ended September 30, 2020. City management is responsible for the CRA's compliance with those requirements. Our responsibility is to express an opinion on the CRA'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 CRA complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide as reasonable basis for our opinion.

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

In our opinion the CRA complied, in all respects, with the aforementioned requirements during the fiscal year ended September 30, 2020.

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

Moran & Smith LLP

October 20, 2021
Tallahassee, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF
SECTION 163.387(6) and (7) FLORIDA STATUTES REDEVELOPMENT TRUST FUND**

To the Members of
Community Redevelopment Agency
City of Apalachicola, Florida

We have examined the Community Redevelopment Agency's (the CRA) compliance with 163.387(6) and (7), Florida Statutes during the fiscal year ended September 30, 2020. City management is responsible for the CRA's compliance with those requirements. Our responsibility is to express an opinion on the CRA'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 CRA complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the CRA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide as reasonable basis for our opinion.

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

In our opinion the CRA did not comply, in all respects, with the aforementioned requirements during the fiscal year ended September 30, 2020. See the attached schedule of findings.

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

Moran & Smith LLP

October 20, 2021
Tallahassee, Florida

MANAGEMENT LETTER

To the Members of
Community Redevelopment Agency
City of Apalachicola, Florida

Report on the Financial Statements

We have audited the financial statements of the Community Redevelopment Agency (the CRA), a component unit of the City of Apalachicola, Florida (the City). As of and for the fiscal year ended September 30, 2020 and have issued our report thereon dated October 20, 2021.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of the financial statements performed in accordance with Government Auditing Standards and an Independent Accountants' Reports on an examination conducted in accordance with AICPA Professional Standards, AT-C 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated October 10, 2021, 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 significant findings and recommendations made in the preceding annual financial audit report. There were no prior year audit findings.

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 of 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 legal authority is disclosed in the notes to the financial statements.

MANAGEMENT LETTER

Financial Condition and Management

Section 10.554(1)(i)5.a and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not the CRA 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 CRA 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 CRA. It is management's responsibility to monitor the CRA'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 the same.

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

Special District Component Unit

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 non-compliance 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of the 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, and the Board members and management of the CRA, and is not intended to be and should not be used by anyone other than these specified parties.

Moran & Smith LLP

October 20, 2021
Tallahassee, Florida

Schedule of Findings

CRA Plan - 2020-001

CRITERIA: Pursuant to Section 163.387(6)(a), Florida Statutes, redevelopment trust fund moneys may be expended only for CRA undertakings as described in the CRA plan, which must be created pursuant to Sections 163.362 (4) and (9). The purpose of the elimination of slums and blight: The CRA shall operate under a CRA plan that specifically identifies any publicly funded capital projects to be undertaken within the CRA Area. The Plan shall contain a detailed statement of the projected costs of redevelopment, including the amount to be expended on publicly funded capital projects in the CRA district. The Plan must provide a time certain for completing all redevelopment financed by increment revenues.

CONDITION: The CRA was not able to provide an adequate approved CRA plan that was sufficiently detailed that included planned projects and uses of redevelopment trust fund moneys, and that was in compliance with FS. Section 163.360.

CAUSE: The CRA does not have an approved CRA plan that is in compliance with Florida Statutes.

EFFECT: The CRA cannot document it is spending money in compliance with Florida Statutes.

RECOMMENDATION: We recommend the CRA adopt a CRA plan in compliance with FS 163.360 or FS 163.361 and FS 163.362 adhere to it.

MANAGEMENT'S RESPONSE: We concur that the current CRA plan does not meet the statutory requirements and we are in the process of modifying the plan.

CRA Adopted Budget – 2020-002

CRITERIA: The CRA shall adopt an annual operating budget as required by FS Section 163.387 (6)(b) and provide a copy of the budget to the County within 10 days of adoption of the CRA budget.

CONDITION: The CRA did not provide us with a budget adopted in compliance with FS 163.387(6)(b)

CAUSE: The CRA is not operating under the compliance aspects of FS 163.

EFFECT: The CRA's expenditures were not kept within budgeted amounts.

RECOMMENDATION: We recommend the CRA adhere to the requirements of FS 163.387 in the adoption of its operating budget.

MANAGEMENT'S RESPONSE: We concur that the budget was not sufficient to meet the statutory requirements. We are in the process of modifying the CRA plan and this will be reflected in our budgets going forward.

Disposition of remaining Fund Balance at year End. – 2020-003

CRITERIA: Section 163.387(7), Florida Statutes, requires that on the last day of a CRA's fiscal year, any moneys remaining in the CRA's trust fund after the payment of expenses pursuant to State law shall be:

- Returned to each Taxing Authority in a proportion consistent with the incremental taxes paid in.
- Used to Reduce any CRA Indebtedness
- Appropriated to a specific redevelopment project pursuant to an approved CRA Plan.

Disposition of remaining Fund Balance at year End. – 2020-003 (continued)

CONDITION: The CRA has no documentation that they are in compliance with FS 163.387(7). They cannot document that they have a legal CRA Plan, or that they have adequate records to demonstrate that the excess funds were handled in compliance with the Florida Statutes.

CAUSE: The CRA board was not able to document that they have an approved plan.

EFFECT: The CRA cannot document they are in compliance with FS 163.

RECOMMENDATION: We recommend the CRA review the entire FS 163, and document compliance with the requirements.

MANAGEMENT'S RESPONSE: We concur that the CRA's allocation of remaining trust funds to redevelopment projects did not meet the statutory requirements. Although the CRA took steps to allocate remaining trust funds to redevelopment projects prior to September 30, 2020, details of those specific projects are not included in the CRA plan. We are in the process of modifying our plan and this will be reflected in our budget of fund carryforwards going forward.

Code of Ethics: 2020-004

CRITERIA: The officers, commissioners, and employees are subject to the ethic requirements of Part III FS chapter 112, and all commissioners must also comply with the ethics training requirements as imposed by FS 112.3142.

CONDITION: The CRA was not able to document that all CRA commissioners complied with the Florida Statutes regarding ethics training.

CAUSE: The CRA does not have the documentation regarding ethics training.

EFFECT: The CRA commissioners cannot document that they have the required Ethics training

RECOMMENDATION: We recommend that all the CRA commissioners obtain the required ethics training.

MANAGEMENT'S RESPONSE: We concur that the two CRA commissioners appointed by the governing body had not received ethics training. The commissioners are now aware of the requirements, and we will document that all commissioners receive the required ethics training.

Annual CRA Report – 2020-005

CRITERIA: FS 163.371 requires the CRA to submit an annual report with the City and publish it on their website. The Statutes are very detailed as to the requirements of the annual report.

CONDITION: The CRA cannot document that they included all the aspects of the annual report requirements as outlined in FS 163.371.

CAUSE: The CRA has no documentation to support that the CRA has complied with all the requirements of annual reporting.

Annual CRA Report – 2020-005 (continued)

EFFECT: The CRA is not in compliance with the reporting on the required elements of what it is required to be in an annual report.

RECOMMENDATION: We recommend the CRA comply with the reporting requirements of FS 163.371.

MANAGEMENT’S RESPONSE: We concur that the CRA annual report did not meet all the statutory requirements and we will correct the report deficiencies going forward.

Redevelopment Trust Fund – 2020-006

CRITERIA: FS 163.387 requires the City to deposit all incremental ad valorem taxes into the CRA trust fund.

CONDITION: The City did not deposit all past due amounts of incremental ad valorem taxes into the CRA trust fund.

CAUSE: The city did not deposit all required incremental ad valorem taxes that they owed to the CRA into the trust fund account by year end.

EFFECT: The City cannot document that they have not used incremental ad valorem taxes for purposes other than those in the approved CRA plan.

RECOMMENDATION: We recommend that the city transfer all incremental ad valorem taxes into the CRA trust as soon as they are collected.

MANAGEMENT’S RESPONSE: We concur, and the City has now deposited all past due amounts into the CRA trust fund.