

**CITY OF CARRABELLE, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**CITY OF CARRABELLE, FLORIDA  
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SEPTEMBER 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable City Council,  
City of Carrabelle, Florida:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carrabelle, Florida as of and for the year ended September 30, 2019 and the related notes to the financial statements, which collectively comprise City of Carrabelle, Florida'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 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 auditors' 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 (1) unmodified audit opinion on each major fund and the aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities, business-type activities, and the Water and Sewer Fund.

***Basis for Qualified Opinion on the Governmental Activities, Business-type Activities, and Water and Sewer Fund***

As discussed in Note (IV, G.) 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 the governmental activities, business-type activities, and the Water and Sewer Fund.

The amounts by which these departures would affect the deferred inflows, liabilities, deferred outflows, net position, and expenses of the governmental activities, business-type activities, and Water and Sewer Fund has not been determined.

***Qualified Opinion on the Governmental Activities, Business-type Activities, and Water and Sewer Fund***

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities and Water and Sewer Fund, the financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, business-type activities, and Water and Sewer Fund of the City as of September 30, 2019, 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.

***Unmodified Opinion on Major Funds and Aggregate Remaining Fund Information***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information for the City, as of September 30, 2019, 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.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and other 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 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 June 30, 2020 on our consideration of City of Carrabelle, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 City of Carrabelle, Florida's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Moore & Co., P.L.". The signature is written in a cursive style with a large initial "J" and a stylized "M".

Tallahassee, Florida  
June 30, 2020

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

As management of the City of Carrabelle, Florida, we offer readers of the City of Carrabelle, Florida's financial statements this narrative overview and analysis of the financial activities of the City of Carrabelle, Florida for the fiscal year ended September 30, 2019.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Carrabelle, Florida's basic financial statements. The City of Carrabelle, Florida'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 other 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 City of Carrabelle, Florida's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Carrabelle, Florida's assets and liabilities, with the difference between the two 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 City of Carrabelle, Florida is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Carrabelle, Florida that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Carrabelle, Florida include general government, public safety, transportation, culture and recreation and physical environment. The business-type activities of the City of Carrabelle, Florida include a water and sewer operation and an airport operation.

The government-wide financial statements can be found as listed in the table of contents.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Carrabelle, Florida, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Carrabelle, Florida can be divided into two categories: governmental funds and proprietary funds.

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**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*.

The City of Carrabelle, Florida maintains two major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and special revenue fund, both of these are considered to be major funds.

The City of Carrabelle, Florida adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as listed in the table of contents.

**Proprietary funds.** The City of Carrabelle, Florida maintains proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Carrabelle, Florida uses enterprise funds to account for its water and sewer operation and its airport operation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operation, and the airport operation.

The basic proprietary fund financial statements can be found as listed in the table of contents.

**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 as listed in the table of contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Carrabelle, Florida's budgetary information. Required supplementary information can be found as listed in the table of contents.

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**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 of Carrabelle, Florida, assets exceeded liabilities by \$47,745,232 at the close of the most recent fiscal year.

The largest portion of the City of Carrabelle, Florida'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 of Carrabelle, Florida uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Carrabelle, Florida'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.

An additional portion of the City of Carrabelle, Florida's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$2,470,277 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Carrabelle, Florida is able to report positive balances in all three categories of net position for the government as a whole.

**City of Carrabelle, Florida  
Management's Discussion and Analysis  
September 30, 2019**

**City of Carrabelle, Florida's Net Position**

	<b>2019</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and other assets	\$ 2,084,687	\$ 3,711,885	\$ 5,796,572
Capital assets	7,462,462	42,068,278	49,530,740
Total assets	<u>9,547,149</u>	<u>45,780,163</u>	<u>55,327,312</u>
Deferred outflows	<u>226,903</u>	<u>158,836</u>	<u>385,739</u>
Long-term liabilities outstanding	854,018	5,091,756	5,945,774
Net pension liability	748,123	500,735	1,248,858
Other liabilities	147,573	430,358	577,931
Total liabilities	<u>1,749,714</u>	<u>6,022,849</u>	<u>7,772,563</u>
Deferred inflows	<u>115,488</u>	<u>79,768</u>	<u>195,256</u>
Net position:			
Net investment in capital assets	7,462,462	37,027,982	44,490,444
Restricted	706,696	77,815	784,511
Unrestricted	(260,308)	2,730,585	2,470,277
Total net position	<u>\$ 7,908,850</u>	<u>\$ 39,836,382</u>	<u>\$ 47,745,232</u>
	<b>2018</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and other assets	\$ 2,119,847	\$ 3,169,786	\$ 5,289,633
Capital assets	9,387,186	43,783,227	53,170,413
Total assets	<u>11,507,033</u>	<u>46,953,013</u>	<u>58,460,046</u>
Deferred outflows	<u>291,363</u>	<u>188,899</u>	<u>480,262</u>
Long-term liabilities outstanding	705,067	5,270,825	5,975,892
Net pension liability	749,611	501,429	1,251,040
Other liabilities	351,077	408,534	759,611
Total liabilities	<u>1,805,755</u>	<u>6,180,788</u>	<u>7,986,543</u>
Deferred inflows	<u>84,947</u>	<u>65,525</u>	<u>150,472</u>
Net position:			
Net investment in capital assets	9,387,186	38,564,560	47,951,746
Restricted	852,974	96,804	949,778
Unrestricted	(332,466)	2,234,235	1,901,769
Total net position	<u>\$ 9,907,694</u>	<u>\$ 40,895,599</u>	<u>\$ 50,803,293</u>

Note - 2018 amounts have not been restated for the effects of any prior period adjustments

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**City of Carrabelle, Florida's Changes in Net Position**

	<b>2019</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Revenues:			
Program revenues:			
Charges for services	\$ 120,433	\$ 2,113,954	\$ 2,234,387
Operating grants and contributions	424,124	-	424,124
Capital grants and contributions	423,303	224,295	647,598
General revenues:			
Taxes	1,424,511	-	1,424,511
Intergovernmental and other	85,873	155,339	241,212
Total revenues	<u>2,478,244</u>	<u>2,493,588</u>	<u>4,971,832</u>
Expenses:			
General government	582,834	-	582,834
Public Safety	560,656	-	560,656
Transportation	281,407	-	281,407
Culture and recreation	28,944	-	28,944
Physical environment	581,857	-	581,857
Interest on long term debt	27,508	-	27,508
Water and Sewer	-	3,498,003	3,498,003
Airport	-	185,269	185,269
Total expenses	<u>2,063,206</u>	<u>3,683,272</u>	<u>5,746,478</u>
Special Item- Loss on impairment of old city hall building	(2,498,173)	-	(2,498,173)
Change in net position	(2,083,135)	(1,189,684)	(3,272,819)
Net position, beginning of year, as restated	9,991,985	41,026,066	51,018,051
Net position, end of year	<u>\$ 7,908,850</u>	<u>\$ 39,836,382</u>	<u>\$ 47,745,232</u>
	<b>2018</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Revenues:			
Program revenues:			
Charges for services	\$ 76,332	\$ 2,127,720	\$ 2,204,052
Operating grants and contributions	-	-	-
Capital grants and contributions	249,502	368,554	618,056
General revenues:			
Taxes	1,345,851	-	1,345,851
Intergovernmental and other	73,065	175,786	248,851
Total revenues	<u>1,744,750</u>	<u>2,672,060</u>	<u>4,416,810</u>
Expenses:			
General government	553,801	-	553,801
Public Safety	572,052	-	572,052
Transportation	298,432	-	298,432
Culture and recreation	137,656	-	137,656
Physical environment	238,856	-	238,856
Interest on long term debt	2,761	-	2,761
Water and Sewer	-	3,464,819	3,464,819
Airport	-	265,841	265,841
Total expenses	<u>1,803,558</u>	<u>3,730,660</u>	<u>5,534,218</u>
Change in net position	(58,808)	(1,058,600)	(1,117,408)
Net position, beginning of year	9,966,502	41,954,199	51,920,701
Net position, end of year	<u>\$ 9,907,694</u>	<u>\$ 40,895,599</u>	<u>\$ 50,803,293</u>

Note - 2018 amounts have not been restated for the effects of any prior period adjustments

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2019**

**Governmental activities.** Governmental activities decreased the City of Carrabelle, Florida's net position by \$2,083,135. The key elements of this decrease were:

- Impairment of old City Hall

**Business-type activities.** Business-type activities decreased the City of Carrabelle, Florida's net position by \$1,189,684. The key element of this decrease was:

- Depreciation and pension expenses.

### **Financial Analysis of the Government's Funds**

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

**Governmental funds.** The focus of the City of Carrabelle, Florida's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Carrabelle, Florida'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 of Carrabelle, Florida's governmental funds reported combined ending fund balances of \$1,937,114, a increase of \$84,053 in comparison with the prior year. Approximately 62% of this total amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *assigned, nonspendable and restricted* to indicate that it is not available for new spending because it has already been committed to generate income to pay for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Carrabelle, Florida. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,270,111 while total fund balance reached \$1,525,308. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 71 percent of total general fund expenditures, while total fund balance represents 89 percent of that same amount.

The fund balance of the City of Carrabelle, Florida's general fund increased by \$334,655 during the current fiscal year. The key factors in this increase were:

- Decrease in general government and culture and recreation expenditures compared to the previous year.

**Proprietary funds.** The City of Carrabelle, Florida's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer fund and the Airport fund at the end of the year amounted to \$2,736,064, and (\$5,479), respectively. The total decrease in net position for the funds was \$1,189,684. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Carrabelle, Florida's business-type activities.

**City of Carrabelle, Florida  
Management's Discussion and Analysis  
September 30, 2019**

**General Fund Budgetary Highlights**

- Expenditures related to street paving project were not considered in the original budget.

**Capital Asset and Debt Administration**

**Capital assets.** The City of Carrabelle, Florida's investment in capital assets for its governmental and business type activities as of September 30, 2019, amounts to \$49,530,740 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and system, improvements, machinery and equipment, park facilities and roads.

Major capital asset events during the current fiscal year included the following:

- New city hall placed in services during the year.
- Infrastructure improvements.
- Airport improvements.
- Impairment of old city hall

Additional information on the City of Carrabelle, Florida's capital assets can be found in the notes to the financial statements as indicated in the table of contents.

**Long-term debt.** At the end of the current fiscal year, the City of Carrabelle, Florida had total debt outstanding of \$5,945,774, which was related to capital improvement debt and equipment, and compensated absences.

Additional information on the City of Carrabelle, Florida's long-term debt can be found in the notes to the financial statements as indicated in the table of contents.

**Economic Factors and Next Year's Budgets and Rates**

- Millage rate consistent with previous years.
- FEMA reimbursements for hurricane related damages.
- Airport improvements with grant funding.
- Road improvement projects with SCOP grants

**Requests for Information**

This financial report is designed to provide a general overview of the City of Carrabelle, 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 City Clerk, 1206 Hwy 98 East, Carrabelle, Florida 32322.

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,247,088	\$ 3,039,112	\$ 4,286,200
Certificates of deposit	54,304	248,030	302,334
Investments	1,038	-	1,038
Receivables, net	61,019	310,640	371,659
Due from other governments	45,251	205,005	250,256
Internal balances	205,005	(205,005)	-
Inventory	0	2,900	2,900
Prepays	19,739	13,455	33,194
Restricted assets			
Cash and cash equivalents	451,243	97,748	548,991
Capital assets not being depreciated:			
Land	444,368	2,970,515	3,414,883
Construction in process	-	56,897	56,897
Capital assets being depreciated, net	7,018,094	39,040,866	46,058,960
<b>Total assets</b>	<u>\$ 9,547,149</u>	<u>\$ 45,780,163</u>	<u>\$ 55,327,312</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred outflows related to pensions	<u>\$ 226,903</u>	<u>\$ 158,836</u>	<u>\$ 385,739</u>
<b>LIABILITIES</b>			
Account payable and accrued expenses	\$ 147,573	\$ 201,216	\$ 348,789
Unearned revenue	-	9,030	9,030
Deposits	-	220,112	220,112
Noncurrent liabilities:			
Due within one year	73,071	225,764	298,835
Due in more than one year	780,947	4,865,992	5,646,939
Net pension liability	748,123	500,735	1,248,858
<b>Total liabilities</b>	<u>\$ 1,749,714</u>	<u>\$ 6,022,849</u>	<u>\$ 7,772,563</u>
<b>DEFERRED INFLOWS</b>			
Deferred inflows related to pensions	<u>\$ 115,488</u>	<u>\$ 79,768</u>	<u>\$ 195,256</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 7,462,462	\$ 37,027,982	\$ 44,490,444
Restricted for:			
Infrastructure	138,118	-	138,118
Community redevelopment	406,804	-	406,804
Public safety	102,342	-	102,342
Cemetery	59,432	-	59,432
Debt service	-	77,815	77,815
Unrestricted	(260,308)	2,730,585	2,470,277
<b>Total net position</b>	<u>\$ 7,908,850</u>	<u>\$ 39,836,382</u>	<u>\$ 47,745,232</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Governmental activities:							
General government	\$ 582,834	\$ 86,220	\$ 424,124	\$ 423,303	\$ 350,813	\$ -	\$ 350,813
Public safety	560,656	34,213	-	-	(526,443)	-	(526,443)
Transportation	281,407	-	-	-	(281,407)	-	(281,407)
Culture and recreation	28,944	-	-	-	(28,944)	-	(28,944)
Physical environment	581,857	-	-	-	(581,857)	-	(581,857)
Interest on long term debt	27,508	-	-	-	(27,508)	-	(27,508)
Total governmental activities	<u>2,063,206</u>	<u>120,433</u>	<u>424,124</u>	<u>423,303</u>	<u>(1,095,346)</u>	<u>-</u>	<u>(1,095,346)</u>
Business-type activities:							
Water and sewer	3,498,003	2,075,657	-	59,660	-	(1,362,686)	(1,362,686)
Airport	185,269	38,297	-	164,635	-	17,663	17,663
Total business-type activities	<u>3,683,272</u>	<u>2,113,954</u>	<u>-</u>	<u>224,295</u>	<u>-</u>	<u>(1,345,023)</u>	<u>(1,345,023)</u>
Total government	<u>\$ 5,746,478</u>	<u>\$ 2,234,387</u>	<u>\$ 424,124</u>	<u>\$ 647,598</u>	<u>(1,095,346)</u>	<u>(1,345,023)</u>	<u>(2,440,369)</u>
General revenues:							
Property taxes					1,024,738	-	1,024,738
Sales taxes					223,974	-	223,974
Other taxes					63,761	-	63,761
Franchise and utility taxes					112,038	-	112,038
Intergovernmental revenue					65,930	113,267	179,197
Other					36,552	14,308	50,860
Unrestricted investment earnings					3,875	7,280	11,155
Transfers					(20,484)	20,484	-
Total general revenues					<u>1,510,384</u>	<u>155,339</u>	<u>1,665,723</u>
Special Item- Loss on impairment of old city hall building					(2,498,173)	-	(2,498,173)
Change in net position					<u>(2,083,135)</u>	<u>(1,189,684)</u>	<u>(3,272,819)</u>
Net position, beginning of year, as restated					9,991,985	41,026,066	51,018,051
Net position, end of year					<u>\$ 7,908,850</u>	<u>\$ 39,836,382</u>	<u>\$ 47,745,232</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,203,175	\$ -	\$ 43,913	\$ 1,247,088
Certificate of deposit	54,304	-	-	54,304
Investments	1,038	-	-	1,038
Receivables	61,019	-	45,251	106,270
Prepaid items	15,044	4,695	-	19,739
Due from other funds	205,005	326,656	-	531,661
Restricted cash and cash equivalents	299,585	151,658	-	451,243
<b>Total Assets</b>	<b>\$ 1,839,170</b>	<b>\$ 483,009</b>	<b>\$ 89,164</b>	<b>\$ 2,411,343</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 21,064	\$ 71,510	\$ 54,999	\$ 147,573
Due to other funds	292,798	-	33,858	326,656
Total liabilities	313,862	71,510	88,857	474,229
Fund Balances:				
Nonspendable	15,044	4,695	-	19,739
Restricted for:				
Infrastructure	137,811	-	307	138,118
Public safety	102,342	-	-	102,342
Community redevelopment	-	406,804	-	406,804
Cemetery	59,432	-	-	59,432
Unassigned	1,210,679	-	-	1,210,679
Total fund balances	1,525,308	411,499	307	1,937,114
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,839,170</b>	<b>\$ 483,009</b>	<b>\$ 89,164</b>	<b>\$ 2,411,343</b>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

**Fund balances - total governmental funds** \$ 1,937,114

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 the funds:

Capital assets not being depreciated	444,368	
Capital assets being depreciated	12,618,622	
Accumulated depreciation	<u>(5,600,528)</u>	7,462,462

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	226,903	
Net pension liability	(748,123)	
Deferred inflows	<u>(115,488)</u>	(636,708)

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

Notes payable	(811,814)	
Compensated absences	<u>(42,204)</u>	(854,018)

Net position of governmental activities \$ 7,908,850

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

Net change in fund balances-total governmental funds	\$	84,053
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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:

Capital outlay expenditures	948,142	
Depreciation expense	<u>(374,693)</u>	573,449

The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds:

Repayment of principal of capital lease	37,731	
Issuance of notes payable	<u>(192,235)</u>	(154,504)

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:

Pension expense	(93,513)	
Loss on impairment of old city hall	(2,498,173)	
Changes in compensated absences	<u>5,553</u>	(2,586,133)

Change in net position of governmental activities	\$	<u><u>(2,083,135)</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes, licenses and permits	\$ 1,380,934	\$ 83,610	\$ -	\$ 1,464,544
Intergovernmental	492,452	-	423,303	915,755
Charges for services	37,750	-	-	37,750
Other	80,123	542	14	80,679
Total revenues	<u>1,991,259</u>	<u>84,152</u>	<u>423,317</u>	<u>2,498,728</u>
<b>Expenditures</b>				
General government	540,481	-	-	540,481
Public safety	465,626	-	-	465,626
Transportation	226,695	-	-	226,695
Culture and recreation	60,556	7,627	-	68,183
Physical environment	351,098	447,198	423,301	1,221,597
Debt service:				
Principal	36,336	-	-	36,336
Interest	27,508	-	-	27,508
Total expenditures	<u>1,708,300</u>	<u>454,825</u>	<u>423,301</u>	<u>2,586,426</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>282,959</u>	<u>(370,673)</u>	<u>16</u>	<u>(87,698)</u>
<b>Other financing sources (uses)</b>				
Transfers in	-	120,055	-	120,055
Transfers out	(140,539)	-	-	(140,539)
Debt proceeds	192,235	-	-	192,235
Total other financing sources (uses)	<u>51,696</u>	<u>120,055</u>	<u>-</u>	<u>171,751</u>
<b>Net change in fund balances</b>	<u>334,655</u>	<u>(250,618)</u>	<u>16</u>	<u>84,053</u>
<b>Fund balances, beginning of year, as restated</b>	1,190,653	662,117	291	1,853,061
<b>Fund balances, end of year</b>	<u>\$ 1,525,308</u>	<u>\$ 411,499</u>	<u>\$ 307</u>	<u>\$ 1,937,114</u>

The accompanying notes to financial statements are an integral part of this statement

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2019**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Airport</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,994,348	\$ 44,764	\$ 3,039,112
Restricted assets:			
Cash and cash equivalents	97,748	-	97,748
Certificate of deposit	248,030	-	248,030
Receivables, net	310,640	-	310,640
Due from other governments	-	205,005	205,005
Inventory	-	2,900	2,900
Prepaid items	13,455	-	13,455
Total current assets	<u>3,664,221</u>	<u>252,669</u>	<u>3,916,890</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	37,230,374	4,837,904	42,068,278
Total noncurrent assets	<u>37,230,374</u>	<u>4,837,904</u>	<u>42,068,278</u>
Total assets	<u>\$ 40,894,595</u>	<u>\$ 5,090,573</u>	<u>\$ 45,985,168</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred outflows related to pensions	<u>\$ 158,836</u>	<u>\$ -</u>	<u>\$ 158,836</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 157,103	\$ 44,113	\$ 201,216
Current portion of capital lease payable	7,281	-	7,281
Current portion of compensated absences	36,588	-	36,588
Current portion of notes payable	181,895	-	181,895
Due to other funds	-	205,005	205,005
Unearned revenue	-	9,030	9,030
Utility deposits	220,112	-	220,112
Noncurrent liabilities:			
Capital lease, long-term portion	7,591	-	7,591
Notes payable, long-term portion	4,858,401	-	4,858,401
Net pension liability	500,735	-	500,735
Total liabilities	<u>\$ 5,969,706</u>	<u>\$ 258,148</u>	<u>\$ 6,227,854</u>
<b>DEFERRED INFLOWS</b>			
Deferred inflows related to pensions	<u>\$ 79,768</u>	<u>\$ -</u>	<u>\$ 79,768</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 32,190,078	\$ 4,837,904	\$ 37,027,982
Restricted for debt service	77,815	-	77,815
Unrestricted	2,736,064	(5,479)	2,730,585
Total net position	<u>\$ 35,003,957</u>	<u>\$ 4,832,425</u>	<u>\$ 39,836,382</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Airport</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services	\$ 2,075,657	\$ 38,297	\$ 2,113,954
Intergovernmental	113,267	-	113,267
Other revenues	14,308	-	14,308
Total operating revenues	2,203,232	38,297	2,241,529
<b>Operating expenses:</b>			
Contracted services	-	1,373	1,373
Salaries	412,166	-	412,166
Employee benefits	188,566	-	188,566
Auto and truck	22,372	-	22,372
Depreciation	1,803,702	69,947	1,873,649
Professional fees	109,187	72,382	181,569
Repairs	463,789	16,451	480,240
Utilities	177,604	6,225	183,829
Supplies	145,446	12,197	157,643
Insurance	54,209	6,608	60,817
Miscellaneous	26,858	86	26,944
Total operating expenses	3,403,899	185,269	3,589,168
<b>Operating loss</b>	<b>(1,200,667)</b>	<b>(146,972)</b>	<b>(1,347,639)</b>
<b>Nonoperating revenues (expenses):</b>			
Interest earnings	7,195	85	7,280
Interest expense	(94,104)	-	(94,104)
Total nonoperating revenues (expenses)	(86,909)	85	(86,824)
<b>Loss before capital contributions and grants</b>	<b>(1,287,576)</b>	<b>(146,887)</b>	<b>(1,434,463)</b>
<b>Capital contributions and grants:</b>			
Capital contributions	50,762	-	50,762
Capital grants	8,898	164,635	173,533
Total capital contributions and grants	59,660	164,635	224,295
<b>Transfers</b>			
Transfers in (out)	-	20,484	20,484
<b>Change in net position</b>	<b>(1,227,916)</b>	<b>38,232</b>	<b>(1,189,684)</b>
<b>Total net position, beginning of year, as restated</b>	36,231,873	4,794,193	41,026,066
<b>Total net position, end of year</b>	<b>\$ 35,003,957</b>	<b>\$ 4,832,425</b>	<b>\$ 39,836,382</b>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Airport</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash received from customers and others	\$ 2,195,887	\$ (126,338)	\$ 2,069,549
Cash paid to employees and vendors	(1,585,675)	(89,060)	(1,674,735)
Net cash provided by (used in) operating activities	<u>610,212</u>	<u>(215,398)</u>	<u>394,814</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	-	20,484	20,484
Interfund loans	-	139,673	139,673
Net cash used in noncapital financing activities	<u>-</u>	<u>160,157</u>	<u>160,157</u>
<b>Cash flows from capital and related financing activities</b>			
Capital contributions	50,762	-	50,762
Acquisition and construction of capital assets	(16,413)	(105,615)	(122,028)
Capital grants	8,898	164,635	173,533
Principal payments of long-term debt	(195,796)	-	(195,796)
Interest paid	(94,104)	-	(94,104)
Net cash provided by (used in) capital and related financing activities	<u>(246,653)</u>	<u>59,020</u>	<u>(187,633)</u>
<b>Cash flows from investing activities</b>			
Interest received	7,195	85	7,280
<b>Net change in cash and cash equivalents</b>	<u>370,754</u>	<u>3,864</u>	<u>374,618</u>
<b>Cash and cash equivalents, beginning of year</b>	2,721,342	40,900	2,762,242
<b>Cash and cash equivalents, end of year</b>	<u>\$ 3,092,096</u>	<u>\$ 44,764</u>	<u>\$ 3,136,860</u>
<b>Cash and cash equivalents classified as:</b>			
Unrestricted	\$ 2,994,348	\$ 44,764	\$ 3,039,112
Restricted	97,748	-	97,748
Total cash and cash equivalents	<u>\$ 3,092,096</u>	<u>\$ 44,764</u>	<u>\$ 3,136,860</u>
<b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b>			
Operating loss	\$ (1,200,667)	\$ (146,972)	\$ (1,347,639)
Adjustments to reconcile net operating loss to net cash provided by (used in) operating activities:			
Depreciation	1,803,702	69,947	1,873,649
Changes in assets and liabilities:			
Accounts receivable	(32,018)	40,370	8,352
Due from other governments	-	(205,005)	(205,005)
Prepaid items	1,067	-	1,067
Accounts payable and accrued liabilities	(32,011)	29,162	(2,849)
Inventory	-	(2,900)	(2,900)
Deposits	24,673	-	24,673
Unearned revenue	-	-	-
Compensated absences	1,854	-	1,854
Net pension liability	43,612	-	43,612
Net cash provided by (used in) operating activities	<u>\$ 610,212</u>	<u>\$ (215,398)</u>	<u>\$ 394,814</u>
<b>Non-cash investing, capital, and financing activities:</b>			
Capital assets acquired through capital lease	\$ 14,871	\$ -	\$ 14,871

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies:**

**A. Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

**B. Reporting entity**

City of Carrabelle, Florida (the “City”) is a municipal corporation formed under Florida Laws 1965, c. 65-1349, and is governed by an elected mayor and a four member council. The accompanying financial statements present the government and its component units, entities for which the government is considered financially accountable. As required by accounting principles generally accepted in the United States of America, these financial statements include the City’s Community Redevelopment Agency. A blended component unit is, in substance, part of the primary government’s operations, even though it is a legally separate entity. Thus, the blended component unit is appropriately presented as a fund of the primary government.

**Blended component units.** The City’s Community Redevelopment Agency (“Agency”) serves all the citizens of the City and is governed by the same Board as the City of Carrabelle, Florida. The Agency was established for the conservation, rehabilitation, and redevelopment of the City and for the interest of the public health, safety, morals, and welfare of the residents. The Agency is reported as a special revenue fund.

**C. Basis of presentation - government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**D. Basis of presentation – fund financial statements**

The fund financial statements provide information about the government’s funds, including its blended component unit. Separate statements for each fund category-governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies:** (Continued)

**D. Basis of presentation – fund financial statements** (Continued)

The City reports the following major governmental funds:

The *general fund* is the City'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 *special revenue fund* accounts for the receipts and expenditures related the City's Community Redevelopment Agency.

The *capital projects fund* accounts for significant project activity.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the City's water distribution and sewer operations.

The *airport fund* accounts for the activities of the City's airport operations.

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 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 funds) 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 business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**E. Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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 are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies:** (Continued)

**E. Measurement focus and basis of accounting** (Continued)

The 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 government 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 compensated absences, and claims and judgments, are recorded only when 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.

Sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**F. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, and special revenue fund.

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 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). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. 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.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies:** (Continued)

**G. Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance**

**1. *Deposits and investments***

The City's cash and cash equivalents are 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.

State statutes authorize the City to invest in direct obligations of the U.S. Treasury, Local Government Surplus Funds Trust Funds, 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 CD accounts in state-certified public depositories.

**2. *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 government 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 government as assets with an initial, individual cost of more than \$5,000 acquired after September 30, 2003 and an estimated useful life in excess of two years. For inventory purposes, capital assets are assets with individual cost of \$1,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs 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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	39
Infrastructure	20
Utility system	5 – 50
Vehicles	5
Office equipment	5 – 10

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies:** (Continued)

**G. Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance**  
(Continued)

**3. *Long-term obligations***

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

**4. *Use of estimates***

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

**5. *Net position flow assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted 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.

**6. *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 City’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.

**7. *Fund balance policies***

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

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**I. Summary of Significant Accounting Policies:** (Continued)

**G. Assets, deferred outflows, liabilities, deferred inflows, and net position/fund balance**  
(Continued)

**7. *Fund balance policies*** (Continued)

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 council 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 City council (council) has by resolution authorized the City Administrator to assign fund balance. The council may also assign fund balance as it does when appropriating 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.

**8. *Deferred outflows/inflows of resources***

In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in the Florida Retirement System note.

**9. *Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and additions to/deductions from FRS's fiduciary net position have been determined on the same basis as they are reported by FRS. 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.

**10. *Prepaid items***

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

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

I. **Summary of Significant Accounting Policies:** (Continued)

H. **Revenues and expenditures/expenses**

1. ***Program revenues***

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. ***Property taxes***

Property taxes are billed and collected for the City by the 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

3. ***Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation pay and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

4. ***Proprietary funds operating and nonoperating revenues and expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund and sewer fund are charges to customers for sales and services. The water fund and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. The principal operating revenues for the airport fund include hangar rental charges and sales of fuel. Operating expenses for enterprise funds 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.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**II. Detailed Notes on All Funds:**

**A. Deposits**

At year end, the carrying amount of the City deposits was \$5,137,525 and the bank balance was \$5,099,177. The entire 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 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.

The carrying amount of deposits consisted of the following as of September 30, 2019:

Cash and cash equivalents	\$ 4,835,191
Certificates of deposit	302,334
	\$ 5,137,525

**B. Receivables**

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Capital Projects Fund	Water Sewer Fund	Airport Fund	Total
Intergovernmental	\$ 61,019	\$ 45,251	\$ -	\$ 205,005	\$ 311,275
Accounts receivable	-	-	444,937	-	444,937
Gross receivables	61,019	45,251	444,937	205,005	756,212
Less: allowance for uncollectible receivables	-	-	(134,297)	-	(134,297)
Net receivables	\$ 61,019	\$ 45,251	\$ 310,640	\$ 205,005	\$ 621,915

**C. Interfund Receivables and Payables**

The composition of interfund balances as of September 30, 2019, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Airport Fund	\$ 205,005
Special Revenue Fund	General Fund	292,798
Special Revenue Fund	Capital Projects Fund	33,858
		\$ 531,661

The interfund amounts were used to cover deficits in cash balances due to timing of cash collections.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**II. Detailed Notes on All Funds: (Continued)**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 543,118	\$ -	\$ (98,750)	\$ 444,368
Construction in progress	1,458,979	892,300	(2,351,279)	-
Total capital assets, not being depreciated	<u>2,002,097</u>	<u>892,300</u>	<u>(2,450,029)</u>	<u>444,368</u>
Capital assets, being depreciated:				
Land improvements	535,168	-	-	535,168
Buildings and improvements	6,833,907	2,407,121	(2,399,423)	6,841,605
Equipment, furniture, fixtures and vehicles	2,802,365	-	-	2,802,365
Infrastructure	2,439,484	-	-	2,439,484
Total capital assets, being depreciated	<u>12,610,924</u>	<u>2,407,121</u>	<u>(2,399,423)</u>	<u>12,618,622</u>
Less accumulated depreciation for:				
Land Improvements	(21,147)	(22,574)	-	(43,721)
Buildings and improvements	(1,872,506)	(205,350)	-	(2,077,856)
Equipment, furniture, fixtures and vehicles	(2,706,200)	(38,692)	-	(2,744,892)
Infrastructure	(625,982)	(108,077)	-	(734,059)
Total accumulated depreciation	<u>(5,225,835)</u>	<u>(374,693)</u>	<u>-</u>	<u>(5,600,528)</u>
Total capital assets, being depreciated, net	<u>7,385,089</u>	<u>2,032,428</u>	<u>(2,399,423)</u>	<u>7,018,094</u>
Governmental activities capital assets, net	<u>\$ 9,387,186</u>	<u>\$ 2,924,728</u>	<u>\$ (4,849,452)</u>	<u>\$ 7,462,462</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,970,515	\$ -	\$ -	\$ 2,970,515
Construction in progress	552,364	114,513	(609,980)	56,897
Total capital assets, not being depreciated	<u>3,522,879</u>	<u>114,513</u>	<u>(609,980)</u>	<u>3,027,412</u>
Capital assets, being depreciated:				
Equipment, buildings, utility systems and improvements	55,377,946	632,368	-	56,010,314
Total capital assets, being depreciated	<u>55,377,946</u>	<u>632,368</u>	<u>-</u>	<u>56,010,314</u>
Less accumulated depreciation:				
Equipment, buildings, utility systems and improvements	(15,095,799)	(1,873,649)	-	(16,969,448)
Total accumulated depreciation	<u>(15,095,799)</u>	<u>(1,873,649)</u>	<u>-</u>	<u>(16,969,448)</u>
Total capital assets, being depreciated, net	<u>40,282,147</u>	<u>(1,241,281)</u>	<u>-</u>	<u>39,040,866</u>
Business type activities capital assets, net	<u>\$ 43,805,026</u>	<u>\$ (1,126,768)</u>	<u>\$ (609,980)</u>	<u>\$ 42,068,278</u>

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

II. **Detailed Notes on All Funds:** (Continued)

D. **Capital Assets** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 133,959
Public safety	22,648
Transportation	51,961
Culture and recreation	68,733
Physical environment	97,392
Total	<u>\$ 374,693</u>
Business-type activities:	
Water and sewer	\$ 1,803,702
Airport	69,947
Total	<u>\$ 1,873,649</u>

During the year ended September 30, 2019, the City completed construction on its new city hall facility and moved its place of primary operations to the new facility. Management has evaluated the building previously utilized for city hall for impairment as the building is no longer being used by the City in any significant capacity. After considering the extensive repairs that would be required to bring the building to useable capacity, and the current market conditions, management determined an impairment to the cost of the carried value of the building and land was appropriate. After recording an impairment loss of \$2,498,173, the net book value of the impaired building and land was \$50,000.

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**II. Detailed Notes on All Funds:** (Continued)

**E. Long-term Debt**

***Governmental Activities***

*Notes payable*

3.94% note payable to bank payable in monthly installments of \$5,015 beginning May 2019 including interest, through March 2029, collateralized by building.	\$ 811,814
Less: Current portion	<u>30,867</u>
Notes payable, less current portion	<u><u>\$ 780,947</u></u>

Maturities of notes payable are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>
2020	\$ 30,867	\$ 29,316
2021	29,921	30,263
2022	31,122	29,061
2023	32,372	27,811
2024	33,598	26,585
2025 – 2029	653,934	101,754
Total	<u>\$ 811,814</u>	<u>\$ 244,790</u>

***Business-type Activities***

*Notes payable*

1.54% note payable to government agency, payable in semi-annual installments \$106,198 including interest through May 15, 2042, collateralized by water and sewer revenues	\$ 4,076,542
2.71% note payable to government agency, payable in semi-annual installments of \$18,689 including interest, through December 15, 2040, collateralized by water and sewer revenues	606,028
2.71% note payable to government agency, payable in semi-annual installments of \$11,174 including interest, through December 15, 2040, collateralized by water and sewer revenues	<u>357,726</u>
	5,040,296
Less: Current portion	<u>181,895</u>
Notes payable, less current portion	<u><u>\$ 4,858,401</u></u>

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

II. **Detailed Notes on All Funds:** (Continued)

E. **Long-term Debt** (Continued)

*Business-type Activities (Continued)*

Maturities of notes payable are as follows:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>
<b>September 30,</b>		
2020	\$ 181,895	\$ 90,226
2021	185,193	86,927
2022	188,554	83,567
2023	191,980	80,141
2024	195,470	76,651
2025 – 2029	1,032,133	328,472
2030 – 2034	1,130,143	230,461
2035 – 2039	1,238,098	122,506
2040 – 2042	696,830	18,943
Total	<u>\$ 5,040,296</u>	<u>\$ 1,117,894</u>

*Capital Leases*

The City leases vehicles under agreements that are classified as capital leases. The capitalized cost of the vehicles is \$22,388. Depreciation expense related to the vehicles under capital leases as of and for the year ended September 30, 2019 was \$4,104. Accumulated depreciation totaled \$4,104 as of September 30, 2019. The future minimum lease payments required and the present value of the net minimum lease payments at September 30, 2019 are as follows:

<b><u>Year Ended September 30,</u></b>	<b><u>Amount</u></b>
2020	\$ 7,913
2021	7,913
Less: Amounts representing interest	955
Present value of minimum lease payments	<u>\$ 14,871</u>

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**II. Detailed Notes on All Funds:** (Continued)

**E. Long-term Debt** (Continued)

Changes in long-term debt

Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due within one year
Governmental activities:					
Compensated absences	\$ 47,757	\$ 47,562	\$ 53,115	\$ 42,204	\$ 42,204
Capital lease	20,844	-	20,844	-	-
Notes payable	636,466	192,235	16,887	811,814	30,867
Governmental activity long-term liabilities	<u>\$ 705,067</u>	<u>\$ 239,797</u>	<u>\$ 90,846</u>	<u>\$ 854,018</u>	<u>\$ 73,071</u>
Business-type activities:					
Notes payable	\$ 5,218,667	\$ -	\$ 178,371	\$ 5,040,296	\$ 181,895
Capital lease	17,424	22,388	24,941	14,871	7,281
Compensated absences	34,734	28,809	26,955	36,588	36,588
Business-type activity long-term liabilities	<u>\$ 5,270,825</u>	<u>\$ 51,197</u>	<u>\$ 230,267</u>	<u>\$ 5,091,755</u>	<u>\$ 225,764</u>

**F. Unearned Revenue**

The City has unearned airport hangar rent totaling \$9,030 as of September 30, 2019.

**III. Stewardship, Compliance, and Accountability:**

**Excess of Expenditures Over Appropriations**

Expenditures exceeded appropriations in the funds listed below. These over expenditures were funded by available fund balances.

General fund	<u>\$ 584,595</u>
Special Revenue Fund	<u>\$ 8,375</u>

**IV. Other Information:**

**A. Contingent Liabilities**

**Grant Programs**—Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the 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.

**Litigation**—A landowner located in the City has sued the City related to certain stormwater improvements located within the City, but constructed and maintained by the County. The damages sought remain unspecified. The case will continue to be vigorously contested and a favorable outcome is expected. No amount has been accrued in the financial statements.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

IV. **Other Information:** (Continued)

**B. Florida Retirement System**

**Plan Description and Administration**

The City participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the City's full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the entity are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-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. For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments.

Benefits under the Plan 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 CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

IV. **Other Information:** (Continued)

B. **Florida Retirement System** (Continued)

**Benefits Provided and Employees Covered** (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months.

During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
Division of Retirement, Research and Education Services  
P.O. Box 9000  
Tallahassee, FL 32315-9000  
850-488-5706 or toll free at 877-377-1737

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**IV. Other Information:** (Continued)

**B. Florida Retirement System** (Continued)

**Contributions**

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2019, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan &amp; Class</u>	<u>Through June 30, 2019</u>	<u>After June 30, 2019</u>
Regular Class	8.26%	8.47%
Senior Management	24.06%	25.41%
Special Risk	24.50%	25.48%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for entity employees participating in FRS and HIS for the plan year ended June 30, 2019, were as follows:

Entity Contributions – FRS	\$ 90,207
Entity Contributions – HIS	12,256
Employee Contributions – FRS	22,149

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At September 30, 2019, the entity reported a net pension liability related to FRS and HIS as follows:

<u>Plan</u>	<u>Net Pension Liability</u>
FRS	\$ 1,001,902
HIS	246,956
Total	<u>\$ 1,248,858</u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2019 and June 30, 2018, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

<u>Plan</u>	<u>2019</u>	<u>2018</u>
FRS	0.002909241%	0.003262706%
HIS	0.002207136%	0.002534893%

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**IV. Other Information:** (Continued)

**B. Florida Retirement System** (Continued)

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** (Continued)

For the plan year ended June 30, 2019, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 228,286
HIS	12,092
Total	<u>\$ 240,378</u>

*Deferred outflows/inflows related to pensions:*

At September 30, 2019, deferred outflows of resources and deferred inflows of resources related to pensions were recorded from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 59,426	\$ (622)	\$ 3,000	\$ (302)
Changes of assumptions	257,332	-	28,595	(20,184)
Net different between projected and actual investment earnings	-	(55,430)	159	-
Change in proportionate share	9,990	(78,445)	1,423	(40,273)
Contributions subsequent to measurement date	22,575	-	3,239	-
	<u>\$ 349,323</u>	<u>\$ (134,497)</u>	<u>\$ 36,416</u>	<u>\$ (60,759)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2020.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2020	\$ 55,074
2021	54,934
2022	49,935
2023	15,505
2024	(5,298)
Thereafter	(5,481)
Total	<u>\$ 164,669</u>

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

IV. **Other Information:** (Continued)

B. **Florida Retirement System** (Continued)

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources  
Related to Pensions** (Continued)

*Actuarial assumptions:*

The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.90%. This rate decreased from the prior year rate, which was 7.00%. The plan's 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 Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.5% was used to determine was used to determine the total pension for the program. This rate increased from the prior year rate, which was 3.87%. Mortality assumptions for both plans were based on the PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018 details.

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the proportionate shares of the FRS and HIS net pension liability of the entity calculated using the current discount rates, as well as what the entity's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.90%	\$ 1,731,955	\$ 1,001,902	\$ 392,184
HIS	3.50%	\$ 281,913	\$ 246,956	\$ 217,841

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**IV. Other Information:** (Continued)

**B. Florida Retirement System** (Continued)

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** (Continued)

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2019, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.3%
Fixed income	18.0%	4.1%
Global equities	54.0%	8.0%
Real estate	11.0%	6.7%
Private equity	10.0%	11.2%
Strategic investments	6.0%	5.9%
Total	<u>100.0%</u>	

**C. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

**D. Subsequent Events**

Subsequent to September 30, 2019, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of June 30, 2020, management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**IV. Other Information:** (Continued)

**E. Contractual Commitments:**

As of September 30, 2019, the City had the following commitments related to unfinished projects:

<b>Projects</b>	<b>Remaining Commitment</b>
Local Infrastructure Improvement Projects	\$ 851,000

**F. Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for fiscal years subsequent to September 30, 2019, that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the City's financial statements:

- (a) GASB issued Statement No. 84, Fiduciary Activities, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2019.
- (b) GASB issued Statement No. 87, Leases, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after June 15, 2021.
- (c) GASB issued Statement No. 90, Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61, in August 2018. GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions in GASB 90 are effective for periods beginning after December 15, 2019.
- (d) GASB issued Statement No. 91, Conduit Debt Obligations, in May 2019. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions in GASB 91 are effective for periods beginning after December 15, 2021.

**G. Other Postemployment Benefits:**

The City provides other postemployment benefits (OPEB) to its employees by providing retirement healthcare benefits through an implicit rate subsidy. 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.

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**Other Information:** (Continued)

**H. Restatement of Beginning Equity**

Subsequent to the issuance of the September 30, 2019 financial statements, management became aware of the following errors: (1) understatement of Sewer fund construction in process related to grant projects (2) understatement of utility accounts receivable due to the lack of accrual of unbilled receivables and (3) understatement of grant revenue due to lack of recognition of cost reimbursement revenue received in 2019 for fiscal year 2018 expenditures. The net effect of this understatement of construction in process had the effects on beginning fund balance and net position as follows:

	<u>Fund Balance</u>		<u>Net Position</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Water/Sewer Fund</u>
Net position/ fund balance -			
9/30/18, originally reported	\$ 1,184,903	\$ 583,576	\$ 36,101,406
CIP adjustment	-	-	43,598
Unbilled receivable adjustment	-	-	86,869
Grant revenue adjustment	5,750	78,541	-
Net position/ fund balance -			
9/30/18, as restated	<u>\$ 1,190,653</u>	<u>\$ 662,117</u>	<u>\$ 36,231,873</u>

The impact of the restatement was for the beginning net position of governmental activities to increase by the sum of the above amounts for the general and special revenue fund. The total increase to the beginning net position of the City's business-type activities was the same as the amount of increase to the Water/Sewer Fund.

**CITY OF CARRABELLE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2019**

**CITY OF CARRABELLE, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Licenses and Permits	\$ 1,192,250	\$ 1,192,250	\$ 1,380,934	\$ 188,684
Intergovernmental	60,705	60,705	492,452	431,747
Charges for services	4,750	4,750	37,750	33,000
Other	38,000	38,000	80,123	42,123
<b>Total revenues</b>	<u>1,295,705</u>	<u>1,295,705</u>	<u>1,991,259</u>	<u>695,554</u>
<b>EXPENDITURES</b>				
General government	402,200	402,200	540,481	(138,281)
Public safety	488,050	488,050	465,626	22,424
Transportation	233,455	233,455	226,695	6,760
Culture and recreation	-	-	60,556	(60,556)
Physical environment	-	-	351,098	(351,098)
Debt service:				
Principal	-	-	36,336	(36,336)
Interest	-	-	27,508	(27,508)
<b>Total expenditures</b>	<u>1,123,705</u>	<u>1,123,705</u>	<u>1,708,300</u>	<u>(584,595)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>172,000</u>	<u>172,000</u>	<u>282,959</u>	<u>110,959</u>
<b>Other financing sources (uses)</b>				
Transfers out	-	-	(140,539)	(140,539)
Debt Proceeds	-	-	192,235	192,235
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>51,696</u>	<u>51,696</u>
<b>Net change in fund balances</b>	<u>172,000</u>	<u>172,000</u>	<u>334,655</u>	<u>162,655</u>
<b>Fund balances, beginning of year, as restated</b>	1,588,317	1,588,317	1,190,653	(397,664)
<b>Fund balances, end of year</b>	<u><u>\$ 1,760,317</u></u>	<u><u>\$ 1,760,317</u></u>	<u><u>\$ 1,525,308</u></u>	<u><u>\$ (235,009)</u></u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budget to actual is an integral part of this schedule

**CITY OF CARRABELLE, FLORIDA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>REVENUES</b>				
Licenses and Permits	\$ 79,000	\$ 79,000	\$ 83,610	\$ 4,610
Other	-	-	542	542
<b>Total revenues</b>	<u>79,000</u>	<u>79,000</u>	<u>84,152</u>	<u>5,152</u>
<b>EXPENDITURES</b>				
Culture and recreation	2,500	2,500	7,627	(5,127)
Physical environment	443,950	443,950	447,198	(3,248)
<b>Total expenditures</b>	<u>446,450</u>	<u>446,450</u>	<u>454,825</u>	<u>(8,375)</u>
<b>Deficiency of revenues under expenditures</b>	<u>(367,450)</u>	<u>(367,450)</u>	<u>(370,673)</u>	<u>(3,223)</u>
<b>Other financing sources</b>				
Transfers in	112,000	112,000	120,055	8,055
<b>Net change in fund balances</b>	<u>(255,450)</u>	<u>(255,450)</u>	<u>(250,618)</u>	<u>4,832</u>
<b>Fund balances, beginning of year, as restated</b>	662,117	662,117	662,117	-
<b>Fund balances, end of year</b>	<u>\$ 406,667</u>	<u>\$ 406,667</u>	<u>\$ 411,499</u>	<u>\$ 4,832</u>

The accompanying note to schedule of revenues, expenditures, and changes in fund balance - budget to actual is an integral part of this schedule

**CITY OF CARRABELLE, FLORIDA  
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**A. Budgetary Information:**

1. The annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the governmental funds. All annual appropriations lapse at fiscal yearend.

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

- a) Prior to October 1, the City Council prepares the proposed operating budgets for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and the means of financing them.
  - b) Public hearings are conducted to obtain taxpayer comments.
  - c) Prior to October 1, the budgets are legally enacted through passage of a resolution.
  - d) Revisions that alter the total expenditures of any fund must be approved by the City Council.
  - e) Formal budgetary integration is employed as a management control device during the year for the funds. The legal level of budgetary control is the fund level.
  - f) The budgets for the funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
2. Expenditures exceeded appropriations in the funds listed below. These over expenditures were funded by available fund balances.

Fund	Over Expenditure
General fund	\$ 584,595
Special Revenue fund	\$ 8,375

**CITY OF CARRABELLE, FL**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY -**  
**LAST 10 FISCAL YEAR AS OF SEPTEMBER 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Florida Retirement System (FRS)</b>						
Proportion of the net pension liability (asset)	0.002909241%	0.003262706%	0.331695200%	0.003389060%	0.003199934%	0.003350965%
Proportionate share of the net pension liability (asset)	\$ 1,001,902	\$ 982,744	\$ 981,132	\$ 855,740	\$ 413,314	\$ 204,458
Covered-employee payroll	\$ 738,314	\$ 828,120	\$ 814,325	\$ 822,788	\$ 1,194,464	\$ 1,444,086
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	135.70%	118.67%	120.48%	104.00%	34.60%	14.16%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>						
Proportion of the net pension liability (asset)	0.220713600%	0.002534893%	0.002554142%	0.002653027%	0.002667368%	0.002787310%
Proportionate share of the net pension liability (asset)	\$ 246,956	\$ 268,296	\$ 273,101	\$ 309,199	\$ 272,030	\$ 260,620
Covered-employee payroll	\$ 738,314	\$ 828,120	\$ 814,325	\$ 822,788	\$ 1,194,464	\$ 1,444,086
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.45%	32.40%	33.54%	37.58%	22.77%	18.05%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

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

**CITY OF CARRABELLE, FL  
SCHEDULE OF CONTRIBUTIONS -  
LAST 10 FISCAL YEAR AS OF SEPTEMBER 30**

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b><u>Florida Retirement System (FRS)</u></b>						
Contractually required contribution	\$ 90,207	\$ 92,985	\$ 87,318	\$ 86,474	\$ 72,982	\$ 83,035
Contributions in relation to the contractually required contribution	(90,207)	(92,985)	(87,318)	(86,474)	(72,982)	(83,035)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>				
Covered-employee payroll	\$ 738,314	\$ 828,120	\$ 814,325	\$ 822,788	\$ 1,194,464	\$ 1,444,086
Contributions as a percentage of covered-employee payroll	-12.22%	11.23%	10.72%	10.51%	6.11%	5.75%
<b><u>Health Insurance Subsidy Program (HIS)</u></b>						
Contractually required contribution	\$ 12,256	\$ 13,747	\$ 13,518	\$ 13,658	\$ 15,050	\$ 17,329
Contributions in relation to the contractually required contribution	(12,256)	(13,747)	(13,518)	(13,658)	(15,050)	(17,329)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>				
Covered-employee payroll	\$ 738,314	\$ 828,120	\$ 814,325	\$ 822,788	\$ 1,194,464	\$ 1,444,086
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.66%	1.26%	1.20%

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

**CITY OF CARRABELLE, FLORIDA  
OFFICIALS  
SEPTEMBER 30, 2019**

**CITY COUNCIL**

Brenda LaPaz, Mayor  
Franklin Mathes  
Calvin Allen  
Keith Walden  
Anthony Millender

**CITY ADMINISTRATOR**

Courtney Millender Dempsey

**CITY CLERK**

Keisha Messer

**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 Honorable City Council,  
City of Carrabelle, Florida:

We have audited, in accordance with 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, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carrabelle, Florida as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Carrabelle, Florida's basic financial statements, and have issued our report thereon dated June 30, 2020.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

**Finding 2019-001: Prepare Financial Statements in Accordance with GAAP and Significant Adjustments**

**Criteria:** 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 (“GAAP”).

**Condition:** Adjustments were required to be made to the accounting records subsequent to the start of the audit process to be in accordance with GAAP.

**Cause:** Management relied on auditors to propose entries that had not been recorded at the time of the audit.

**Effect:** Incorrect recording of accounting records could lead to a material misstatement on the financial statements.

**Recommendation:** We recommend that the process for identifying accounting transaction be reviewed and updated.

**Finding 2019-002: Segregation of Duties**

**Criteria:** Internal controls are designed to safeguard assets and help prevent or detect losses from employee dishonesty or error. A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

**Condition:** The size of the City’s accounting staff precludes certain internal controls that would be preferred. We believe that certain practices could be implemented to improve existing internal control without impairing efficiency.

**Cause:** The size of the City’s accounting and administrative staff precludes certain internal controls that would be preferred – including timely deposits of cash receipts, mailing signed checks without returning them to the employee responsible for accounts payable, and maintaining a management approved vendor list.

**Effect:** Errors or material misstatements in the financial statements presented to the board by management may exist and not be detected.

**Recommendation:** We recommend management develop compensating controls.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Carrabelle, Florida’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 below:

**2019-003: Debt Compliance**

**Criteria:** The City has various notes payable outstanding at year end with varying debt covenants. During our audit we became aware of the following covenants that were not met in accordance with the underlying debt agreements:

**Condition:** The City currently has an outstanding State revolving fund loan, which requires that a debt service sinking fund be established and monthly amounts equal to 1/6 of the next semiannual payment be transferred. As of September 30, 2019, the City had not transferred the required amount to the sinking fund.

**Cause:** Failure to transfer 1/6 of semiannual payment to the sinking fund monthly.

**Effect:** Noncompliance with certain debt covenants.

**Recommendation:** We recommend management take action to become in compliance with all debt covenants.

**Finding 2019-004: Capital Assets**

**Criteria:** DFS Rule 69I-73.006 and Florida Statutes Chapter 274

**Condition:** During our audit, we noted that the City had not taken a complete physical inventory of property and equipment.

**Cause:** A physical inventory of capital assets has not been performed by the City.

**Effect:** Capital assets may be materially misstated as the physical assets owned by the City cannot be reconciled to the fixed asset records.

**Recommendation:** We recommend the City perform an annual inventory count in accordance with DFS Rule 69I-73.006 and Florida Statutes Chapter 274.

**Finding 2019-005: Community Redevelopment Agency**

**Criteria:** Florida Statutes Chapter 163.

**Condition:** During our audit, we noted that the City has not yet transferred all of the appropriate amounts due to the Community Redevelopment Agency.

**Cause:** The City did not transfer money in accordance with Florida Statutes Chapter 163.

**Effect:** Potential noncompliance with Florida Statutes Chapter 163.

**Recommendation:** We recommend the City review Florida Statutes Chapter 163 to ensure the City is in compliance with all requirements of the applicable statutes and begin to transfer the past amounts due to the Community Redevelopment Agency.

### **City of Carrabelle, Florida's Response to Findings**

City of Carrabelle, Florida's response to the findings identified in our audit are described in the accompanying corrective action plan. City of Carrabelle, Florida's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We also noted certain matters that we reported to management of City of Carrabelle, Florida, in a separate management Letter Required by Chapter 10.550, Rules of the State of Florida, Office of the Auditor General dated June 30, 2020.

### **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 entity'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.

James Moore & Co., P.L.

Tallahassee, Florida  
June 30, 2020

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED BY CHAPTER  
10.550, RULES OF THE STATE OF FLORIDA, OFFICE OF THE AUDITOR GENERAL**

To the Honorable City Council,  
City of Carrabelle, Florida:

**Report on the Financial Statements**

We have audited the financial statements of the City of Carrabelle, Florida, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon June 30, 2020.

Because the City's management has not acquired an actuarial valuation to determine the amount of its OPEB (Other Postemployment Benefits) liability and has not presented such liability in its government-wide financial statements as required by accounting principles generally accepted in the United States of America, we issued a qualified opinion on the governmental activities. The impact of such departure from generally accepted accounting principles on the liabilities, net position and expenditures of the government-wide financial statements of the City is unknown.

**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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; 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 and schedule, which are dated June 30, 2020, 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 except as noted in the table below.

**Prior Audit Findings (Continued)**

<b>Tabulation of Uncorrected Audit Findings</b>			
<b>Description</b>	<b>Current Year Finding #</b>	<b>2017-18 FY Finding #</b>	<b>2016-17 FY Finding #</b>
Prepare Financial Statements in Accordance with GAAP and Significant Adjustments	2019-001	2018-001	2017-001
Segregation of Duties	2019-002	2018-002	2017-002
Capital Assets	2019-004	2018-003	2017-003
Community Redevelopment Agency	2019-005	2018-005	2017-005
Budgetary Controls	2019-008	2018-006	2017-007
Budgetary Controls—General	2019-009	2018-007	2017-008
Accounting Manual	2019-010	2018-008	2017-010
Disaster Recovery Plan	2019-011	2018-009	2017-011

**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 this management letter, unless disclosed in the notes to the financial statements. This information is disclosed as required by accounting principles generally accepted in the United States of America in Note I.B. 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 City of Carrabelle, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Carrabelle, Florida 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. It is management’s responsibility to monitor the City of Carrabelle, Florida’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 recommended the following:

**2019-006: Utility Receivables**

During our audit we noted a significant amount of old outstanding utility accounts receivable which is the result of the accumulation of old receivables that have not been written off. Although management has recorded an appropriate allowance for doubtful accounts in the financial statements, we recommend the Council review its old outstanding amounts receivable for write off consideration.

**2019-007: Utility Charges**

During our audit we noted an instance where a customer was billed less than the amount of utility usage indicated per the meter reading. In addition, we noted an instance where a customer was billed based on an outside City limit rate while the address indicated the customer was located within City limits. We recommend management review its billing procedures to ensure all utility bills are charged appropriately.

**2019-008: Budgetary Controls**

Florida Statutes, Chapter 166.241(2) provides that the budget must regulate expenditures of the municipality, and it is unlawful for any officer of municipal government to expend or contract for expenditures in any fiscal year except in pursuant of budgeted expenditures. During our audit, we noted funds were expended in excess of budgeted amounts. The City adopts its budget for the various funds on the modified accrual basis of accounting. Based upon that budget approach, the City’s expenditures exceeded appropriations in the following funds:

Fund	Over Expenditure
General fund	\$ 584,595
Special Revenue fund	\$ 8,375

We recommend the City maintain a level of expenditures within the adopted budget.

**2019-009: Budgetary Controls—General**

Florida Statutes, Chapter 166.241(2), states that the amount available from taxation and other sources, including amount carried over from prior years, must equal the total appropriations for expenditures and reserves. The City did, in fact, include carry forward amounts in its adopted budget. However, after year end, when final fund equities were determined, the City did not amend the budget to include the appropriate amounts. Failure to consider accurate beginning fund equities in the budget diminishes the City’s ability to determine appropriate increases/decreases in revenues and/or expenditures that may be needed for the fiscal year for which the budget is adopted. We recommend the City implement a policy whereby final fund equities are included in the budget as soon as determined.

**2019-010: Accounting Manual**

The City does not have an accounting procedures manual. Written procedures, instructions, and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that all similar transactions are treated consistently, that accounting principles used are proper, and that records are produced in the form desired by management. A good accounting manual should aid in the training of new employees and possibly allow for delegation to other employees of some accounting functions that management performs. It will take some time and effort for management to complete this manual; however, we believe this time will be more than offset by time saved later in training and supervising accounting personnel. Also, in the process of the comprehensive review of existing accounting procedures for the purpose of developing the manual, management might discover procedures that can be eliminated or improved to make the system more efficient and effective.

### **2019-011: Disaster Recovery Plan**

The City does not have current, well-defined, written disaster recovery procedures. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing facilities. We suggest that management develop a disaster recovery plan that includes, but is not limited to the following matters:

- Location of, and access to, offsite storage.
- A listing of all data files that would have to be obtained from the offsite storage location.
- Identification of a backup location (name and telephone number) where similar or compatible equipment is available for emergency processing. (Management should make arrangements for such back up with another company, a computer vendor, or a service center. The agreement should be in writing).
- Responsibilities of various personnel in an emergency.
- Critical application priority and reporting requirements during the emergency period.

### **2019-012: Sales Tax**

The City collects sales tax from customers for certain taxable activity such as hangar rentals. During our audit we noted the City did not remit sales taxes collected to the Department of Revenue on a timely basis. We recommend the City remit all sales taxes collected on a timely basis.

### **Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address 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 which 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 Council Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida  
June 30, 2020

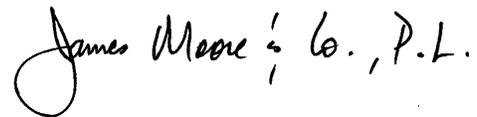
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Honorable City Council,  
City of Carrabelle, Florida:

We have examined City of Carrabelle, Florida's compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019. Management is responsible for City of Carrabelle, Florida's compliance with those requirements. Our responsibility is to express an opinion on City of Carrabelle, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about City of Carrabelle, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on City of Carrabelle, Florida's compliance with specified requirements.

In our opinion, City of Carrabelle, Florida complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.



Tallahassee, Florida  
June 30, 2020

CITY OF CARRABELLE  
CARRABELLE, FLORIDA

BRENDA LAPAZ  
MAYOR-COMMISSIONER

FRANKLIN MATHES  
COMMISSIONER

CAL ALLEN  
COMMISSIONER

RUSSELL WALDEN  
COMMISSIONER

ANTHONY MILLENDER  
COMMISSIONER

DAN HARTMAN  
CITY ATTORNEY

COURTNEY DEMPSEY  
CITY ADMINISTRATOR

KEISHA MESSER  
CITY CLERK



1206 HWY 98 EAST  
CARRABELLE, FLORIDA 32322  
TELEPHONE: 850-697-3618  
FAX: 850-697-3156

Management's Corrective Action

**2019-001 Prepare Financial Statements in Accordance with GAAP**

The City of Carrabelle will apply the appropriate accounting principles to prepare the financial statements in accordance with GAAP.

**2019-002 Segregation of Duties**

The City of Carrabelle will segregate the duties of handling cash, checks, posting receipts, disbursements and opening mail. Journal entries will be reviewed and approved.

**2019-003 Debt Compliance**

The City of Carrabelle has developed a plan to make transfers in a timely manner.

**2019-004 Capital Assets**

The City of Carrabelle will take a complete physical inventory of property and equipment and will assign ID Numbers for each.

**2019-005 Community Redevelopment Agency**

The City will begin transferring the appropriate amounts to the Community Redevelopment Agency.

**2019-006 Utility Receivables**

The City will develop a plan to review and write off past due accounts.

### **2019-007 Utility Charges**

The City will develop a plan to have utility billing reports reviewed periodically by management for accurateness.

### **2019-008 -009 Budgetary Controls**

The City of Carrabelle will not expend or contract for expenditure in any fiscal year except in pursuant of budgeted expenditure. The City will implement a policy whereby final fund equities are included in the budget as soon as determined.

### **2019-10 Accounting Manual**

Writing of the Accounting Manual is in progress.

### **2019-11 Disaster Recovery Plan**

The City continues work on a written Disaster Recovery Plan for departments other than water and sewer. The water and sewer Disaster Recovery Plan is complete. It should be noted the City has a Disaster Contingency fund in the form of a certificate of deposit in the amount of 17% of the General Fund annual budget.

### **2019-12 Sales Tax**

The City has developed a process in which tax payments will be remitted.