

**CITY OF CARRABELLE, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

**CITY OF CARRABELLE, FLORIDA  
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SEPTEMBER 30, 2017**

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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, and each major fund of City of Carrabelle, Florida as of and for the year ended September 30, 2017 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 audit opinions.

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## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of City of Carrabelle, Florida, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

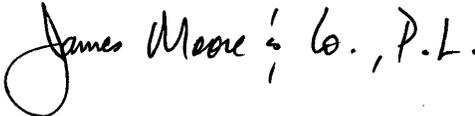
## **Other Matters**

### *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 pension 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 8, 2018 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.



Tallahassee, Florida  
June 8, 2018

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2017**

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, 2017.

**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 a port and airport operation.

The government-wide financial statements can be found on pages 10 - 11 of this report.

**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, 2017**

**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 individual 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 on pages 12 - 15 of this report.

**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 port and 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 port and airport operation.

The basic proprietary fund financial statements can be found on pages 16 - 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 – 40 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Carrabelle, Florida's budgetary information. Required supplementary information can be found on pages 41 - 46 of this report.

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2017**

**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 \$51,920,701 at the close of the most recent fiscal year.

The largest portion of the City of Carrabelle, Florida's net position (92 percent) 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 (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$2,814,178 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, as well as for its separate governmental and business-type activities.

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2017**

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

	<b>2017</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and other assets	\$ 2,900,619	\$ 3,000,736	\$ 5,901,355
Capital assets	7,942,217	45,232,340	53,174,557
Total assets	<u>10,842,836</u>	<u>48,233,076</u>	<u>59,075,912</u>
Deferred outflows	<u>308,118</u>	<u>198,754</u>	<u>506,872</u>
Long-term liabilities outstanding	84,510	5,495,323	5,579,833
Net pension liability	751,497	502,736	1,254,233
Other liabilities	296,311	433,346	729,657
Total liabilities	<u>1,132,318</u>	<u>6,431,405</u>	<u>7,563,723</u>
Deferred inflows	<u>52,134</u>	<u>46,226</u>	<u>98,360</u>
Net position:			
Net investment in capital assets	7,902,891	39,909,260	47,812,151
Restricted	1,198,536	95,836	1,294,372
Unrestricted	865,075	1,949,103	2,814,178
Total net position	<u>\$ 9,966,502</u>	<u>\$ 41,954,199</u>	<u>\$ 51,920,701</u>

	<b>2016</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Current and other assets	\$ 2,889,582	\$ 2,606,439	\$ 5,496,021
Capital assets	8,019,682	46,509,301	54,528,983
Total assets	<u>10,909,264</u>	<u>49,115,740</u>	<u>60,025,004</u>
Deferred outflows	<u>269,681</u>	<u>169,234</u>	<u>438,915</u>
Long-term liabilities outstanding	60,226	5,654,365	5,714,591
Net pension liability	700,991	463,948	1,164,939
Other liabilities	37,138	358,094	395,232
Total liabilities	<u>798,355</u>	<u>6,476,407</u>	<u>7,274,762</u>
Deferred inflows	<u>21,247</u>	<u>22,506</u>	<u>43,753</u>
Net position:			
Net investment in capital assets	7,999,938	40,919,166	48,919,104
Restricted	1,401,616	32,651	1,434,267
Unrestricted	957,789	1,834,244	2,792,033
Total net position	<u>\$ 10,359,343</u>	<u>\$ 42,786,061</u>	<u>\$ 53,145,404</u>

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2017**

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

	<b>2017</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Revenues:			
Program revenues:			
Charges for services	\$ 186,757	\$ 2,119,726	\$ 2,306,483
Operating grants and contributions	-	-	-
Capital grants and contributions	168,882	544,633	713,515
General revenues:			
Property taxes	933,542	-	933,542
Intergovernmental and other	376,540	(35,149)	341,391
Total revenues	<u>1,665,721</u>	<u>2,629,210</u>	<u>4,294,931</u>
Expenses:			
General government	621,757	-	621,757
Public Safety	558,742	-	558,742
Transportation	320,278	-	320,278
Culture and recreation	464,182	-	464,182
Physical environment	93,603	-	93,603
Water and Sewer	-	3,364,445	3,364,445
Port and Airport	-	96,627	96,627
Total expenses	<u>2,058,562</u>	<u>3,461,072</u>	<u>5,519,634</u>
Change in net position	(392,841)	(831,862)	(1,224,703)
<b>Net position</b> , beginning of year	10,359,343	42,786,061	53,145,404
<b>Net position</b> , end of year	<u>\$ 9,966,502</u>	<u>\$ 41,954,199</u>	<u>\$ 51,920,701</u>
	<b>2016</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Revenues:			
Program revenues:			
Charges for services	\$ 189,476	\$ 2,118,380	\$ 2,307,856
Operating grants and contributions	-	-	-
Capital grants and contributions	391,621	3,182,407	3,574,028
General revenues:			
Property taxes	917,801	-	917,801
Intergovernmental and other	364,287	1,550,559	1,914,846
Total revenues	<u>1,863,185</u>	<u>6,851,346</u>	<u>8,714,531</u>
Expenses:			
General government	805,955	-	805,955
Public Safety	594,890	-	594,890
Transportation	316,424	-	316,424
Culture and recreation	386,046	-	386,046
Physical environment	106,426	-	106,426
Water and Sewer	-	3,213,092	3,213,092
Port and Airport	-	72,011	72,011
Total expenses	<u>2,209,741</u>	<u>3,285,103</u>	<u>5,494,844</u>
Change in net position	(346,556)	3,566,243	3,219,687
<b>Net position</b> , beginning of year	10,705,899	39,219,818	49,925,717
<b>Net position</b> , end of year	<u>\$ 10,359,343</u>	<u>\$ 42,786,061</u>	<u>\$ 53,145,404</u>

**City of Carrabelle, Florida**  
**Management's Discussion and Analysis**  
**September 30, 2017**

**Governmental activities.** Governmental activities decreased the City of Carrabelle, Florida's net position by \$392,841. The key elements of this decrease were:

- Repairs to infrastructure.
- Decrease in capital grants and contributions.

**Business-type activities.** Business-type activities decreased the City of Carrabelle, Florida's net position by \$831,862. The key element of this decrease was

- Decrease in grants and contributions.

**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 \$2,604,308, a decrease of \$248,136 in comparison with the prior year. Approximately 58% 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 \$1,497,421 while total fund balance reached \$1,654,565. 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 103 percent of total general fund expenditures, while total fund balance represents 114 percent of that same amount.

The fund balance of the City of Carrabelle, Florida's general fund increased by \$66,248 during the current fiscal year. The key factors in this increase were:

- Increase in intergovernmental revenues.
- Decrease in repairs and maintenance.

**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 Port and Airport fund at the end of the year amounted to \$1,967,937, and (\$18,834), respectively. The total decrease in net position for the funds was \$831,862. 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, 2017**

**General Fund Budgetary Highlights**

- Unexpected capital outlay in Physical environment department.

**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, 2017, amounts to \$53,174,557 (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:

- Water and Sewer system improvements.
- Airport Hanger upgrade.
- City Hall improvements.

Additional information on the City of Carrabelle, Florida's capital assets can be found in Note III. C. on pages 30 - 31 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Carrabelle, Florida had total debt outstanding of \$6,834,066, which was related to capital improvement debt and equipment, compensated absences, and net pension liability.

Additional information on the City of Carrabelle, Florida's long-term debt can be found in note III.E on pages 31 - 33 of this report.

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

- Increase in Ad Valorem tax revenues.
- Repayment of interfund balances.
- Debt service related to Water and Sewer loans.

**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, 1001 Gray Avenue, Carrabelle, Florida 32322.

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,562,061	\$ 2,630,070	\$ 4,192,131
Certificates of deposit	54,304	248,030	302,334
Investments	1,038	-	1,038
Receivables, net	118,109	317,741	435,850
Internal balances	502,505	(502,505)	-
Prepays	13,414	18,499	31,913
Restricted assets			
Cash and cash equivalents	649,188	288,901	938,089
Capital assets not being depreciated:			
Land	543,118	2,970,515	3,513,633
Construction in process	80,968	220,121	301,089
Capital assets being depreciated, net	7,318,131	42,041,704	49,359,835
<b>Total assets</b>	<u>\$ 10,842,836</u>	<u>\$ 48,233,076</u>	<u>\$ 59,075,912</u>
<b>DEFERRED OUTFLOWS</b>			
Deferred outflows related to pensions	<u>\$ 308,118</u>	<u>\$ 198,754</u>	<u>\$ 506,872</u>
<b>LIABILITIES</b>			
Account payable and accrued expenses	\$ 296,311	\$ 235,206	\$ 531,517
Unearned revenue	-	5,075	5,075
Liabilities payable from restricted assets	-	193,065	193,065
Noncurrent liabilities:			
Due within one year	57,920	231,240	289,160
Due in more than one year	26,590	5,264,083	5,290,673
Net pension liability	751,497	502,736	1,254,233
<b>Total liabilities</b>	<u>\$ 1,132,318</u>	<u>\$ 6,431,405</u>	<u>\$ 7,563,723</u>
<b>DEFERRED INFLOWS</b>			
Deferred inflows related to pensions	<u>\$ 52,134</u>	<u>\$ 46,226</u>	<u>\$ 98,360</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 7,902,891	\$ 39,909,260	\$ 47,812,151
Restricted for:			
Infrastructure	97,689	-	97,689
Community redevelopment	941,752	-	941,752
Public safety	105,063	-	105,063
Cemetery	54,032	-	54,032
Debt service	-	95,836	95,836
Unrestricted	865,075	1,949,103	2,814,178
<b>Total net position</b>	<u>\$ 9,966,502</u>	<u>\$ 41,954,199</u>	<u>\$ 51,920,701</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, 2017**

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	\$ 621,757	\$ 150,966	\$ -	\$ 158,524	\$ (312,267)	\$ -	\$ (312,267)
Public safety	558,742	35,191	-	-	(523,551)	-	(523,551)
Transportation	320,278	600	-	-	(319,678)	-	(319,678)
Culture and recreation	464,182	-	-	-	(464,182)	-	(464,182)
Physical environment	93,603	-	-	10,358	(83,245)	-	(83,245)
Total governmental activities	<u>2,058,562</u>	<u>186,757</u>	<u>-</u>	<u>168,882</u>	<u>(1,702,923)</u>	<u>-</u>	<u>(1,702,923)</u>
Business-type activities:							
Water and sewer	3,364,445	2,080,319	-	44,640	-	(1,239,486)	(1,239,486)
Port and airport	96,627	39,407	-	499,993	-	442,773	442,773
Total business-type activities	<u>3,461,072</u>	<u>2,119,726</u>	<u>-</u>	<u>544,633</u>	<u>-</u>	<u>(796,713)</u>	<u>(796,713)</u>
Total government	<u>\$ 5,519,634</u>	<u>\$ 2,306,483</u>	<u>\$ -</u>	<u>\$ 713,515</u>	<u>(1,702,923)</u>	<u>(796,713)</u>	<u>(2,499,636)</u>
			General revenues:				
			Property taxes		933,542	-	933,542
			Intergovernmental revenue		251,304	-	251,304
			Other		71,419	1,743	73,162
			Unrestricted investment earnings		5,375	11,550	16,925
			Transfers		48,442	(48,442)	-
			Total general revenues		<u>1,310,082</u>	<u>(35,149)</u>	<u>1,274,933</u>
			Change in net position		<u>(392,841)</u>	<u>(831,862)</u>	<u>(1,224,703)</u>
			Net position, beginning of year		<u>10,359,343</u>	<u>42,786,061</u>	<u>53,145,404</u>
			Net position, end of year		<u>\$ 9,966,502</u>	<u>\$ 41,954,199</u>	<u>\$ 51,920,701</u>

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

**CITY OF CARRABELLE, FLORIDA  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,749,909	\$ 395,981	\$ 65,359	\$ 2,211,249
Certificate of deposit	54,304	-	-	54,304
Investments	1,038	-	-	1,038
Receivables	107,751	10,358	-	118,109
Prepaid items	9,000	4,414	-	13,414
Due from other funds	564,287	757,223	4,633	1,326,143
<b>Total Assets</b>	<u>\$ 2,486,289</u>	<u>\$ 1,167,976</u>	<u>\$ 69,992</u>	<u>\$ 3,724,257</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 74,501	\$ 221,810	\$ -	\$ 296,311
Due to other funds	757,223	-	66,415	823,638
Total liabilities	<u>831,724</u>	<u>221,810</u>	<u>66,415</u>	<u>1,119,949</u>
Fund Balances:				
Nonspendable	9,000	4,414	-	13,414
Restricted for:				
Infrastructure	94,112	-	3,577	97,689
Community redevelopment	-	941,752	-	941,752
Cemetery	54,032	-	-	54,032
Unassigned	1,497,421	-	-	1,497,421
Total fund balances	<u>1,654,565</u>	<u>946,166</u>	<u>3,577</u>	<u>2,604,308</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,486,289</u>	<u>\$ 1,167,976</u>	<u>\$ 69,992</u>	<u>\$ 3,724,257</u>

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, 2017**

**Fund balances - total governmental funds** \$ 2,604,308

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. 7,942,217

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	308,118	
Net pension liability	(751,497)	
Deferred inflows	<u>(52,134)</u>	(495,513)

Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. (84,510)

Net position of governmental activities \$ 9,966,502

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, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes, licenses and permits	\$ 865,022	\$ 79,892	\$ -	\$ 944,914
Intergovernmental	557,306	10,358	-	567,664
Charges for services	39,279	-	-	39,279
Other	64,116	1,142	164	65,422
Total revenues	<u>1,525,723</u>	<u>91,392</u>	<u>164</u>	<u>1,617,279</u>
<b>Expenditures</b>				
General government	437,614	-	-	437,614
Public safety	484,129	-	-	484,129
Transportation	262,494	-	-	262,494
Culture and recreation	58,564	-	-	58,564
Physical environment	169,257	519,954	-	689,211
Debt service:				-
Principal	34,282	-	-	34,282
Interest	1,427	-	-	1,427
Total expenditures	<u>1,447,767</u>	<u>519,954</u>	<u>-</u>	<u>1,967,721</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>77,956</u>	<u>(428,562)</u>	<u>164</u>	<u>(350,442)</u>
<b>Other financing sources (uses)</b>				
Transfers in	48,442	114,014	-	162,456
Transfers out	(114,014)	-	-	(114,014)
Debt proceeds	53,864	-	-	53,864
Total other financing sources (uses)	<u>(11,708)</u>	<u>114,014</u>	<u>-</u>	<u>102,306</u>
<b>Net change in fund balances</b>	<u>66,248</u>	<u>(314,548)</u>	<u>164</u>	<u>(248,136)</u>
<b>Fund balances, beginning of year</b>	1,588,317	1,260,714	3,413	2,852,444
<b>Fund balances, end of year</b>	<u>\$ 1,654,565</u>	<u>\$ 946,166</u>	<u>\$ 3,577</u>	<u>\$ 2,604,308</u>

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, 2017**

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

Net change in fund balances-total governmental funds (page 14) \$ (248,136)

Governmental funds report capital outlays as expenditures. However, in the statement of  
activities the cost of those assets is allocated over their estimated useful lives and reported  
as depreciation expense. This is the amount by which depreciation exceeded capital outlay  
expense in the current period. (77,465)

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 long-term debt	34,282	
Issuance of long-term debt	(53,864)	
	(19,582)	(19,582)

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	(42,956)	
Changes in compensated absences	(4,702)	
	(47,658)	(47,658)

Change in net position of governmental activities (page 11)		\$ (392,841)
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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, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Port and Airport</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 2,609,187	\$ 20,883	\$ 2,630,070
Restricted assets:			
Cash and cash equivalents	288,901	-	288,901
Certificate of deposit	248,030	-	248,030
Receivables, net	168,053	149,688	317,741
Prepaid items	18,499	-	18,499
Total current assets	3,332,670	170,571	3,503,241
Noncurrent assets:			
Restricted assets:			
Capital assets, net of accumulated depreciation	40,692,821	4,539,519	45,232,340
Total noncurrent assets	40,692,821	4,539,519	45,232,340
Total assets	\$ 44,025,491	\$ 4,710,090	\$ 48,735,581
<b>DEFERRED OUTFLOWS</b>			
Deferred outflows related to pensions	\$ 198,754	\$ -	\$ 198,754

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, 2017**  
(Continued)

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Port and Airport</b>	<b>Total</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 213,956	\$ 21,250	\$ 235,206
Current portion of capital lease payable	16,532	-	16,532
Current portion of compensated absences	29,785	-	29,785
Current portion of notes payable	109,800	-	109,800
Due to other funds	339,425	163,080	502,505
Unearned revenue	-	5,075	5,075
Payable from restricted assets:			
Utility deposits	193,065	-	193,065
Current portion of notes payable	70,799	-	70,799
Noncurrent liabilities:			
Compensated absences	37,703	-	37,703
Capital lease, long-term portion	17,424	-	17,424
Notes payable, long-term portion	5,213,280	-	5,213,280
Net pension liability	502,736	-	502,736
Total liabilities	\$ 6,744,505	\$ 189,405	\$ 6,933,910
<b>DEFERRED INFLOWS</b>			
Deferred inflows related to pensions	\$ 46,226	\$ -	\$ 46,226
<b>NET POSITION</b>			
Net investment in capital assets	\$ 35,369,741	\$ 4,539,519	\$ 39,909,260
Restricted for debt service	95,836	-	95,836
Unrestricted	1,967,937	(18,834)	1,949,103
Total net position	\$ 37,433,514	\$ 4,520,685	\$ 41,954,199

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Port and Airport</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for services	\$ 2,080,319	\$ 39,407	\$ 2,119,726
<b>Operating expenses:</b>			
Cost of sales	-	21,539	21,539
Contracted services	1,500	2,920	4,420
Salaries	482,045	-	482,045
Employee benefits	183,378	-	183,378
Auto and truck	22,470	-	22,470
Depreciation	1,787,662	52,994	1,840,656
Professional fees	91,588	1,345	92,933
Repairs	299,909	10,210	310,119
Utilities	146,029	4,757	150,786
Supplies	140,189	858	141,047
Insurance	49,002	1,758	50,760
Miscellaneous	32,367	246	32,613
Total operating expenses	3,236,139	96,627	3,332,766
<b>Operating loss</b>	<b>(1,155,820)</b>	<b>(57,220)</b>	<b>(1,213,040)</b>
<b>Nonoperating revenue:</b>			
Investment earnings	11,490	60	11,550
Miscellaneous	-	1,743	1,743
Total nonoperating revenues	11,490	1,803	13,293
<b>Nonoperating expense:</b>			
Loss on disposal of capital assets	28,125	-	28,125
Interest expense	100,181	-	100,181
	128,306	-	128,306
<b>Loss before capital contributions and grants</b>	<b>(1,272,636)</b>	<b>(55,417)</b>	<b>(1,328,053)</b>
<b>Capital contributions and grants:</b>			
Capital contributions	44,640	-	44,640
Capital grants	-	499,993	499,993
Total capital contributions and grants	44,640	499,993	544,633
<b>Transfers</b>			
Transfers in (out)	(49,792)	1,350	(48,442)
<b>Change in net position</b>	<b>(1,277,788)</b>	<b>445,926</b>	<b>(831,862)</b>
<b>Total net position, beginning of year</b>	<b>38,711,302</b>	<b>4,074,759</b>	<b>42,786,061</b>
<b>Total net position, end of year</b>	<b>\$ 37,433,514</b>	<b>\$ 4,520,685</b>	<b>\$ 41,954,199</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, 2017**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Port and Airport</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash received from customers and others	\$ 2,096,384	\$ 65,145	\$ 2,161,529
Cash paid to employees	(1,368,483)	(43,633)	(1,412,116)
Net cash provided by operating activities	<u>727,901</u>	<u>21,512</u>	<u>749,413</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers from other funds	-	1,350	1,350
Transfers to other funds	(49,792)	-	(49,792)
Increase in due to other funds	-	98,526	98,526
Net cash provided by (used in) noncapital financing activities	<u>(49,792)</u>	<u>99,876</u>	<u>50,084</u>
<b>Cash flows from capital and related financing activities</b>			
Capital contributions	44,640	-	44,640
Acquisition and construction of capital assets	(40,360)	(478,743)	(519,103)
Capital grants	-	352,905	352,905
Principal payments of long-term debt	(196,256)	-	(196,256)
Principal payments of capital leases	(17,511)	-	(17,511)
Interest paid	(100,181)	-	(100,181)
Net cash used in capital and related financing activities	<u>(309,668)</u>	<u>(125,838)</u>	<u>(435,506)</u>
<b>Cash flows from investing activities</b>			
Interest and other nonoperating revenues	11,490	1,803	13,293
Purchases of certificates of deposits	(4,665)	-	(4,665)
Net cash provided by investing activities	<u>6,825</u>	<u>1,803</u>	<u>8,628</u>
<b>Net change in cash and cash equivalents</b>	<u>375,266</u>	<u>(2,647)</u>	<u>372,619</u>
<b>Cash and cash equivalents, beginning of year</b>	2,522,822	23,530	2,546,352
<b>Cash and cash equivalents, end of year</b>	<u>\$ 2,898,088</u>	<u>20,883</u>	<u>\$ 2,918,971</u>
<b>Cash and cash equivalents classified as:</b>			
Unrestricted	\$ 2,609,187	20,883	\$ 2,630,070
Restricted	288,901	-	288,901
Total cash and cash equivalents	<u>\$ 2,898,088</u>	<u>20,883</u>	<u>\$ 2,918,971</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>			
Operating (loss)	\$ (1,155,820)	(57,220)	\$ (1,213,040)
Adjustments to reconcile net operating loss to net cash provided by operating activities:			
Depreciation	1,787,662	52,994	1,840,656
Changes in assets and liabilities:			
Accounts receivable	4,236	27,313	31,549
Accounts payable and accrued liabilities	43,748	-	43,748
Deposits	11,829	-	11,829
Unearned revenue	-	(1,575)	(1,575)
Compensated absences	3,258	-	3,258
Net pension liability	38,788	-	38,788
Deferred inflows	23,720	-	23,720
Deferred outflows	(29,520)	-	(29,520)
Net cash provided by operating activities	<u>\$ 727,901</u>	<u>21,512</u>	<u>\$ 749,413</u>
<b>Non-cash investing, capital, and financing activities:</b>			
Capital assets acquired through capital lease	\$ 51,467	\$ -	\$ 51,467

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

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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, 2017**

**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 revenue sources that are legally restricted to expenditure for specific purposes. Included in this fund is this Community Redevelopment Agency.

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 *port and airport fund* accounts for the activities of the City's port and 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.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

**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.

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*.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

**F. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, capital projects 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.

**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.

Investments for the City are reported at fair value.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

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

**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:

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

**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.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

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

**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).

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.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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)

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 Note V. b.

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.

**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.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

**H. Revenues and expenditures/expenses** (Continued)

**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. 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.

**II. Reconciliation of Government-Wide and Fund Financial Statements:**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds."

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**II. Reconciliation of Government-Wide and Fund Financial Statements** (Continued)

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position** (Continued)

The details of the \$84,510 difference are as follows:

Capital lease payable	\$	39,326
Compensated absences		45,184
Net adjustments to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>		84,510

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances-total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$77,465 difference are as follows:

Capital outlay	\$	431,453
Depreciation expense		(495,978)
Net loss on disposal of capital assets		(12,940)
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>		(77,465)

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

**A. Deposits**

At year end, the carrying amount of the City deposits was \$5,432,554 and the bank balance was \$5,521,747. 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.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

**A. Deposits** (Continued)

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, 2017:

Cash and cash equivalents	\$ 5,130,220
Certificates of deposit	<u>302,334</u>
	<u>\$ 5,432,554</u>

**B. Receivables**

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

	General	Special Revenue fund	Water and Sewer	Port and Airport	Total
Intergovernmental	\$ 107,751	\$ 10,358	\$ —	\$ 149,688	\$ 267,797
Accounts receivable	<u>—</u>	<u>—</u>	<u>273,673</u>	<u>—</u>	<u>273,673</u>
Gross receivables	107,751	10,358	273,673	149,688	541,470
Less: allowance for uncollectible receivables	<u>—</u>	<u>—</u>	<u>105,620</u>	<u>—</u>	<u>105,620</u>
Net receivables	<u>\$ 107,751</u>	<u>\$ 10,358</u>	<u>\$ 168,053</u>	<u>\$ 149,688</u>	<u>\$ 435,850</u>

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

**C. Capital Assets**

Capital asset activity for the year ended September 30, 2017 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	\$ 443,326	\$ 99,792	\$ -	\$ 543,118
Construction in progress	75,908	77,968	(72,908)	80,968
Total capital assets, not being depreciated	<u>519,234</u>	<u>177,760</u>	<u>(72,908)</u>	<u>624,086</u>
Capital assets, being depreciated:				
Land improvements	215,285	149,808	-	365,093
Buildings and improvements	6,454,622	122,929	-	6,577,551
Equipment, furniture, fixtures and vehicles	2,777,256	53,864	(28,755)	2,802,365
Infrastructure	2,439,484	-	-	2,439,484
Total capital assets, being depreciated	<u>11,886,647</u>	<u>326,601</u>	<u>(28,755)</u>	<u>12,184,493</u>
Less accumulated depreciation for:				
Land Improvements	(7,987)	(6,580)	-	(14,567)
Buildings and improvements	(1,508,395)	(189,818)	-	(1,698,213)
Equipment, furniture, fixtures and vehicles	(2,459,989)	(191,503)	15,815	(2,635,677)
Infrastructure	(409,828)	(108,077)	-	(517,905)
Total accumulated depreciation	<u>(4,386,199)</u>	<u>(495,978)</u>	<u>15,815</u>	<u>(4,866,362)</u>
Total capital assets, being depreciated, net	<u>7,500,448</u>	<u>(169,377)</u>	<u>(12,940)</u>	<u>7,318,131</u>
Governmental activities capital assets, net	<u>\$ 8,019,682</u>	<u>\$ 8,383</u>	<u>\$ (85,848)</u>	<u>\$ 7,942,217</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,970,515	\$ -	\$ -	\$ 2,970,515
Construction in progress	110,688	204,846	(95,413)	220,121
Total capital assets, not being depreciated	<u>3,081,203</u>	<u>204,846</u>	<u>(95,413)</u>	<u>3,190,636</u>
Capital assets, being depreciated:				
Equipment, buildings, utility systems and improvements	54,818,170	454,262	-	55,272,432
Total capital assets, being depreciated	<u>54,818,170</u>	<u>454,262</u>	<u>-</u>	<u>55,272,432</u>
Less accumulated depreciation:				
Equipment, buildings, utility systems and improvements	(11,390,072)	(1,840,656)	-	(13,230,728)
Total accumulated depreciation	<u>(11,390,072)</u>	<u>(1,840,656)</u>	<u>-</u>	<u>(13,230,728)</u>
Total capital assets, being depreciated, net	<u>43,428,098</u>	<u>(1,386,394)</u>	<u>-</u>	<u>42,041,704</u>
Business type activities capital assets, net	<u>\$ 46,509,301</u>	<u>\$ (1,181,548)</u>	<u>\$ (95,413)</u>	<u>\$ 45,232,340</u>

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

**C. Capital Assets** (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 129,761
Public safety	23,361
Transportation	54,873
Culture and recreation	195,305
Physical environment	92,678
Total	<u>\$ 495,978</u>
Business-type activities:	
Water and sewer	\$ 1,787,662
Port and airport	52,994
Total	<u>\$ 1,840,656</u>

**D. Interfund Receivables and Payables**

The composition of interfund balances as of September 30, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Capital Projects Fund	\$ 66,415
General Fund	Port and Airport Fund	158,447
General Fund	Water and Sewer Fund	339,425
Special Revenue Fund	General Fund	757,223
Capital Projects Fund	Port and Airport Fund	4,633
		<u>\$ 1,326,143</u>

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

**E. Long-term Debt**

***Governmental Activities***

*Capital Leases*

The City leases vehicles under agreements that are classified as capital leases. The capitalized cost of the vehicles is \$84,562. Depreciation expense related to the vehicles under capital leases as of and for the year ended September 30, 2017 was \$15,037. Accumulated depreciation is \$19,130. The future minimum lease payments required and the present value of the net minimum lease payments at September 30, 2017 are as follows:

	<b><u>Year Ended September 30,</u></b>	<b><u>Amount</u></b>
2018		\$ 20,137
2019		23,806
Total minimum lease payments		43,943
Less: Amounts representing interest		4,617
Present value of minimum lease payments		<u>\$ 39,326</u>

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

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

***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	\$ 4,365,678
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	646,555
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	381,647
	5,393,880
Less: Current portion	180,600
Notes payable, less current portion	\$ 5,213,280

Maturities of notes payable are as follows:

<b>Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 180,600	\$ 91,522
2019	178,677	93,444
2020	181,910	90,211
2021	185,205	86,916
2022	188,564	83,557
2023 – 2027	995,509	365,098
2028 – 2032	1,089,784	270,822
2033 – 2037	1,193,626	166,980
2038 – 2042	1,200,005	54,335
Total	\$ 5,393,880	\$ 1,302,885

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**III. 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, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within one year</u>
Governmental activities:					
Compensated absences	\$ 40,482	\$ 34,766	\$ 30,064	\$ 45,184	\$ 39,437
Capital lease	19,744	53,864	34,282	39,326	18,483
Governmental activity long-term liabilities	<u>\$ 60,226</u>	<u>\$ 88,630</u>	<u>\$ 64,346</u>	<u>\$ 84,510</u>	<u>\$ 57,920</u>
Business-type activities:					
Notes payable	\$ 5,590,135	\$ -	\$ 196,255	\$ 5,393,880	\$ 180,599
Capital lease	-	51,465	17,510	33,955	16,532
Compensated absences	64,230	45,053	41,795	67,488	34,109
Business-type activity long-term liabilities	<u>\$ 5,654,365</u>	<u>\$ 96,518</u>	<u>\$ 255,560</u>	<u>\$ 5,495,323</u>	<u>\$ 231,240</u>

*Capital Leases*

The City leases vehicles under agreements that are classified as capital leases. The capitalized cost of the vehicles is \$51,467. Accumulated depreciation and depreciation expense related to the vehicles under capital leases as of and for the year ended September 30, 2017 was \$10,293. The future minimum lease payments required and the present value of the net minimum lease payments at September 30, 2017 are as follows:

	<u>Year Ended September 30,</u>	<u>Amount</u>
2018		\$ 18,366
2019		18,366
Total minimum lease payments		36,732
Less: Amounts representing interest		2,777
Present value of minimum lease payments		<u>\$ 33,955</u>

**F. Unearned Revenue**

The City has unearned airport hangar rent totaling \$5,075 as of September 30, 2017.

**IV. 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>\$ 321,067</u>
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**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**V. 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.

**B. Florida Retirement System**

**1) *General Information about the Pension Plan***

The City of Carrabelle (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 City 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, 2017, 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.

**CITY OF CARRABELLE, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**V. Other Information** (Continued)

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

**1) General Information about the Pension Plan** (Continued)

**Plan Description and Administration**

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 4 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.

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.

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**V. Other Information (Continued)**

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

**1) General Information about the Pension Plan (Continued)**

**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

The State of Florida establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
FRS – Regular	3.00	7.52
Drop – Applicable to members from all of the above	0.00	12.99
FRS – Reemployed Retiree	(B)	(B)

Contribution rates during the 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
FRS – Regular	3.00	7.26
Drop – Applicable to members from all of the above	0.00	12.88
FRS – Reemployed Retiree	(B)	(B)

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**V. Other Information** (Continued)

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

**1) General Information about the Pension Plan** (Continued)

Notes:

- A) Employer rates for the 2016-17 fiscal year include 1.66 percent for the postemployment HIS (health insurance subsidy). Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.
- B) Employer rates for the 2015-16 fiscal year include 1.66 percent for the postemployment HIS (health insurance subsidy). Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.
- C) Contribution rates are dependent upon retirement class in which reemployed.

Actual contributions made for City employees participating in FRS and HIS for the each of last four fiscal years ended September 30 were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contributions – FRS	\$ 87,318	\$ 86,474	\$ 84,055	\$ 81,940
Contributions – HIS	13,518	13,658	10,196	9,938
Employee Contributions – FRS	24,359	24,610	24,151	24,762

**2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:**

At September 30, 2017, the City reported a liability of \$1,254,233 for its proportionate share of the net pension liability, \$981,132 related to FRS and \$273,101 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City'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, 2017 and June 30, 2016, the City's FRS proportion was 0.003316952% and 0.00338905982649955%, respectively. At June 30, 2017 and June 30, 2016, the City's HIS proportion was 0.002554142% and 0.00265302716545107%, respectively. For the year ended September 30, 2017, the City's recognized pension expense of \$159,050 from FRS and \$18,917 from HIS, for a grand total of \$177,967.

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**V. Other Information** (Continued)

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

**2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** (Continued)

*Deferred outflows/inflows related to pensions:*

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ 90,044	\$ (5,435)	\$ -	\$ (569)
Changes of assumptions	329,730	-	38,389	(23,615)
Net different between projected and actual investment earnings	-	(24,315)	151	-
Change in proportionate share	18,315	(28,763)	3,795	(15,663)
Contributions subsequent to measurement date	23,036	-	3,412	-
	<u>\$ 461,125</u>	<u>\$ (58,513)</u>	<u>\$ 45,747</u>	<u>\$ (39,847)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. 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:

2018	\$ 47,979
2019	132,353
2020	93,766
2021	20,908
2022	64,771
Thereafter	22,287
Total	<u>\$ 382,064</u>

*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.

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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

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

**2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** (Continued)

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 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 7.10%. 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 3.58% was used to determine was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

*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 2017, 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%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

**CITY OF CARRABELLE, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

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

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

**2) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** (Continued)

*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 City calculated using the current discount rates, as well as what the City'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	7.10%	\$ 1,775,790	\$ 981,132	\$ 321,384
HIS	3.58%	311,644	273,101	240,996

**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**

The City has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 8, 2018, the date which the financial statements were available to be issued.

**CITY OF CARRABELLE, FLORIDA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2017**

**CITY OF CARRABELLE, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget -</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES</b>				
Taxes	\$ 988,000	\$ 988,000	\$ 865,022	\$ (122,978)
Intergovernmental	189,668	189,668	557,306	367,638
Charges for services	1,425	1,425	39,279	37,854
Other	51,775	51,775	64,116	12,341
Total revenues	<u>1,230,868</u>	<u>1,230,868</u>	<u>1,525,723</u>	<u>294,855</u>
<b>EXPENDITURES</b>				
General government	406,400	406,400	437,614	(31,214)
Public safety	451,600	451,600	484,129	(32,529)
Transportation	268,700	268,700	262,494	6,206
Culture and recreation	-	-	58,564	(58,564)
Physical environment	-	-	169,257	(169,257)
Debt service:				
Principal	-	-	34,282	(34,282)
Interest	-	-	1,427	(1,427)
Total expenditures	<u>1,126,700</u>	<u>1,126,700</u>	<u>1,447,767</u>	<u>(321,067)</u>
Excess of revenues over expenditures	<u>104,168</u>	<u>104,168</u>	<u>77,956</u>	<u>(26,212)</u>
<b>Other financing sources</b>				
Transfers out	(112,000)	(112,000)	(114,014)	(2,014)
Transfers in	-	-	48,442	48,442
Debt Proceeds	-	-	53,864	53,864
Total other financing sources	<u>(112,000)</u>	<u>(112,000)</u>	<u>(11,708)</u>	<u>100,292</u>
Net change in fund balances	<u>(7,832)</u>	<u>(7,832)</u>	<u>66,248</u>	<u>74,080</u>
Fund balances, beginning of year	1,588,317	1,588,317	1,588,317	-
Fund balances, end of year	<u>\$ 1,580,485</u>	<u>\$ 1,580,485</u>	<u>\$ 1,654,565</u>	<u>\$ 74,080</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**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 77,000	\$ 79,892	\$ 79,892	\$ -
Intergovernmental	-	-	10,358	10,358
Other	1,500	1,500	1,142	(358)
Total revenues	<u>78,500</u>	<u>81,392</u>	<u>91,392</u>	<u>10,000</u>
<b>EXPENDITURES</b>				
Physical environment	1,895,567	1,148,245	519,954	628,291
Total expenditures	<u>1,895,567</u>	<u>1,148,245</u>	<u>519,954</u>	<u>628,291</u>
Deficiency of revenues under expenditures	<u>(1,817,067)</u>	<u>(1,066,853)</u>	<u>(428,562)</u>	<u>638,291</u>
<b>Other financing sources</b>				
Transfers in	110,000	114,014	114,014	-
Net change in fund balances	<u>(1,817,067)</u>	<u>(1,066,853)</u>	<u>(314,548)</u>	<u>638,291</u>
Fund balances, beginning of year	1,260,714	1,260,714	1,260,714	-
Fund balances, end of year	<u>\$ (556,353)</u>	<u>\$ 193,861</u>	<u>\$ 946,166</u>	<u>\$ 638,291</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, 2017**

**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 year end.

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 fund listed below. These over expenditures were funded by available fund balances.

Fund	Over Expenditure
General Fund	\$ 321,067

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

	<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)	0.331695200%	0.003389060%	0.003199934%	0.003350965%
Proportionate share of the net pension liability (asset)	\$ 981,132	\$ 855,740	\$ 413,314	\$ 204,458
Covered-employee payroll	\$ 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	120.48%	104.00%	34.60%	14.16%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>				
Proportion of the net pension liability (asset)	0.002554142%	0.002653027%	0.002667368%	0.002787310%
Proportionate share of the net pension liability (asset)	\$ 273,101	\$ 309,199	\$ 272,030	\$ 260,620
Covered-employee payroll	\$ 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	33.54%	37.58%	22.77%	18.05%
Plan fiduciary net position as a percentage of the total pension liability	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>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b><u>Florida Retirement System (FRS)</u></b>				
Contractually required contribution	\$ 87,318	\$ 86,474	\$ 72,982	\$ 83,035
Contributions in relation to the contractually required contribution	(87,318)	(86,474)	(72,982)	(83,035)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 814,325	\$ 822,788	\$ 1,194,464	\$ 1,444,086
Contributions as a percentage of covered-employee payroll	10.72%	10.51%	6.11%	5.75%
<b><u>Health Insurance Subsidy Program (HIS)</u></b>				
Contractually required contribution	\$ 13,518	\$ 13,658	\$ 15,050	\$ 17,329
Contributions in relation to the contractually required contribution	(13,518)	(13,658)	(15,050)	(17,329)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 814,325	\$ 822,788	\$ 1,194,464	\$ 1,444,086
Contributions as a percentage of covered-employee payroll	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, 2017**

**CITY COUNCIL**

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

**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, and each major fund of City of Carrabelle, Florida as of and for the year ended September 30, 2017, 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 8, 2018.

***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 2017-001: 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 2017-002: 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, maintaining a management approved vendor list, and having all journal entries reviewed and approved by someone other than the employee who prepared it.

**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:

**Finding 2017-003: 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 2017-004: Sales Tax**

**Criteria:** Although the City is tax exempt from paying sales tax on the purchases, each sale, admission, storage, or rental in Florida is subject to sales tax, unless the transaction is exempt.

**Condition:** During our audit, we noted that sales tax is not being collected by the City on rentals.

**Cause:** The City is not collecting sales tax on rentals for the year ended September 30, 2017.

**Effect:** The State of Florida may fine the City for the sales tax not collected and remitted to the State.

**Recommendation:** We recommend the City register with the State of Florida to collect and remit sales tax on all non-exempt rental charges.

**Finding 2017-005: 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:** 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 8, 2018.

### **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.

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 distinct "Co." at the end.

Tallahassee, Florida  
June 8, 2018

**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, 2017, and have issued our report thereon dated June 8, 2018.

**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 Reports and Schedule**

We have issued our Independent Auditor's 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, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 8, 2018, 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>2015-16 FY Finding #</b>	<b>2014-15 FY Finding #</b>
Prepare Financial Statements in Accordance with GAAP and Significant Adjustments	2017-001	2016-001	2015-001
Segregation of Duties	2017-002	2016-002	2015-002
Capital Assets	2017-003	2016-003	2015-003
Sales Tax	2017-004	2016-006	2015-013
Community Redevelopment Agency	2017-005	2016-007	2015-014
Budgetary Controls	2017-007	2016-011	2015-010
Budgetary Controls—General	2017-008	2016-012	2015-011
Budget Adoption	2017-009	2016-013	2015-012
Accounting Manual	2017-010	2016-009	2015-008
Disaster Recovery Plan	2017-011	2016-010	2015-009

**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**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether or not 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.c. 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.

**Annual Financial Report**

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Carrabelle, Florida for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

**Other Matters**

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:

**Finding 2017-006: Group Insurance; Participation by Retired Employees**

During our audit, we noted the City is not currently allowing retired employees to participate in the Cities group health insurance plan as required by Florida Statutes, Chapter 112.0801. We recommend the City review Florida Statutes, Chapter 112.0801 to ensure the City is in compliance with all requirements of the applicable statutes.

**2017-007: 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	\$ 321,067

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

**2017-008: 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.

**2017-009: Budget Adoption**

Florida Statutes, Chapter 166.241(2) requires that at a minimum the adopted budget must show for each fund, as required by law and sound financial practices, budgeted revenues and expenditures by organizational unit which are at least at the level of detail required for the annual financial report. We noted during our audit that a budget was not adopted for the port and airport fund. Failure to prepare the budget diminishes the City’s ability to regulate expenditures. We recommend the City develop a policy to adopt a budget for all funds.

### **2017-010: 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.

### **2017-011: 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.

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 8, 2018

## 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, 2017. 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, 2017.

*James Moore & Co., P.L.*

Tallahassee, Florida  
June 8, 2018

BRENDA LAPAZ  
MAYOR-COMMISSIONER

# CITY OF CARRABELLE CARRABELLE, FLORIDA

DAN HARTMAN  
CITY ATTORNEY

FRANKLIN MATHES  
COMMISSIONER

KEITH WALDEN  
COMMISSIONER

CAL ALLEN  
COMMISSIONER

ANTHONY "TONY" MILLENDER  
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COURTNEY DEMPSEY  
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## Management's Corrective Action

### **2017-001 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.

### **2017-002 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. The City will maintain a management approved vendor list.

### **2017-003 Capital Assets**

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

### **2017-004 Sales Tax**

The City will register with the State of Florida to collect and remit sales tax on all non-exempt rental charges.

### **2017-005 Community Redevelopment Agency**

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

### **2017-006 Group Insurance Participation by Retired Employees**

The City will review F.S. 112.0801 to ensure that the City is in compliance with all applicable statutes.

**2017-07-08 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.

**2017-09 Budget Adoption**

The City will develop a policy to adopt budget for Port and Airport Fund.

**2017-010 Manual**

Writing of the Accounting Manual is in progress.

**2017-011 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.