

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
CITY OF GREEN COVE SPRINGS, FLORIDA
SEPTEMBER 30, 2014**

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CITY OF GREEN COVE SPRINGS, FLORIDA

SEPTEMBER 30, 2014

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General of the United States; the Provisions of the Office of
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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Green Cove Springs, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Green Cove Springs, Florida, (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City'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 error or fraud.

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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.

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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, 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.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

INDEPENDENT AUDITORS' REPORT
(Concluded)

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, schedules of funding progress and contributions for Other Postemployment Benefits (OPEB) and pension plans, schedule of changes in the employers' net pension liability and related ratios, schedule of employer contributions, and schedule of investment returns, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures federal awards and state assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards and state assistance are the responsibility of management, were derived from, and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the schedule of expenditures of federal awards and state assistance are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Purvis, Gray and Company, LLP

June 5, 2015
Gainesville, Florida

CITY OF GREEN COVE SPRINGS, FLORIDA MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Green Cove Springs' (the City) Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

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

HIGHLIGHTS

Financial Highlights

- The City's assets exceeded its liabilities at September 30, 2014, by \$53.6 million. Unrestricted net position was \$10.5 million at September 30, 2014.
- The City's net position increased by \$162,909 or 0.305%. The governmental net position increased \$82,293 or 0.33% and the business-type net position increased by \$80,616 or 0.28%.
- The business-type activities revenues, including capital grants and investment revenue, decreased by \$1,334,678 or 7.72% and the net results from activities decreased by \$180,749 or 69.16%.
- The governmental net position increased due to an increase in capital grants and contributions.
- The business-type net position increased mainly due to a decrease of \$70,958 in personal services within the Electric Fund.

City Highlights

- The City spent approximately \$4.6 million on capital improvements, of which \$3.8 million was for the new Police Emergency Operations Center that went into operation during April, 2014. \$60k was for stormwater drainage improvements on Oakridge and North Orange Avenues. The City also purchased approximately \$87k in equipment in the General Government Fund during the fiscal year. \$66k was spent on the Augusta Savage Community Center for classroom re-shingling and painting, and an additional \$21k was spent on the Old City Hall deconstruction and Spring Park construction.
- During this fiscal year, the Electric Department spent \$64k replacing undersized wires at Harbor Road. Additional transformers were also purchased during the year for \$87k. \$17k was expended for other electric improvements.
- The Water Department continued the electronic meter replacement program and spent \$73k during the fiscal year. \$47k was spent for waterline extensions and improvements. An additional \$15k was expended for Water Treatment Plant improvements.
- The Wastewater Department expended \$54k for the Master Plan Project and \$98k for lift station and plant upgrades.
- The Sanitation Department purchased a 2015 Freightliner Claw Truck for \$111k.
- The Stormwater Department expended \$4k for stormwater repairs.
- \$15k was used to purchase Neptune Meter Reading handhelds for the Customer Service Department.

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Overview of Financial Statements

The MD&A is intended to serve as an introduction to the City's Basic Financial Statements. The City's Basic Financial Statements consist of three components: (1) Government-wide Financial Statements; (2) Fund Balance Statements; and (3) Notes to 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's finances, in a timely manner similar to a private-sector business.

The focus of the *Statement of Net Position* (the "Unrestricted Net Position") is designed to be similar to a bottom line for the City and its governmental and business-type activities. This statement combines and consolidates the governmental fund's current financial resources, short-term spendable resources with capital assets, and long-term obligations. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City'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 sick leave.) This statement is intended to summarize and simplify the user's analysis of the cost of various governmental services and/or subsidy to various business-type activities.

Both the government-wide financial statements distinguish functions of the City 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 include general government, public safety, physical environment, transportation, economic environment and culture, and recreation. The business-type activities include electric, water and wastewater, stormwater and solid waste collection. The business-type activities reflect private sector type operations where the fee for service typically covers all or most of the cost of operation including depreciation.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three (3) categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds (1)—*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.

(1) *Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major funds, rather than fund type.*

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Fund Financial Statements (Concluded)

Governmental funds (Concluded)

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*.

Proprietary funds—The City maintains five (5) proprietary funds. These Funds and one Internal Service Fund “Customer Service” are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City accounts for five (5) activities in the enterprise fund: electric power distribution, water, wastewater, stormwater and solid waste collection.

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 five utility funds, which are considered to be major funds of the City.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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 fund financial statements. The Notes to the Financial Statements can be found on pages 29 through 47 of this report.

Government-wide Financial Analysis—Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$53.6 million or a 0.305% increase at the close of the fiscal year ended September 30, 2014. A portion of the City's net position, \$1,221,567, represents resources that are subject to external restrictions on how they may be used. Governmental activities had \$828,484 in restricted net position and the Business-type activities had \$393,083 in restricted net position at September 30, 2014.

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

GOVERNMENT-WIDE STATEMENT

Statement of Net Position

The following reflects the condensed Statement of Net Position compared to the prior year.

Statement of Net Position							
As of September 30, 2014 (In 000s)							
	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2014	2013	2014	2013	2014	2013	
Current and							
Other Assets	\$ 2,829	\$ 7,104	\$ 13,223	\$ 11,526	\$ 16,052	\$ 18,630	-13.8%
Capital Assets	<u>25,313</u>	<u>21,978</u>	<u>20,561</u>	<u>21,460</u>	<u>45,874</u>	<u>43,438</u>	5.6%
Total Assets	<u>\$ 28,142</u>	<u>\$ 29,082</u>	<u>\$ 33,784</u>	<u>\$ 32,986</u>	<u>\$ 61,926</u>	<u>\$ 62,068</u>	-0.23%
Current							
Liabilities	\$ 259	\$ 825	\$ 2,714	\$ 1,601	\$ 2,973	\$ 2,426	22.5%
Long-term							
Liabilities	<u>2,766</u>	<u>3,222</u>	<u>2,548</u>	<u>2,943</u>	<u>5,314</u>	<u>6,165</u>	-13.8%
Total							
Liabilities	<u>\$ 3,025</u>	<u>\$ 4,047</u>	<u>\$ 5,262</u>	<u>\$ 4,544</u>	<u>\$ 8,287</u>	<u>\$ 8,591</u>	-3.5%
Net Position:							
Net Investment							
in Capital							
Assets	\$ 23,287	\$ 21,976	\$ 18,582	\$ 19,091	\$ 41,869	\$ 41,067	1.9%
Restricted	828	1,904	393	296	1,221	2,200	-44.5%
Unrestricted	<u>1,002</u>	<u>1,155</u>	<u>9,547</u>	<u>9,055</u>	<u>10,549</u>	<u>10,210</u>	3.3%
Total Net							
Position	<u>\$ 25,117</u>	<u>\$ 25,035</u>	<u>\$ 28,522</u>	<u>\$ 28,442</u>	<u>\$ 53,639</u>	<u>\$ 53,477</u>	<u>0.30%</u>

Normal Impacts

There are six (6) basic (normal) transactions that will affect the comparability of the Statement of Net Position summary presentation.

Net Results of Activities—which will impact (increase/decrease) current assets and unrestricted net position.

Borrowing for Capital—which will increase current assets and long-term debt.

Spending Borrowed Proceeds on New Capital—which will reduce current assets and increase capital assets.

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Normal Impacts (Concluded)

Spending of Non-Borrowed Current Assets on New Capital—which will: (a) reduce current assets and increase capital assets; and (b) reduce unrestricted net position and increase net investment in capital assets.

Principal Payment on Debt—which will: (a) reduce current assets and reduce long-term debt; and (b) reduce unrestricted net position and increase net investment in capital assets.

Reduction of Capital Assets through Depreciation—which will reduce capital assets and net investment in capital assets.

Statement of Activities

The following schedule compares the revenues and expenses for the current and previous fiscal year.

Change in Net Position
As of September 30, 2014 (In 000s)

	Governmental Activities		Business-type Activities		Total Primary Government		Total % Change
	2014	2013	2014	2013	2014	2013	
<u>REVENUES</u>							
Charges for Services	\$ 711	\$ 900	\$ 15,854	\$ 17,164	\$ 16,565	\$ 18,064	-8.3%
Operating Grants and Contributions	404	1,040	0	0	404	1,040	-61.2%
Capital Grants and Contributions	441	2	3	9	444	11	3936%
General Revenues:							
Property Taxes	955	935	0	0	955	935	2.2%
State Revenue Sharing	199	196	0	0	199	196	1.5%
Sales and Use Tax	335	324	0	0	335	324	3.4%
Discretionary Sales Surtax	708	679	0	0	708	679	4.3%
Investment Income	7	4	4	8	11	12	0.0%
Business and Utility Taxes	517	525	0	0	517	525	-1.5%
Sale of Fixed Assets	0	141	0	0	0	141	-100%
Other General Revenues	86	80	83	98	169	178	-4.5%
Total Revenues	<u>\$ 4,363</u>	<u>\$ 4,826</u>	<u>\$ 15,944</u>	<u>\$ 17,279</u>	<u>\$ 20,307</u>	<u>\$ 22,105</u>	<u>-8.12%</u>

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total % Change</u>
<u>EXPENSES</u>	2014	2013	2014	2013	2014	2013	
Governmental Activities:							
General							
Government	\$ 1,384	\$ 1,277	\$ 0	\$ 0	\$ 1,384	\$ 1,277	8.4%
Public Safety	2,375	2,359	0	0	2,375	2,359	.68%
Transportation	1,125	1,274	0	0	1,125	1,274	-11.7%
Physical							
Environment	157	136	0	0	157	136	15.4%
Economic							
Environment	0	827	0	0	0	827	-100%
Culture and Recreation	432	424	0	0	432	424	1.9%
Interest on Long- term Debt	30	7	0	0	30	7	329%
Business-type Activities:							
Electric	0	0	11,202	12,157	11,202	12,157	-7.9%
Water	0	0	1,298	1,294	1,298	1,294	.31%
Wastewater	0	0	1,517	1,508	1,517	1,508	.60%
Stormwater	0	0	133	5	133	5	2560%
Solid Waste	<u>0</u>	<u>0</u>	<u>491</u>	<u>787</u>	<u>491</u>	<u>787</u>	-37.6%
Total Expenses	<u>\$ 5,503</u>	<u>\$ 6,304</u>	<u>\$14,641</u>	<u>\$15,751</u>	<u>\$ 20,144</u>	<u>\$ 22,055</u>	-8.7%
Excess of Revenues Over Expenses	\$ (1,140)	\$ (1,478)	\$ 1,303	\$ 1,528	\$ 163	\$ 50	232%
Transfers	<u>1,222</u>	<u>1,267</u>	<u>(1,222)</u>	<u>(1,267)</u>	<u>0</u>	<u>0</u>	
NET INCREASE	<u>\$ 82</u>	<u>\$ (211)</u>	<u>\$ 81</u>	<u>\$ 261</u>	<u>\$ 163</u>	<u>\$ 50</u>	232%

Normal Impacts

There are nine (9) basic impacts on revenues and expenses as reflected below.

Revenues

Economic Condition—which can reflect a declining, stable or growing economic environment and has a substantial impact on ad valorem, sales, gas or other tax revenue as well as public spending habits for building permits and utility user fees.

Increase/Decrease in Council-approved rates—while certain tax rates are set by statute, the City Council has significant authority to impose and periodically increase/decrease rates (electric, water, wastewater, solid waste, permitting, impact fee, recreation user fees, etc.)

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Normal Impacts (Concluded)

Revenues (Concluded)

Changing Patterns in Intergovernmental and Grant Revenue—(both recurring and nonrecurring) certain recurring rates (state revenue sharing, grants, etc.) may experience significant changes periodically while nonrecurring (or one-time) grants are less predictable and often distorting in their impact on year-to-year comparisons.

Contribution from the Electric, Water and Sewer, and Solid Waste Funds—the City owns and operates the Electric, Water, Wastewater, and Solid Waste Utility systems and provides administrative and support services for these utilities. In return, the City receives payments from the utilities. Therefore, the ongoing competitiveness and vitality of the utilities are important to the City's well-being.

Market Impacts on Investment Income—due to varying maturities on the City's investments and the varying nature of the market in general, the City investment income may fluctuate from year to year. During 2014, investment income decreased 5.8% due to market conditions.

Expenses

Introduction of New Programs—within the functional expense categories (General Government, Public Safety, and Transportation) individual programs may be added or deleted to meet changing community needs.

Authorized Personnel—changes in service demand may cause the Council to increase/decrease authorized staffing. Staffing costs (salary and related benefits) represent 30.9% of the City's total net operating budget.

Personnel Costs (cost of living, merit, and market adjustment)—the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace. A classification and compensation study was completed for the City by Cody & Associates, Inc. It was presented and received by the Council on May 20, 2014.

Inflation—the City is a major consumer of certain commodities such as chemicals, supplies, fuels, and parts. Some functions may experience unusual commodity-specific increases.

Current Year Impacts

Revenues

Economic reports indicate the local, state, and national economy is showing signs of recovery, as is also evidenced by the increase in sales taxes and shared revenues collected. The City's property tax revenue increased by 2.2% for fiscal year 2014. The City's millage rate for this fiscal year is 2.98 mils. The passing of Amendment 1, Property Tax Reform, limits governments in their ability to collect additional ad valorem tax.

In government activities, total revenues decreased primarily due to a reduction in operating grants, and contributions revenue, fines and forfeitures (red light cameras). General fund revenues, including transfers-in, decreased from the previous year with an overall decrease of 8.3%.

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Current Year Impacts (Concluded)

Revenues (Concluded)

Interest revenues continue to decline due to the market rates.

The business-type activities (Proprietary Fund) revenues decreased by approximately 7.7%, due mainly to a decrease in electric sales.

Expenses

The Governmental activities expenses decreased, primarily due to a decrease in intergovernmental charges from the utilities. Economic environment expenditures decreased for the year due to the transfer of the Public Housing Agency to an outside agency during fiscal year 2013.

The primary decrease in the business-type activities is a result of the proportionate decrease in electric sales relative to the cost to electrical power. The business-type activities expenses, excluding transfers, decreased by 7.0%.

Proprietary Funds

The Utility Fund accounting for the Electric, Water, Wastewater, Stormwater, and Solid Waste activities had an increase in net position of \$80,616. Operating revenues decreased by \$1,309,928 and operating expenses decreased by \$1,076,976. The decrease in revenues and expenses was due mainly to the cost of power being lower during the year. Utility fund operating expenses (excluding depreciation) decreased by 7.8%.

Budgetary Highlights

The most significant budget adjustments were as follows:

General Fund

- The budget was increased by \$82,030 in Compensated Absences Reserve to fund employees' payouts in the General Fund who resigned and retired from the City.

Business-type Funds

- No major amendments made during the fiscal year.

Special Revenue Funds

- Increase Building Fund revenue of \$89,300 for unanticipated revenues and expenditures.

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the City had \$45,873,439 invested in a variety of capital assets, as reflected in the following schedule, which represents a net increase (addition, deductions, and depreciation) of \$2,435,451 or 5.61% from the end of last year. Capital Asset Activity is further outlined in the Notes to Financial Statements, Note No. 4.

	Net of Depreciation (In 000s)					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2014	2013	2014	2013	2014	2013
Land and Land Rights	\$ 8,014	\$ 8,014	\$ 227	\$ 227	\$ 8,241	\$ 8,241
Construction in Progress	0	590	0	0	0	590
Buildings and Plants	10,510	6,049	42,152	41,938	52,662	47,987
Improvements Other than Buildings	3,278	3,192	0	0	3,278	3,192
Equipment	2,860	2,774	0	0	2,860	2,774
Infrastructure	9,043	9,041	4,793	4,444	13,836	13,485
Less:						
Accumulated Depreciation	<u>(8,392)</u>	<u>(7,682)</u>	<u>(26,611)</u>	<u>(25,149)</u>	<u>(35,003)</u>	<u>(32,831)</u>
Total	<u>\$ 25,313</u>	<u>\$ 21,978</u>	<u>\$ 20,561</u>	<u>\$ 21,460</u>	<u>\$ 45,874</u>	<u>\$ 43,438</u>

The following reconciliation summarizes the change in Capital Assets.

	Change in Capital Assets (In 000s)					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2014	2013	2014	2013	2014	2013
Beginning Balance, Net	\$ 21,978	\$ 21,347	\$ 21,460	\$ 22,438	\$ 43,438	\$ 43,785
Additions	8,461	1,299	589	488	9,050	1,787
Retirement						
Other	(4,415)	0	(26)	0	(4,441)	0
Depreciation	<u>(711)</u>	<u>(668)</u>	<u>(1,462)</u>	<u>(1,466)</u>	<u>(2,173)</u>	<u>(2,134)</u>
Ending Balance, Net	<u>\$ 25,313</u>	<u>\$ 21,978</u>	<u>\$ 20,561</u>	<u>\$ 21,460</u>	<u>\$ 45,874</u>	<u>\$ 43,438</u>

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Capital Assets (Concluded)

This year's major additions were:

Governmental Activities:	<i>In (100s)</i>
Augusta Savage/Classroom Re-shingle/Painting	\$ 66
Planning and Zoning Plotter	7
Archive Room and Vault Computer and Scanner	3
Old City Hall Deconstruction/Spring Park Const.	21
Police Power Shredder	2
Police Radar Recorder	4
Police Laptops	42
New Public Safety/Emergency Operations Center	3,787
Stormwater Drainage Improvements	60
GIS Pavement Management Database	6
Park Equipment	27
Sidewalks	4
Park Improvements	13
Garage Equipment	19
 Business-type Activities:	
Electric Harbor Road-Replace Undersized Wires	64
Electric Transformers	87
Electric Improvements	17
Water Treatment Plant Improvements	15
Water Meter Replacement	73
Water Line Extensions and Improvements	47
Lift Station Improvements	98
Wastewater System Master Plan	54
Solid Waste Claw Truck	111
Stormwater Repairs	4
Customer Service Meter Reading Handhelds	15
Customer Service Equipment	3

CITY OF GREEN COVE SPRINGS, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Concluded)

Debt Outstanding

As of year-end, the City had the following debt. The City Debt is further outlined in the Notes to the Financial Statements, Note No.5.

Outstanding Debt, at Year-end			
(In 000s)			
	Totals		
	2014		2013
Governmental:			
Compensated Absences	\$ 513	\$	568
OPEB Obligation	206		178
Sales Tax Revenue Note			
Series 2014	2,026		2,415
Sub-Total - Governmental	2,745		3,161
Business-type:			
Utility Notes	2,051		2,413
Equipment Note	37		85
Compensated Absences	372		369
OPEB Obligation	88		76
Sub-Total – Business-Type	2,548		2,943
Total	\$ 5,293	\$	6,104

ECONOMIC FACTORS

The State of Florida, by Constitution, does not have a state personal income tax and, therefore, the state operates primarily using sales, gasoline, and corporate income taxes. Local governments primarily rely on property and a limited array of permitted other taxes (sales, gasoline, utilities services, local business, etc.) and franchise fees for their governmental activities. There are a limited number of state-shared revenues and recurring and nonrecurring (one-time) grants from both the state and federal governments.

For the business-type and certain governmental activities, the user (of services) pays a related fee (or charge) associated therewith.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about the report or need additional financial information, contact the City's Finance Director at City Hall at 321 Walnut Street, Green Cove Springs, FL 32043, telephone (904) 297-7500.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 1,210,654	\$ 6,621,364	\$ 7,832,018	\$ 0
Investments	1,200,000	2,000,000	3,200,000	0
Accounts Receivable, Net	34,280	1,145,340	1,179,620	0
Accrued Interest Receivable	16,859	34,174	51,033	0
Accrued Utility Sales - Unbilled	0	2,120,928	2,120,928	0
Due from Other Governments	234,867	0	234,867	0
Inventory	31,379	203,040	234,419	0
Prepays	101,279	0	101,279	0
Restricted Assets:				
Cash and Equivalents	0	989,091	989,091	0
Unspent Bond Proceeds	0	108,828	108,828	0
Capital Assets:				
Nondepreciable	8,014,273	227,136	8,241,409	0
Depreciable, Net	17,298,238	20,333,792	37,632,030	0
Total Assets	28,141,829	33,783,693	61,925,522	0
Liabilities				
Accounts Payable and Accrued Liabilities	250,926	958,079	1,209,005	0
Power Cost Recovered in Advance	0	1,159,334	1,159,334	0
Deposits	0	596,007	596,007	0
Accrued Interest Payable	7,557	0	7,557	0
Noncurrent Liabilities:				
Due Within One Year	548,285	453,814	1,002,099	0
Due in More than One Year	2,196,497	2,094,423	4,290,920	0
Net Pension Obligation	21,407	0	21,407	0
Total Liabilities	3,024,672	5,261,657	8,286,329	0
Net Position				
Net Investment in Capital Assets	23,286,595	18,581,932	41,868,527	0
Restricted for:				
Public Safety	76,910	0	76,910	0
Capital Projects	751,574	0	751,574	0
Debt Service	0	68,808	68,808	0
System Improvements	0	324,275	324,275	0
Unrestricted	1,002,078	9,547,021	10,549,099	0
Total Net Position	\$ 25,117,157	\$ 28,522,036	\$ 53,639,193	\$ 0

See accompanying notes.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General Government	\$ 1,383,893	\$ 45,620	\$ 12,508	\$ 0
Public Safety	2,375,180	641,037	16,347	418,255
Physical Environment	156,992	0	6,946	0
Transportation	1,125,095	0	367,778	23,232
Culture and Recreation	432,118	24,042	0	0
Interest on Long-term Debt	30,254	0	0	0
Total Governmental Activities	5,503,532	710,699	403,579	441,487
Business-type Activities				
Electric	11,202,353	12,334,214	0	0
Water	1,298,373	1,281,068	0	500
Sewer	1,517,351	1,491,395	0	2,200
Solid Waste	490,603	620,372	0	0
Stormwater	132,425	126,523	0	0
Total Business-type Activities	14,641,105	15,853,572	0	2,700
Total Primary Government	\$ 20,144,637	\$ 16,564,271	\$ 403,579	\$ 444,187
Component Unit				
Augusta Savage Arts Center	\$ 35,823	\$ 5,103	\$ 0	\$ 0
Total Component Unit	\$ 35,823	\$ 5,103	\$ 0	\$ 0

General Revenues

Property Taxes
Sales Taxes and Shared Revenues
Business and Utility Taxes
Communication Service Tax
Investment Earnings
Miscellaneous

Net Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

See accompanying notes.

Net (Expense) Revenue and Change in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,325,765)	\$ 0	\$ (1,325,765)	\$ 0
(1,299,541)	0	(1,299,541)	0
(150,046)	0	(150,046)	0
(734,085)	0	(734,085)	0
(408,076)	0	(408,076)	0
(30,254)	0	(30,254)	0
<u>(3,947,767)</u>	<u>0</u>	<u>(3,947,767)</u>	<u>0</u>
0	1,131,861	1,131,861	0
0	(16,805)	(16,805)	0
0	(23,756)	(23,756)	0
0	129,769	129,769	0
0	(5,902)	(5,902)	0
<u>0</u>	<u>1,215,167</u>	<u>1,215,167</u>	<u>0</u>
<u>(3,947,767)</u>	<u>1,215,167</u>	<u>(2,732,600)</u>	<u>0</u>
0	0	0	(30,720)
<u>0</u>	<u>0</u>	<u>0</u>	<u>(30,720)</u>
954,806	0	954,806	0
1,242,072	0	1,242,072	0
175,400	0	175,400	0
341,392	0	341,392	0
7,178	4,535	11,713	23
86,612	83,514	170,126	0
1,222,600	(1,222,600)	0	0
<u>4,030,060</u>	<u>(1,134,551)</u>	<u>2,895,509</u>	<u>23</u>
82,293	80,616	162,909	(30,697)
<u>25,034,864</u>	<u>28,441,420</u>	<u>53,476,284</u>	<u>30,697</u>
<u>\$ 25,117,157</u>	<u>\$ 28,522,036</u>	<u>\$ 53,639,193</u>	<u>\$ 0</u>

See accompanying notes.

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

	General Fund	Police Building Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 1,170,138	\$ 0	\$ 40,516	\$ 1,210,654
Investments	1,200,000	0	0	1,200,000
Accounts Receivable	34,280	0	0	34,280
Accrued Interest Receivable	16,859	0	0	16,859
Due from Other Governments	234,867	0	0	234,867
Due from Other Funds	173,009	0	0	173,009
Inventory	31,379	0	0	31,379
Prepaid Expenses	101,279	0	0	101,279
Total Assets	<u>2,961,811</u>	<u>0</u>	<u>40,516</u>	<u>3,002,327</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued				
Liabilities	241,004	2,509	7,413	250,926
Due to Other Funds	<u>0</u>	<u>173,009</u>	<u>0</u>	<u>173,009</u>
Total Liabilities	<u>241,004</u>	<u>175,518</u>	<u>7,413</u>	<u>423,935</u>
Fund Balances				
Nonspendable:				
Inventories	31,379	0	0	31,379
Prepaid Expenses	101,279	0	0	101,279
Restricted for:				
Public Safety	43,807	0	33,103	76,910
Capital Projects	751,574	0	0	751,574
Assigned to:				
Subsequent Year Budget	632,189	0	0	632,189
Unassigned	<u>1,160,579</u>	<u>(175,518)</u>	<u>0</u>	<u>985,061</u>
Total Fund Balances	<u>2,720,807</u>	<u>(175,518)</u>	<u>33,103</u>	<u>2,578,392</u>
Total Liabilities and Fund Balances	<u>\$ 2,961,811</u>	<u>\$ 0</u>	<u>\$ 40,516</u>	<u>\$ 3,002,327</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

Fund Balance - Total Governmental Funds	\$	2,578,392
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**Amounts Reported for Governmental Activities in the Statement of Net
Position are Different Because:**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets - Net		25,312,511
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Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Long-term liabilities at year-end consist of:

Revenue Note		(2,025,916)
Accrued Interest Payable		(7,557)
Compensated Absences		(513,013)
OPEB Liability		(205,853)

The Net Pension Obligation is reported in the government-wide financial statements but not reported in the governmental fund financial statements.

		(21,407)
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Net Position of Governmental Activities	\$	25,117,157
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See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

	General Fund	Police Building Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,443,254	\$ 0	\$ 0	\$ 2,443,254
Licenses and Permits	6,309	0	199,561	205,870
Intergovernmental	710,631	400,000	0	1,110,631
Charges for Services	56,812	0	0	56,812
Fines and Forfeitures	444,790	0	0	444,790
Investment Earnings	7,178	0	0	7,178
Miscellaneous	67,998	0	3,460	71,458
Interfund Charges	200,000	0	0	200,000
Total Revenues	<u>3,936,972</u>	<u>400,000</u>	<u>203,021</u>	<u>4,539,993</u>
Expenditures				
Current:				
General Government	1,459,289	0	0	1,459,289
Public Safety	2,104,498	0	167,893	2,272,391
Physical Environment	147,995	0	0	147,995
Transportation	821,576	0	0	821,576
Culture and Recreation	289,272	0	0	289,272
Capital Outlay	234,996	3,789,386	36,506	4,060,888
Principal Payments	0	389,084	0	389,084
Interest and Fees	0	29,753	0	29,753
(Total Expenditures)	<u>5,057,626</u>	<u>4,208,223</u>	<u>204,399</u>	<u>9,470,248</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(1,120,654)</u>	<u>(3,808,223)</u>	<u>(1,378)</u>	<u>(4,930,255)</u>
Other Financing Sources				
Transfers in	1,271,417	1,805,000	0	3,076,417
Trasfers (out)	<u>(1,575,000)</u>	<u>0</u>	<u>(278,817)</u>	<u>(1,853,817)</u>
Total Other Financing Sources	<u>(303,583)</u>	<u>1,805,000</u>	<u>(278,817)</u>	<u>1,222,600</u>
Net Change in Fund Balances	<u>(1,424,237)</u>	<u>(2,003,223)</u>	<u>(280,195)</u>	<u>(3,707,655)</u>
Fund Balances, Beginning of Year	<u>4,145,044</u>	<u>1,827,705</u>	<u>313,298</u>	<u>6,286,047</u>
Fund Balances, End of Year	<u>\$ 2,720,807</u>	<u>\$ (175,518)</u>	<u>\$ 33,103</u>	<u>\$ 2,578,392</u>

See accompanying notes.

**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, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

Net Change in Fund Balance - Total Governmental Funds \$ (3,707,655)

**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is depreciated
over their estimated useful lives and reported as depreciation expense:

Acquisitions of Capital Assets	\$ 4,060,888	
Capital Contribution	23,232	
Gain (Loss) on Disposal of Capital Asset	(2,662)	
Current Year Depreciation Expense	<u>(747,189)</u>	
		3,334,269

Some expenses reported in the statement of activities do not require the use
of current financial resources and are not reported as expenditures in
the governmental funds. Those amounts include:

Princial Payments on Revenue Note	389,084	
Accrued Interest on Long-term Debt	(501)	
Compensated Absences	55,292	
OPEB Liability	<u>(27,523)</u>	
		416,352

The change in the Net Pension Obligation is reported in the government-
wide financial statements, but not in the governmental fund financial statements.

39,327

Change in Net Position of Governmental Activities

\$ 82,293

See accompanying notes.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA

	Business-type Activities		
	Major Funds		
	Electric Utility	Water Utility	Sewer Utility
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 5,328,279	\$ 1,269,522	\$ 0
Investments	2,000,000	0	0
Accounts Receivable (Net of Allowance)	853,299	115,837	99,310
Accrued Interest Receivable	34,174	0	0
Accrued Utility Sales - Unbilled	1,737,570	147,096	168,422
Due from Other Funds	1,600,666	0	0
Inventories	159,679	41,943	1,418
Restricted Current Assets:			
Cash and Cash Equivalents	628,965	104,824	255,302
Unspent Bond Proceeds	108,828	0	0
Total Current Assets	<u>12,451,460</u>	<u>1,679,222</u>	<u>524,452</u>
Noncurrent Assets:			
Nondepreciable Capital Assets	38,959	103,085	85,092
Depreciable Capital Assets, Net	7,531,614	7,303,450	5,061,081
Total Noncurrent Assets	<u>7,570,573</u>	<u>7,406,535</u>	<u>5,146,173</u>
Total Assets	<u>20,022,033</u>	<u>9,085,757</u>	<u>5,670,625</u>
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	867,069	36,842	21,974
Power Costs Recovered in Advance	1,159,334	0	0
Due to Other Funds	0	0	459,288
Customer Deposits	560,157	18,325	17,525
Current Portion of Compensated Absences	8,991	8,024	8,024
Current Portion of Long-term Liabilities	236,614	138,617	0
Total Current Liabilities	<u>2,832,165</u>	<u>201,808</u>	<u>506,811</u>
Noncurrent Liabilities:			
Noncurrent Portion of Compensated Absences	71,283	63,617	63,617
Noncurrent Portion of Long-term Liabilities	897,710	777,982	0
Other Postemployment Benefits Liability	26,091	14,738	14,738
Total Noncurrent Liabilities	<u>995,084</u>	<u>856,337</u>	<u>78,355</u>
Total Liabilities	<u>3,827,249</u>	<u>1,058,145</u>	<u>585,166</u>
Net Position			
Net Investment in Capital Assets	6,545,077	6,489,936	5,146,173
Restricted for:			
Debt Service	68,808	0	0
System Improvements	0	86,499	237,776
Unrestricted	9,580,899	1,451,177	(298,490)
Total Net Position	<u>\$ 16,194,784</u>	<u>\$ 8,027,612</u>	<u>\$ 5,085,459</u>

See accompanying notes.

Business-type Activities			
Major Funds	Nonmajor Fund	Total	Business-type Activities
Solid Waste Utility	Stormwater Utility	Enterprise Funds Utilities	Internal Service Fund
\$ 0	\$ 23,563	\$ 6,621,364	\$ 0
0	0	2,000,000	0
46,632	30,262	1,145,340	0
0	0	34,174	0
67,840	0	2,120,928	0
0	0	1,600,666	0
0	0	203,040	0
0	0	989,091	0
0	0	108,828	0
114,472	53,825	14,823,431	0
0	0	227,136	0
414,765	3,686	20,314,596	19,196
414,765	3,686	20,541,732	19,196
529,237	57,511	35,365,163	19,196
9,163	17,009	952,057	6,022
0	0	1,159,334	0
937,314	0	1,396,602	204,064
0	0	596,007	0
7,404	1,284	33,727	7,955
36,901	0	412,132	0
990,782	18,293	4,549,859	218,041
58,700	10,176	267,393	63,070
0	0	1,675,692	0
16,888	0	72,455	15,813
75,588	10,176	2,015,540	78,883
1,066,370	28,469	6,565,399	296,924
377,864	3,686	18,562,736	19,196
0	0	68,808	0
0	0	324,275	0
(914,997)	25,356	9,843,945	(296,924)
\$ (537,133)	\$ 29,042	\$ 28,799,764	\$ (277,728)
Net Position - Above		\$ 28,799,764	
Internal Service Fund Net Position in			
Enterprise Funds		(277,728)	
Net Position of Business-type Activities		\$ 28,522,036	

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Business-type Activities		
	Major Funds		
	Electric Utility	Water Utility	Sewer Utility
Operating Revenues			
Charges for Service	\$ 12,334,214	\$ 1,281,068	\$ 1,491,395
Interfund Charges	0	0	0
Total Operating Revenues	12,334,214	1,281,068	1,491,395
Operating Expenses			
Electric Power Expense	9,366,620	0	0
Personal Services	532,272	408,471	380,162
Billing and Administrative	158,332	81,008	78,098
Contractual Services	200,686	66,562	94,536
Insurance	35,625	13,000	35,000
Material and Supplies	93,132	48,323	141,781
Repairs and Maintenance	9,746	73,120	133,178
Utilities	5,718	70,125	155,789
Other Expenses	96,253	9,230	10,548
Intergovernmental Charges	200,000	0	0
Depreciation	462,905	479,964	489,819
(Total Operating Expenses)	(11,161,289)	(1,249,803)	(1,518,911)
Operating Income	1,172,925	31,265	(27,516)
Nonoperating Revenues (Expenses)			
Investment Revenue	2,932	1,246	210
Interest Expense	(44,336)	(39,053)	0
Miscellaneous Income (Expense)	66,106	14,854	2,416
Amortization	(9,631)	(10,857)	0
Total Nonoperating Revenues (Expenses)	15,071	(33,810)	2,626
Income Before Capital Contributions and Transfers	1,187,996	(2,545)	(24,890)
Capital Grants and Contributions	0	500	2,200
Transfers (out)	(900,000)	(131,400)	(134,100)
Change in Net Position	287,996	(133,445)	(156,790)
Total Net Position, Beginning of Year	15,906,788	8,161,057	5,242,249
Total Net Position, End of Year	\$ 16,194,784	\$ 8,027,612	\$ 5,085,459

See accompanying notes.

Business-type Activities			
Major Funds	Nonmajor Fund	Total	Business-type Activities
Solid Waste Utility	Stormwater Utility	Enterprise Funds Utilities	Internal Service Fund
\$ 620,372	\$ 126,523	\$ 15,853,572	\$ 0
0	0	0	329,709
620,372	126,523	15,853,572	329,709
0	0	9,366,620	0
287,704	87,291	1,695,900	273,406
12,271	0	329,709	0
38,966	18,000	418,750	30,327
12,201	0	95,826	1,500
48,228	3,822	335,286	7,240
30,062	23,444	269,550	652
0	0	231,632	0
5,562	0	121,593	0
0	0	200,000	0
54,837	0	1,487,525	0
(489,831)	(132,557)	(14,552,391)	(313,125)
130,541	(6,034)	1,301,181	16,584
147	0	4,535	0
(1,421)	0	(84,810)	0
138	0	83,514	0
0	0	(20,488)	0
(1,136)	0	(17,249)	0
129,405	(6,034)	1,283,932	16,584
0	0	2,700	0
(57,100)	0	(1,222,600)	0
72,305	(6,034)	64,032	16,584
(609,438)	35,076	28,735,732	(294,312)
\$ (537,133)	\$ 29,042	\$ 28,799,764	\$ (277,728)
Change in Net Position - Above		\$ 64,032	
Internal Service Fund Activities in			
Enterprise Funds		16,584	
Change in Net Position of Business-type			
Activities		\$ 80,616	

See accompanying notes.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA

	Business-type Activities		
	Electric Utility	Water Utility	Sewer Utility
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 13,111,482	\$ 1,111,797	\$ 1,344,575
Cash from Other Sources	66,106	14,854	2,416
Cash Payments to Suppliers	(10,226,300)	(346,890)	(676,700)
Cash Payments to Employees	(548,981)	(403,193)	(374,884)
Net Cash Provided by (Used in) Operating Activities	2,402,307	376,568	295,407
Cash Flows from Noncapital Financing Activities			
Proceeds (Payments) from Interfund Loans	(35,786)	0	(20,916)
Transfers (out)	(900,000)	(131,400)	(134,100)
Net Cash Provided by (Used in) Noncapital Financing Activities	(935,786)	(131,400)	(155,016)
Cash Flows from Capital and Related Financing Activities			
Capital Grants Received	0	500	2,200
Acquisition of Capital Assets	(168,082)	(135,205)	(151,688)
Principal Paid on Debt	(228,343)	(133,443)	0
Interest Paid on Debt	(44,336)	(39,035)	0
Net Cash Provided by (Used in) Capital and Related Financing Activities	(440,761)	(307,183)	(149,488)
Cash Flows from Investing Activities			
Interest on Investments	1,572	1,246	211
Net Cash Provided by (Used in) Investing Activities	1,572	1,246	211
Change in Cash and Equivalents	1,027,332	(60,769)	(8,886)
Cash and Cash Equivalents, Beginning of Year	5,038,740	1,435,115	264,188
Cash and Cash Equivalents, End of Year	\$ 6,066,072	\$ 1,374,346	\$ 255,302
Reported in the Statement of Net Position As:			
Cash and Cash Equivalents	\$ 5,328,279	\$ 1,269,522	\$ 0
Unspent Bond Proceeds	108,828	0	0
Restricted Cash and Cash Equivalents	628,965	104,824	255,302
Total Cash and Cash Equivalents, Statement of Net Position	\$ 6,066,072	\$ 1,374,346	\$ 255,302
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income	\$ 1,172,925	\$ 31,265	\$ (27,516)
Depreciation	462,905	479,964	489,819
Miscellaneous Income (Expense)	66,106	14,854	2,416
Change in:			
Accounts Receivable	259,778	(12,023)	20,813
Accrued Utility Sales - Unbilled	(931,831)	(83,066)	(92,651)
Unrecovered Power Cost	99,856	0	0
Power Cost Recovered in Advance	1,159,334	0	0
Inventory	(9,113)	1,232	1,208
Accounts Payable and Accrued Liabilities	(51,075)	13,246	(28,978)
Customer Deposits	190,131	(74,182)	(74,982)
Compensated Absences	(20,197)	3,307	3,307
OPEB Liability	3,488	1,971	1,971
Net Cash Provided by (Used in) Operating Activities	\$ 2,402,307	\$ 376,568	\$ 295,407

See accompanying notes.

Business-type Activities			Business-type Activities
Solid Waste Utility	Stormwater Utility	Total Utilities	Internal Service Fund
\$ 627,002	\$ 107,769	\$ 16,302,625	\$ 329,709
138	0	83,514	0
(190,702)	(28,257)	(11,468,849)	(34,686)
(284,092)	(75,831)	(1,686,981)	(267,364)
<u>152,346</u>	<u>3,681</u>	<u>3,230,309</u>	<u>27,659</u>
65,704	0	9,002	(9,003)
(57,100)	0	(1,222,600)	0
<u>8,604</u>	<u>0</u>	<u>(1,213,598)</u>	<u>(9,003)</u>
0	0	2,700	0
(111,390)	(3,686)	(570,051)	(18,656)
(48,286)	0	(410,072)	0
(1,421)	0	(84,792)	0
<u>(161,097)</u>	<u>(3,686)</u>	<u>(1,062,215)</u>	<u>(18,656)</u>
147	0	3,176	0
<u>147</u>	<u>0</u>	<u>3,176</u>	<u>0</u>
0	(5)	957,672	0
0	23,568	6,761,611	0
<u>\$ 0</u>	<u>\$ 23,563</u>	<u>\$ 7,719,283</u>	<u>\$ 0</u>
\$ 0	\$ 23,563	\$ 6,621,364	\$ 0
0	0	108,828	0
0	0	989,091	0
<u>\$ 0</u>	<u>\$ 23,563</u>	<u>\$ 7,719,283</u>	<u>\$ 0</u>
\$ 130,541	\$ (6,034)	\$ 1,301,181	\$ 16,584
54,837	0	1,487,525	0
138	0	83,514	0
26,127	(18,754)	275,941	0
(19,497)	0	(1,127,045)	0
0	0	99,856	0
0	0	1,159,334	0
0	0	(6,673)	0
(43,412)	17,009	(93,210)	5,033
0	0	40,967	0
1,354	11,460	(769)	3,928
2,258	0	9,688	2,114
<u>\$ 152,346</u>	<u>\$ 3,681</u>	<u>\$ 3,230,309</u>	<u>\$ 27,659</u>

See accompanying notes.

STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA

Assets

Cash and Cash Equivalents	\$ 19,936
Investments	<u>3,302,730</u>
Total Assets	<u><u>3,322,666</u></u>

Liabilities

0

Net Position

Held in Trust for Pension Benefits	<u><u>\$ 3,322,666</u></u>
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See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

Additions

Contributions:	
Employer	\$ 133,766
Member	7,622
State	73,366
Total Contributions	<u>214,754</u>

Investment Income:	
Net Appreciation in Fair Value of Investments	251,005
(Less) Investment Management Fee	<u>(22,305)</u>
Net Investment Income	<u>228,700</u>

Total Additions	<u>443,454</u>
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Deductions

Member Benefits	22,430
Administration Fees	<u>1,000</u>

(Total Deductions)	<u>(23,430)</u>
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Change in Net Position	420,024
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Net Position, Beginning of Year	<u>2,902,642</u>
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Net Position, End of Year	<u><u>\$ 3,322,666</u></u>
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See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA**

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Green Cove Springs, Florida, (the City) which is located in northeast Florida, is a political subdivision of the State of Florida and was established in 1911 by Chapter 6350, Laws of Florida. The City is governed by a five-member City Council and provides utility services (electric, water, sewer, stormwater, and refuse collection), as well as public safety, road and street maintenance, parks, recreation, and general administrative services.

As required by U.S. generally accepted accounting principles, the accompanying financial statements present the City as a primary government. Component units, if any, would also be presented. Component units are entities for which a primary government is considered to be financially accountable.

The Augusta Savage Arts and Community Center, Inc. (the Center) was incorporated on February 24, 2009, as a legally separate not-for-profit corporation. The Center is responsible for the management of community programs at the Thomas Hogan Memorial Gymnasium. The City manages the remaining parts of the resource center and arts building. The five-acre complex is a community campus dedicated to the arts, culture, education, and outreach services. City Council appoints the Center's directors and also has the ability to remove appointed directors. The Center is included in the accompanying government-wide financial statements of the City as a discretely presented component unit. The Center does not issue separate financial statements. Effective June 16, 2014, the Center dissolved the not-for-profit corporation with activities of the Center continued by the City effective July 15, 2014.

Basis of Presentation

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the City's accounting policies are hereafter described.

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 City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: a) charges for services that are directly related to a given function; and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported instead as general revenues.

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, but all nonmajor funds are aggregated and displayed in a single column.

The governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The City reports the following major governmental funds:

- **General Fund**—the primary operating fund, used to account for all activities except those required to be accounted for in another fund.
- **Police Building Construction Capital Projects Fund**—a capital project fund, used to account for the activities related to the construction of the City’s new police headquarters.

The City reports the following proprietary funds:

- **Electric Utility Fund**—an enterprise fund, used to account for the activities of the City’s electric utility.
- **Water Utility Fund**—an enterprise fund, used to account for the activities of the City’s water utility.
- **Sewer Utility Fund**—an enterprise fund, used to account for the activities of the City’s wastewater utility.
- **Solid Waste Utility Fund**—an enterprise fund, used to account for the activities of the City’s sanitation utility.
- **Storm Water Utility Fund**—an enterprise fund, used to account for the activities of the City’s storm water utility.

The City reports the following fiduciary fund:

- **Pension Trust Fund**—to account for activities of the City’s police officers pension plan.

In addition, the government reports the following type of fund:

- **Internal Service Fund**—to account for customer services provided to the proprietary funds.

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become measurable and available as net current assets. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Taxes and certain intergovernmental revenues constitute the most significant sources of revenue considered susceptible to accrual. In governmental funds, expenditures are generally recognized when the related liability is incurred. However, debt service expenditures, other postretirement benefit expenditures, and expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

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.

Fund Balance Classifications

Fund balance classifications are comprised of a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned, and unassigned:

- **Nonspendable**—this component of fund balance consists of amounts that cannot be spent because: (a) they are not expected to be converted to cash; or (b) they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. On the governmental funds balance sheet, the inventory balance reported is offset by a nonspendable fund balance classification, which indicates it does not constitute “available spendable resources” even though it is a component of net current assets.
- **Restricted**—this component of fund balance consists of amounts that are constrained either: (a) externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments); or (b) by law through constitutional provisions or enabling legislation.
- **Committed**—this component of fund balance consists of amounts that can only be used for the specific purposes determined by a formal action of the City Council’s highest level of decision-making authority (i.e., by ordinance). These committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action employed to constrain those amounts.

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance Classifications (Concluded)

- **Assigned**—this component of fund balance consists of amounts that are constrained by a less-than-formal action of the organization’s governing authority, or by an individual or body to whom the governing authority has delegated this responsibility. The City Council has not formally delegated this authority. In addition, residual balances in capital projects and debt service funds are considered assigned for the general purpose of the respective fund.
- **Unassigned**—this classification is used for: (a) deficit unrestricted fund balances in any governmental fund; or (b) fund balances within the general fund that are not restricted, committed, or assigned.

Use of Restricted and Unrestricted Assets

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any governmental fund, it is the City’s policy to use committed resources first, then assigned, and then unassigned, as needed.

Minimum Fund Balance

The City’s fiscal policy establishes a reservation of fund balance equal to 30 days of the current fiscal year operating budget for the general and utility funds.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

Receivables are stated at net realizable value, reduced by an allowance for uncollectable accounts, where appropriate. Accounts receivable of the enterprise fund is net of an \$80,000 allowance.

Investments

Investments are reported at fair value based on quoted market prices, except for the City’s investments in the Florida PRIME portion of the State Investment Pool, which are reported at amortized cost, and certificates of deposit, which are reported at cost, which approximates fair value.

Inventories

Governmental fund inventories are reported at cost, first-in, first-out (FIFO) under the consumption method.

Inventories of the enterprise fund are valued at the lower of cost or market as determined by the average unit cost method.

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets are recorded at historical cost or estimated historical cost, except for contributed assets, which are recorded at fair value at the date of contribution. The City uses a capitalization threshold of \$1,000 for all classes of capital assets.

Depreciation of capital assets is provided using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Water and Wastewater Treatment Plant	20 - 30
Water and Wastewater Pumping and Collecting Plant	20 - 30
General Plant and Equipment	10 - 20
Buildings	30
Improvements Other than Buildings	10 - 30
Machinery and Equipment	3 - 10
Infrastructure	20 - 50

For its business-type activities, the City's policy is to capitalize construction period interest costs on projects funded specifically through debt financing. Interest earnings are offset against construction costs for qualified projects financed with tax-exempt debt. No interest costs were capitalized during 2014.

Claims and Judgments

For governmental funds, a fund liability is reported to account for the portion of the liability that will be liquidated with expendable available financial resources. The liability is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements.

Compensated Absences

The City's policy is to allow limited vesting of employee vacation pay and accumulated sick leave. A liability for accrued compensated absences of employees of the governmental funds has been accrued. Since this liability will not be liquidated with expendable available financial resources, the liability has not been reported in the governmental funds. A liability for compensated absences is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In prior years, compensated absences liabilities associated with governmental funds were liquidated by the General Fund which incurred the liabilities.

Property Taxes

The Clay County Tax Collector bills and collects property taxes for the City. At September 30, 2014, the property taxes receivable were not material.

Details of the City's tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Discount Period	November through February
No Discount Period	March
Delinquent Date	April 1

NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)

Note 1 - Summary of Significant Accounting Policies (Concluded)

Operating Revenues and Expenses

Enterprise 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 an enterprise fund's principal ongoing operations. 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.

Restricted Net Position

In the accompanying government-wide and proprietary funds' statements of net position, restricted net position is subject to restrictions beyond the City's control. The restriction is either externally imposed (for instance, by creditors, grantors, contributors, or laws/regulations of other governments) or is imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

As of September 30, 2014, there was approximately \$324,275 included in restricted net position that was restricted by enabling legislation for system improvements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

New Accounting Pronouncements

During the year, the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plans, an Amendment of GASB Statement No. 25*, which replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. This Statement expands the required disclosures regarding the City's pension plan and specifies the required approach to measure the net pension liability.

During fiscal year ending September 30, 2015, the City will be required to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB No. 27*. This statement will require the City to record the net pension liability of its defined benefit pension plan. The City is still evaluating the impact the adoption of this accounting pronouncement will have on its financial statements.

As described in Note 6, the City participates in the Florida Retirement System (FRS), a cost-sharing, multiple-employer defined benefit public retirement plan. Upon implementation of GASB Statement No. 68, the City will be required to recognize a liability for its proportionate share of the collective net pension liability of all employers for benefits provided through the pension plan, and related pension expense/expenditure and deferred outflows and inflows of resources. The effect of the application of GASB Statement No. 68 has not yet been determined.

Note 2 - Deposits and Investments

Deposits

All of the City's deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes and, accordingly, are entirely insured by Federal Depository Insurance or collateralized pursuant to the *Florida Security for Public Deposits Act*.

NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)

Note 2 - Deposits and Investments (Continued)

Investments

The general investments are governed by the City's Investment Policy and by Florida Statutes. The City's investment policy authorizes investments in the Florida Local Government Surplus Funds Trust Fund, U.S. government securities, U.S. government agencies, federal instrumentalities, interest-bearing time deposits, saving accounts, state/local government debt, money market mutual funds, and intergovernmental investment pools.

The City invests temporarily idle resources in Certificates of Deposit and the Local Government Investment Pool (State Pool). The State Pool is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight.

Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The City's investment in Florida PRIME is stated at amortized cost. The fair value of the position in the pool is equal to the value of the pool shares.

The Florida Municipal Investment Trust (the Trust) is an external investment pool administered by the Florida League of Cities, Inc. The fair value of the position in the Trust is equal to the value of the Trust shares. For purposes of interest rate risk, the maturity of the position in the Trust is based on the weighted-average maturity of the pool's investments. The Trust is not a registrant with the Securities and Exchange Commission.

The City is exposed to the following risks associated with its investment portfolio:

- **Credit Risk**—the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investment in state or local government debt must be rated at least AA by Moody's or Standard & Poor's.
- **Interest Rate Risk**—the risk that changes in interest rates will adversely affect the fair value of an investment. The City limits its investments to maturities of less than five years.

The City's investment policy does not formally address the risks noted above.

	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>
Investments:			
Certificates of Deposit in Qualified Public Depository, at Cost	\$ 3,200,000	< 1 Year	N/A
Florida PRIME, at Amortized Cost	<u>2,746,897</u>	N/A	AAAm (S&P)
Total	<u><u>\$ 5,946,897</u></u>		

Total investments include \$2,746,897 classified as Cash and Cash Equivalents in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)

Note 2 - Deposits and Investments (Concluded)

Investments (Concluded)

<u>Pension Trust Fund Investments</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>Credit Risk</u>
FMIVT Broad Market High Quality Bond Portfolio	\$ 531,627	5.54 Years	AA/V4 (Fitch)
FMIVT Core Plus Fixed Income	777,504	N/A	Not Rated
FMIVT High Quality Growth Portfolio	265,813	N/A	Not Rated
FMIVT Large Cap Diversified Value Portfolio	272,459	N/A	Not Rated
FMIVT Russell 1000 Index Portfolio	777,504	N/A	Not Rated
FMIVT Diversified Small Cap Equity Portfolio	362,170	N/A	Not Rated
FMIVT International Blend Portfolio	315,653	N/A	Not Rated
Total Pension Trust Fund	<u>\$ 3,302,730</u>		

Restricted Cash

Restricted cash and cash equivalents at September 30, 2014, consists of the following:

Customer Deposits	\$ 596,007
Debt Sinking Fund	68,808
System Improvements	324,275
Proprietary Fund Unspent Debt Proceeds	108,829
Total Restricted Cash	<u>\$ 1,097,919</u>

Note 3 - Interfund Balances and Transfers

The following is a summary of interfund receivables and payables at September 30, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Project Fund	\$ 173,009
Electric Fund	Sewer Fund	459,288
Electric Fund	Solid Waste Fund	937,314
Electric Fund	Business-type Internal Service Fund	204,064
Total		<u>\$ 1,773,675</u>

The interfund balances resulted from the normal course of operations and are expected to be repaid within one year. The interfund loan between the Electric Fund and Solid Waste Fund arose as a result of the separation of the utility funds and is not expected to be repaid within one year.

The following is a summary of interfund transfers made during the 2014 Fiscal Year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 1,271,417	\$ (1,575,000)
Capital Project Fund	1,805,000	0
Nonmajor Governmental Funds	0	(278,817)
Electric Fund	0	(900,000)
Water Fund	0	(131,400)
Sewer Fund	0	(134,100)
Solid Waste Fund	0	(57,100)
Total	<u>\$ 3,076,417</u>	<u>\$ (3,076,417)</u>

The interfund transfers resulted from the normal course of operations. Transfers to the Capital Project fund were for the construction of the new police building. Transfers from the utility funds were made to support the City's provision of general government services.

NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)

Note 4 - Capital Assets Activity

During the year ended September 30, 2014, the following changes in capital assets occurred:

	Beginning Balance October 1, 2013	Increases	Decreases	Ending Balance September 30, 2014
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 8,014,273	\$ 0	\$ 0	\$ 8,014,273
Construction in Progress	589,663	3,787,018	(4,376,681)	0
Total Capital Assets Not Being Depreciated	8,603,936	3,787,018	(4,376,681)	8,014,273
Capital Assets Being Depreciated:				
Buildings	6,048,880	4,460,959	0	10,509,839
Improvements Other than Buildings	3,192,396	85,375	0	3,277,771
Machinery and Equipment	2,773,724	125,249	(39,101)	2,859,872
Infrastructure	9,040,837	2,200	0	9,043,037
Total Capital Assets Being Depreciated	21,055,837	4,673,783	(39,101)	25,690,519
Less Accumulated Depreciation:				
Buildings	(1,325,850)	(214,819)	0	(1,540,669)
Improvements Other than Buildings	(1,320,408)	(124,879)	0	(1,445,287)
Machinery and Equipment	(2,022,924)	(156,364)	36,439	(2,142,849)
Infrastructure	(3,012,349)	(251,127)	0	(3,263,476)
Total Accumulated Depreciation	(7,681,531)	(747,189)	36,439	(8,392,281)
Total Capital Assets Being Depreciated, Net	13,374,306	3,926,594	(2,662)	17,298,238
Governmental Activities Capital Depreciated, Net	\$ 21,978,242	\$ 7,713,612	\$ (4,379,343)	\$ 25,312,511
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 227,136	\$ 0	\$ 0	\$ 227,136
Capital Assets Being Depreciated:				
Electric Transmission and Distribution Plant	17,321,851	168,082	0	17,489,933
Water/Wastewater Treatment Plant	9,720,448	23,495	0	9,743,943
Water/Wastewater Pumping and Collection Plant	14,895,439	22,829	0	14,918,268
General Plant and Equipment	4,443,938	374,301	(25,665)	4,792,574
Total Capital Assets Being Depreciated	46,381,676	588,707	(25,665)	46,944,718
Less Accumulated Depreciation:				
Electric Transmission and Distribution Plant	(9,720,588)	(417,753)	0	(10,138,341)
Water/Wastewater Treatment Plant	(5,506,298)	(333,809)	0	(5,840,107)
Water/Wastewater Pumping and Collection Plant	(7,150,906)	(486,006)	0	(7,636,912)
General Plant and Equipment	(2,771,274)	(249,957)	25,665	(2,995,566)
Total Accumulated Depreciation	(25,149,066)	(1,487,525)	25,665	(26,610,926)
Total Capital Assets Being Depreciated, Net	21,232,610	(898,818)	0	20,333,792
Total Business-type Activities Capital Assets, Net	\$ 21,459,746	\$ (898,818)	\$ 0	\$ 20,560,928

NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)

Note 4 - Capital Asset Activity (Concluded)

Depreciation expense was charged to the functions of the primary government as follows:

Governmental Activities	
General Government	\$ 201,479
Public Safety	105,899
Transportation	296,709
Physical Environment	512
Culture and Recreation	<u>142,590</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 747,189</u>
Business-type Activities	
Electric	\$ 462,905
Water	479,964
Wastewater	489,819
Sanitation	<u>54,837</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 1,487,525</u>

Note 5 - Long-term Obligations

Following is a summary of changes in long-term obligations:

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014	Due Within One Year
Governmental Activities					
Sales Tax Revenue Note					
Series 2013	\$ 2,415,000	\$ 0	\$ (389,084)	\$ 2,025,916	\$ 394,354
Compensated Absences	568,305	223,368	(278,660)	513,013	153,931
Net OPEB Obligation	<u>178,330</u>	<u>27,523</u>	<u>0</u>	<u>205,853</u>	<u>0</u>
Total Governmental Activities	<u>\$ 3,161,635</u>	<u>\$ 250,891</u>	<u>\$ (667,744)</u>	<u>\$ 2,744,782</u>	<u>\$ 548,285</u>
Business-type Activities					
Electric Capital					
Improvement Note	\$ 1,362,668	\$ 0	\$ (228,339)	\$ 1,134,329	\$ 236,614
Water Capital					
Improvement Note	1,050,041	0	(133,442)	916,599	138,617
Equipment Note –					
Sanitation	85,188	0	(48,292)	36,896	36,895
Compensated Absences	368,985	116,612	(113,450)	372,147	41,688
Net OPEB Obligation	<u>76,466</u>	<u>11,800</u>	<u>0</u>	<u>88,266</u>	<u>0</u>
Total Business-type Activities	<u>\$ 2,943,348</u>	<u>\$ 128,412</u>	<u>\$ (523,523)</u>	<u>\$ 2,548,237</u>	<u>\$ 453,814</u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

Note 5 - Long-term Obligations (Continued)

Notes Payable

\$2,270,000 - 2009 Electric Utility Revenue Note, for

improvements to the City's electrical distribution system.

The note is payable in semi-annual installments of \$137,616 (including interest of 3.59%) through January 1, 2019.

This note is payable from and secured by the net revenues of the City's electric utility system. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$1,238,543. During 2014, approximately \$1,172,925 of net revenue from the City's electric utility system was recognized, and \$275,232 was paid for debt service.

\$ 1,134,329

\$1,650,000 - 2008 Water Revenue Note, for improvements to the City's water system. The note is payable in semi-annual installments of \$86,248 (including interest of 3.84%) through October 1, 2020.

This note is payable from and secured by the net revenues of the City's utility system. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$1,034,975.

During 2014, approximately \$31,265 of net revenue from the City's water utility system and \$1,269,916 of supplemental pledged revenue from the City's electric and wastewater utility systems was recognized, and \$172,496 was paid for debt service.

916,599

\$190,182 - 2011 Equipment Note, for the purchase of two garbage trucks. The note is payable in quarterly installments of \$12,429 (including interest of 2.125%) beginning October 13, 2011 through July 13, 2015. This note is payable from and secured by the net revenues of the City's utility system. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$37,287. During 2014, approximately \$1,301,181 of net revenue from the City's utility systems was recognized, and \$49,716 was paid for debt service.

36,896

\$2,415,000 - Sales Tax Revenue Note, Series 2013, for the construction of the City's new police station and emergency operations center. The note is payable in semi-annual installments of \$210,189 (including interest of 1.35%) beginning January 1, 2014 through July 1, 2019. This note is payable from and secured solely by Sales Tax Revenue. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$2,101,887. During 2014, approximately \$708,355 of net revenue from discretionary sales surtax was recognized, and \$418,838 was paid for debt service.

2,025,916

Total Notes Payable

\$ 4,113,740

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

Note 5 - Long-term Obligations (Concluded)

The annual requirements to amortize notes payable as of September 30, 2014, are as follows:

Governmental Funds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 394,354	\$ 26,023	\$ 420,377
2016	399,696	20,682	420,378
2017	405,110	15,268	420,378
2018	410,597	9,780	420,377
2019	416,159	4,218	420,377
Total	\$ 2,025,916	\$ 75,971	\$ 2,101,887

Proprietary Funds

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 412,126	\$ 73,149	\$ 485,275
2016	389,177	58,552	447,729
2017	403,640	44,089	447,729
2018	418,642	29,087	447,729
2019	296,585	13,527	310,112
2020	167,654	4,844	172,498
Total	\$ 2,087,824	\$ 223,248	\$ 2,311,072

Interest Expense

Interest expense is included as a direct function expense of the electric utilities, water utilities, and sanitation in the amounts of \$44,336, \$39,053, and \$1,421, respectively.

Note 6 - Pension Plans

The City participates in the following four pension plans:

(1) Florida Retirement System

Plan Description—The City contributes to the FRS a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Management Services, Division of Retirement. FRS provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. FRS also offers eligible employees the ability to participate in an alternative defined contribution plan (the Investment Plan). FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-6491.

NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)

Note 6 - Pension Plans (Continued)

(1) Florida Retirement System (Concluded)

Funding Policy—All employees are required to contribute 3% to the plan. The City is required to contribute at an actuarially determined rate. The rates at September 30, 2014, were as follows: Regular Employees 7.37%; Special Risk Employees 19.82%; Senior Management 21.14%; and Elected Officials 43.24%. The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. The City's contributions to FRS for the years ended September 30, 2014, 2013, and 2012, were \$220,445, \$150,730, and \$125,620, respectively, equal to the required contributions of each year. The employees' contributions for the years ended September 30, 2014, 2013, and 2012 were \$61,188, \$58,994, and \$59,748, respectively.

(2) Florida Municipal Pension Trust for Police Officers

Plan Description—The City participates in the Florida Municipal Pension Trust Fund for Police Officers (the Plan), an agent, multiple-employer defined benefit pension plan sponsored by the Florida League of Cities to collectively manage individually designed employee pension plans of participating Florida municipalities.

The Plan provides for vesting of benefits after 6 years of creditable service. Members are eligible for normal retirement after 6 years of service and attaining age 55, or after attaining 25 years of service. The Plan also provides for disability, retirement and death benefits with eligibility and benefit provisions as described in the authorizing ordinance. Annual benefits are equal to total years of service times 3% of final average compensation (highest 5 years of the last 10). The minimum benefit for duty disability is 65% of final average compensation. The minimum benefit for nonduty disability is 25% of final average compensation.

The City has established a Board of Trustees, which is solely responsible for administration of the Plan. The Board of Trustees establishes and may amend provisions of the Plan related to participant eligibility, contribution requirements, vesting, and benefit provisions. However, these plan provisions are subject to minimum requirements established in Chapters 112 and 185, Florida Statutes. The Plan does not issue a stand-alone financial report.

Funding Policy—Plan members are required to contribute 1% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The contribution requirements of Plan members and the City are established and may be amended by the Board of Trustees.

Membership in the Plan as of September 30, 2014, Consisted of:

Retirees and Beneficiaries Receiving Benefits	2
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	4
Active Plan Members	<u>16</u>
Total	<u><u>22</u></u>

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

Note 6 - Pension Plans (Continued)

(2) Florida Municipal Pension Trust for Police Officers (Continued)

The Following was the Board's Adopted Allocation Policy as of September 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Core Bonds	16%	2.29%
Multi-sector	24%	2.78%
U.S. Large Cap Equity	39%	5.68%
U.S. Small Cap Equity	11%	6.24%
Non-U.S. Equity	10%	5.44%
Total	<u>100%</u>	

Rate of Return

For the year ended September 30, 2014, the weighted arithmetic average rate of return on the pension plan investments, net of pension plan investment expense, was 4.48%.

Annual Pension Costs and Net Pension Obligation

Annual Required Contribution (ARC)	\$ 174,132
Interest on Net Pension Obligation	4,278
Adjustment to ARC	<u>(2,983)</u>
Annual Pension Cost	175,427
Contributions Made	(214,754)
Net Pension Obligation, Beginning of Year	<u>60,734</u>
Net Pension Obligation, End of Year	<u>\$ 21,407</u>

Actuarial Methods and Assumptions

Information as of the latest actuarial valuation is as follows:

Employer's Reporting Date:	September 30, 2014
Measurement Date:	October 1, 2013
Actuarial Valuation Date:	October 1, 2013
Discount Rate:	8.07% per annum (3.59% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments.
Salary Increases:	4% per annum
Cost-of Living Increases:	1.5% as of each October 1 st at least one year after retirement.
Mortality Basis:	Sex-distinct rates set forth in the RP-2000 mortality table for annuitants, projects to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for the purposes of Internal Revenue Code (IRC) Section 430; future generation improvements in mortality have not been reflected.
Retirement:	Normal Retirement Rate
Non-investment Expenses:	Liabilities have been loaded by 1.00% to account for non-investment expenses.
Future Contributions:	Contributions from the employer and employees are assumed to be made as legally required; employer contributions are assumed to equal \$174,132 for the 2014 fiscal year.
Changes:	The actuarial assumptions did not change from the prior measurement date since GASB 67 is effective for this measurement period.

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

Note 6 - Pension Plans (Continued)

(2) Florida Municipal Pension Trust for Police Officers (Concluded)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/14	\$ 175,424	122%	\$ 21,407
9/30/13	221,345	98%	60,734
9/30/12	221,138	91%	56,238

Net Pension Liability

The components of the net pension liability of the sponsor on September 30, 2014, were as follows:

Total Pension Liability	\$ 2,556,312
Plan Fiduciary Net Position	<u>(3,317,987)*</u>
Sponsor's Net Position Asset	<u>\$ (761,675)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	130%

* Plan Net Position per the actuaries' report may differ from the Statement of Fiduciary Net Position due to various timing and other matters.

Comparison of Net Pension Liability Using Alternative Discount Rates

	Discount Rate - 1.00%	8.07% Discount Rate	Discount Rate + 1.00%
Total Pension Liability	\$ 2,998,483	\$ 2,556,312	\$ 2,195,072
Less Fiduciary Net Position	<u>(3,317,987)</u>	<u>(3,317,987)</u>	<u>(3,317,987)</u>
Net Pension Asset	<u>\$ (319,504)</u>	<u>\$ (761,675)</u>	<u>\$ (1,122,915)</u>

(3) General Employee's Money Purchase Plan

Plan Description—The City participates in the General Employee's Money Purchase Plan, a noncontributory defined contribution public employee pension plan administered by Nationwide Retirement Solutions to provide retirement and survivor benefits to participating public employees. As of April 1, 2006, the General Employee's Money Purchase Plan was closed to all new employees and participating employees were given the option to enter FRS, while still retaining funds previously contributed into their Money Purchase Plan. The City establishes the authority for participant eligibility, contribution requirements, vesting eligibility, and benefit provisions.

Funding Policy—The City is required to contribute 10% of each participant's annual covered salary. The City's contributions to the Plan for the years ended September 30, 2014, 2013, and 2012, were \$60,849, \$70,625, and \$68,152, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)

Note 6 - Pension Plans (Concluded)

(4) ICMA Retirement Plan

Plan Description—The City provides pension benefits to its City Attorney and Police Chief (the Participants) through a defined contribution plan administered by ICMA Retirement Corporation. The City contributes 15% based on the compensation of the participants. Participant contributions are voluntary. The City's contribution for the participants (and interest allocated to the participant's account) is fully vested after one year of completed service. The City establishes the authority for and may amend provisions relating to participant eligibility, contributed requirements, vesting eligibility, benefits, and other plan provisions.

Funding Policy—During the year ended September 30, 2014, the City made approximately \$22,319 in contributions on eligible compensation, or 15% of covered payroll. There were no participant contributions for the year.

Note 7 - Other Postemployment Benefits Plan

Plan Description—The City administers a single-employer defined benefit plan for postemployment benefits other than pension benefits (OPEB Plan). The OPEB Plan provides postemployment life, dental, and health insurance benefits for retirees and eligible dependents.

For two retirees, the City has agreed to subsidize the cost of the employees' medical insurance, less the FRS subsidy of \$5 per month per year of service. All other retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums, less the FRS subsidy. In future years, contributions are assumed to increase at the same rate as premiums.

Employee contributions for life and dental benefits are assumed to cover the entire cost of the program.

As of October 1, 2011, the date of the latest actuarial valuation, plan participation consisted of 93 active employees and 4 retirees receiving benefits.

A separate stand-alone financial statement is not prepared for the OPEB Plan.

Funding Policy—The contribution requirements of the Plan members and the City are established and may be amended by the City Council. A trust has not been established. Contributions are being made on a pay-as-you-go financing requirement.

Annual OPEB Cost and Net OPEB Obligation—The annual cost (expense) of the City's OPEB Plan is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB Plan cost for the year, the amount actually contributed by the employer, and the changes in the net OPEB Plan obligation:

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

Note 7 - Other Postemployment Benefits Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation—(Concluded)

Annual Required Contribution (ARC)	\$ 63,797
Interest on Net OPEB Obligation	8,807
Adjustment to ARC	<u>(10,838)</u>
Annual OPEB Cost (Expense)	61,766
(Contributions Made)	<u>(27,553)</u>
Increase in Net OPEB Obligation	34,213
Net OPEB Obligation, Beginning of Year	<u>245,821</u>
Net OPEB Obligation, End of Year*	<u><u>\$ 280,034</u></u>

* OPEB Obligation per the actuaries' report may differ from the Statement of Net Position due to various timing and other matters.

Trend Information—

Year Ended September 30	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation
2014	\$ 61,766	\$ 27,553	44.60%	\$ 280,034
2013	61,766	31,417	50.90%	245,821
2012	61,766	22,442	36.33%	215,472

Actuarial Methods and Assumptions—Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial Methods

Actuarial Cost Method	Entry Age Normal (Level % of Pay)
Amortization Method	Level % of Projected Payroll
Amortization Period (Closed)	30 Years
Asset Valuation Method	Market Value

Actuarial Assumptions

Investment Rate of Return	5.0%
Projected Annual Salaries Increase	0.0%
Inflation Rate	0
Mortality	RP-2000 Combined Healthy Mortality Table
Health Care Cost Trend Rate	9.0% in 2012, Trending to 5.0% in 2017

NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)

Note 7 - Other Postemployment Benefits Plan (Concluded)

Funding Status and Funding Progress—The OPEB payments made for the 2014 fiscal year were 44.60% of the annual OPEB cost. As of the actuarial valuation report dated October 1, 2011, the actuarial value of assets was \$0, the actuarial accrued liability was \$408,964, the unfunded actuarial accrued liability (UAAL) was also \$408,964, the funded ratio was 0%, the covered payroll was \$3,484,107, and the UAAL as a percentage of covered payroll was 11.7%.

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Note 8 - Risk Management

The City is exposed to various risks of loss related to general liability, workers' compensation, public liability, law enforcement liability, health benefits, property damage, and errors and omissions. To manage its risks, the City participates in the Florida League of Cities Self-Insurance Fund (the Fund) a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member.

Note 9 - Power Supply Agreements

General

The City currently purchases all of its power requirements from the Florida Municipal Power Agency (FMPA) under an "All Requirements Contracts" (see below).

FMPA, a legal entity organized in 1978 and existing under the laws of the State of Florida, consists of 28 member municipal electric systems, including the City. One of FMPA's responsibilities is to develop electric projects and offer participation therein to its members. Its members individually determine in which project or projects they wish to participate. FMPA is governed by a Board of Directors on which the City is represented.

The City, by agreement, has no equity interest in any of the assets owned by FMPA, or any obligation for liabilities of the Agency. FMPA does not constitute a joint venture nor does it meet the criteria for inclusion in the City's reporting entity.

St. Lucie Project

In May 1983, FMPA issued \$290,000,000 St. Lucie Project Revenue Bonds, Series 1983 (Series 1983) in order to purchase an 8.806% undivided ownership interest in Florida Power and Light Company's (FP&L) St. Lucie Unit No. 2. In March 1986, FMPA issued \$284,810,000 in St. Lucie Project Refunding Revenue Bonds, Series 1986, to advance refund \$250,910,000 of the outstanding Series 1983 bonds in a legal defeasance of that portion of the Series 1983 bonds. In July 1992, FMPA issued \$326,090,000 St. Lucie Project Refunding Revenue Bonds, Series 1992 (Series 1992), to advance refund in the prior two issues. In 2000 and 2002, FMPA issued two additional refunding bonds to partially refund the 1992 issue. In addition, FMPA has issued several additional bonds. At September 30, 2014, the total outstanding amount related to the St. Lucie Project is \$337,960,000. The City is contingently liable for 1.757% of the total amount of outstanding debt, (approximately \$5,937,957) at September 30, 2014.

**NOTES TO FINANCIAL STATEMENTS
CITY OF GREEN COVE SPRINGS, FLORIDA
(Concluded)**

Note 9 - Power Supply Agreements (Concluded)

St. Lucie Project (Concluded)

Pursuant to a power sales contract and a project support contract with FMPA, the City acquired an entitlement share of 1.757% (approximately 1.241MW) of FMPA's 8.806% interest in St. Lucie No. 2. Payments are required by the City whether or not the St. Lucie Project is operable or operating, and are due each month based upon a budget prepared by FMPA, adjusted annually. Total costs under this contract during 2014 were \$812,636.

All Requirements Power Supply Agreement

On February 12, 1985, the City, along with several other municipalities (the project participants), entered into separate agreements with FMPA, whereby FMPA agreed to sell and deliver to the project participants, and the project participants agreed to purchase and receive from FMPA, all electric capacity and energy which the project participants shall require (excluding St. Lucie) for the operation of their municipal electric systems. The City has given FMPA notice pursuant to Section 2 of the All-Requirements Power Supply Contract that the term of their contract will not renew automatically each year after the initial contract term. The term of the contract is now fixed and will terminate on October 1, 2037. Effective December 31, 2014, the City has issued a Contract Rate of Delivery (CROD) notice to FMPA. This notice will fix capacity of power being provided by FMPA to the city within a five year time frame. The fixed capacity will be placed into effect January 1, 2020, and will be determined by measurement of the peak demand of the City during the 12 months preceding the date one month prior to the effective date of CROD.

Power rates are determined by the Board, subject to the approval of the project participants, but must be sufficient to meet FMPA's revenue requirements. Charges to the City are payable solely from utility revenues and in no way can FMPA compel the City to exercise its taxing power. Total costs under this contract during 2014 were \$8,553,985.

Note 10 - Commitments and Contingencies

The City is a party to lawsuits and claims arising out of the normal conduct of its activities. While the results of lawsuits or other proceedings against the City cannot be predicted with certainty, management does not expect that these matters will have a material adverse effect on the financial condition of the City.

On March 17, 2009, the City entered into an agreement with the Florida Communities Trust (FCT), an agency within the State of Florida Department of Community Affairs, which imposes several terms and conditions with regards to land acquired through a grant from FCT. The City has committed to maintaining the land perpetually as well to making certain improvements which include, but are not limited to, providing recreational facilities including a skateboard park, swimming pool, dog park, tennis, racquetball and shuffleboard courts, and baseball and soccer fields, planting native vegetation throughout a significant portion of the land, and developing stormwater facilities to improve the quality of surface waters. In addition, a staffed recreation center is to be developed on the project site to provide year-round education classes or programs.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 2,431,437	\$ 2,431,437	\$ 2,443,254	\$ 11,817
Licenses and Permits	7,000	7,000	6,309	(691)
Intergovernmental	1,824,181	1,824,181	710,631	(1,113,550)
Charges for Services	47,950	47,950	56,812	8,862
Fines and Forfeitures	810,000	810,000	444,790	(365,210)
Investment Earnings	12,850	12,850	7,178	(5,672)
Miscellaneous	102,740	102,740	67,998	(34,742)
Interfund Charges	200,000	200,000	200,000	0
Total Revenues	5,436,158	5,436,158	3,936,972	(1,499,186)
Expenditures				
Current:				
General Government	2,269,253	2,333,621	1,694,285	639,336
Public Safety	3,377,106	3,380,768	2,104,498	1,276,270
Physical Environment	135,196	149,196	147,995	1,201
Transportation	1,393,781	1,393,781	821,576	572,205
Culture and Recreation	805,029	805,029	289,272	515,757
(Total Expenditures)	(7,980,365)	(8,062,395)	(5,057,626)	3,004,769
(Deficiency) of Revenues (Under)				
Expenditures	(2,544,207)	(2,626,237)	(1,120,654)	1,505,583
Other Financing Sources (Uses)				
Transfers in	1,222,600	1,222,600	1,271,417	48,817
Transfers (out)	0	0	(1,575,000)	(1,575,000)
Sale of Fixed Assets	33,400	33,400	0	(33,400)
Total Other Financing Sources	1,256,000	1,256,000	(303,583)	48,817
Net Change in Fund Balance	(1,288,207)	(1,370,237)	(1,424,237)	1,554,400
Fund Balances, Beginning of Year	1,288,207	1,370,237	4,145,044	2,774,807
Fund Balances, End of Year	\$ 0	\$ 0	\$ 2,720,807	\$ 4,329,207

NOTES TO BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA

- On or before the first day in August of each year, the City Manager submits to the City Council a budget for the ensuing fiscal year along with an accompanying budget message.
- The general summary of the budget and notice of public hearing is published in the local newspaper.
- Prior to the last day of September, the budget is legally enacted.
- The City Council, by resolution, may make supplemental appropriations for the year up to the amount of revenues available for appropriations. A supplemental budget was not necessary for the General Fund.
- Florida Statutes stipulate that the fund is the legal level of control.
- Every appropriation lapses at the close of the fiscal year to the extent that it has not been expended. Encumbrances are not recorded.
- The budgets for governmental funds were prepared on the modified accrual basis of accounting.

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION
LIABILITY AND RELATED RATIOS
POLICE OFFICERS' PENSION PLAN
CITY OF GREEN COVE SPRINGS, FLORIDA
LAST 10 FISCAL YEARS *
(UNAUDITED)**

Fiscal year ending September 30,	<u>2014</u>
Total Pension Liability	
Service Cost	\$ 150,177
Expected Interest Growth	(49,064)
Demographic Gain/Loss	(1,935)
Employee Contributions	(7,497)
Benefit Payments and Refunds	(13,844)
Administrative Expenses	23,305
Net Change in Total Pension Liability	<u>101,142</u>
Total Pension Liability - Beginning	<u>2,455,170</u>
Total Pension Liability - Ending (a)	<u><u>\$ 2,556,312</u></u>
Plan Fiduciary Net Position	
Contributions	195,747
Net Investment Income	251,005
Benefit Payments, Including Refunds of Employee Contributions	(22,317)
Administrative Expense	(23,305)
Net Change in Plan Fiduciary Net Position	<u>401,130</u>
Plan Fiduciary Net Position - Beginning	<u>2,916,857</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 3,317,987</u></u>
Net Pension Asset - Ending (a) - (b)	<u><u>\$ (761,675)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	129.80%
Covered Employee Payroll	\$ 693,444
Net Pension Asset as a Percentage of Covered Employee Payroll	-109.84%

* GASB No. 67 was adopted for the 2014 fiscal year and 10-year trend information will be developed from 2014 forward.

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE OFFICERS' PENSION PLAN
CITY OF GREEN COVE SPRINGS, FLORIDA
LAST 10 FISCAL YEARS
(UNAUDITED)**

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 188,250	\$ 188,250	\$ 0.00	\$ 693,444	27.15%
2013	231,594	231,594	0.00	N/A	N/A
2012	218,682	218,682	0.00	719,300	30.40%
2011	218,693	218,693	0.00	727,111	30.08%
2010	249,232	249,232	0.00	725,727	34.34%
2009	204,951	204,951	0.00	N/A	N/A
2008	197,286	197,286	0.00	651,768	30.27%
2007	245,011	245,011	0.00	N/A	N/A
2006	101,508	101,508	0.00	482,796	21.03%

* GASB No. 67 was adopted for the 2014 Fiscal Year and 10 year trend information will be developed from 2006 forward.

Note to Schedule

Actuarial Methods and Assumptions

Employer's Reporting Date: September 30, 2014
Measurement Date: September 30, 2014
Actuarial Valuation Date: October 1, 2013

Actuarial Assumptions

Discount Rate: 8.07% per annum (3.59% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments.

Salary Increases: 4% per annum

Cost-of-Living Increases: 1.5% as of each October 1st at least one year after retirement

Mortality Basis: Sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Services (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generation improvements in mortality have not been reflected.

Retirement: Normal Retirement Rate

Non-investment Expenses: Liabilities have been loaded by 1.00% to account for non-investment expenses.

Future Contributions: Contributions from the employer and employees are assumed to be made as legally required; employer contributions are assumed to equal \$174,132 for the 2013/14 fiscal year.

Changes: The actuarial assumptions did not change from the prior measurement date since GASB 67 is effective for this measurement period.

**REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF INVESTMENT RETURNS
POLICE OFFICERS' PENSION PLAN
CITY OF GREEN COVE SPRINGS, FLORIDA
LAST 10 FISCAL YEARS *
(UNAUDITED)**

Fiscal year ended September 30,
Annual Money-Weighted Rate of Return
Net of Investment Expense

2014

4.48%

* GASB No. 67 was adopted for the 2014 Fiscal Year and 10-year trend information will be developed from 2014 forward.

**SCHEDULE OF FUNDING PROGRESS
POLICE OFFICERS' PENSION PLAN
CITY OF GREEN COVE SPRINGS, FLORIDA**

Actuarial Valuation Date October 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded (Overfunded) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/(c) UAAL as a Percentage of Covered Payroll
2013	\$ 2,916,857	\$ 2,648,419	\$ (268,438)	110.1%	\$ 693,444	0.0%
2011	1,863,280	1,963,799	100,519	94.9%	719,300	14.0%
2010	1,648,285	1,816,842	168,557	90.7%	727,111	23.2%

Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the plans funded status and funding progress after 2006 has been prepared using the entry age normal actuarial cost method.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE OFFICERS' PENSION PLAN
CITY OF GREEN COVE SPRINGS, FLORIDA**

Year Ended	Annual Required Contributions	Actual Employer Contributions	Percentage Contributed
9/30/2014	\$ 188,250	\$ 188,250	100.0%
9/30/2013	231,594	231,594	100.0%
9/30/2012	218,682	218,682	100.0%

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN
CITY OF GREEN COVE SPRINGS, FLORIDA**

Actuarial Valuation Date October 1,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)* Entry Age	(b-a) Unfunded (Overfunded) AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b-a)/(c) UAAL as a Percentage of Covered Payroll
2011	\$ 0	\$ 408,964	\$ 408,964	0.0%	\$ 3,484,107	11.7%
2008	0	609,131	609,131	0.0%	3,438,653	17.7%

* Actuarial Accrued Liability (AAL) is the portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by future Normal Cost. Changes in Actuarial Assumptions, Present Value Calculations, and benefit and expense adjustments can cause variances in the AAL from one valuation period to the next.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS PLAN
CITY OF GREEN COVE SPRINGS, FLORIDA**

Year Ended	Annual Required Contributions	Actual Employer Contributions	Percentage Contributed
9/30/2014	\$ 61,766	\$ 27,553	44.6%
9/30/2013	61,766	31,417	50.9%
9/30/2012	61,766	22,442	36.3%
9/30/2011	90,012	31,296	34.8%
9/30/2010	90,012	31,296	34.8%

Notes:

- (1) 2009 was the transition year and the City has elected to implement GASB Statement No. 45 prospectively. Therefore, information for prior valuations is not available.
- (2) See Note 7 to the financial statements for detailed information on the City's OPEB Plan.

SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for resources that are restricted to expenditures for specific purposes:

- **Special Law Enforcement Fund**—To account for resources that are reserved for law enforcement.
- **Public Housing Fund**—To account for the activities of the Section 8 Housing Choice Vouchers Program.
- **Building Permit Fund**—To account for the activities of building department and the restricted fund balance generated from those activities.

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Special Law Enforcement Fund	Public Housing Fund	Building Permit Fund	Total
Assets				
Cash and Cash Equivalents	\$ 6,587	\$ 0	\$ 33,929	\$ 40,516
Total Assets	<u>6,587</u>	<u>0</u>	<u>33,929</u>	<u>40,516</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued Liabilities	<u>1,381</u>	<u>0</u>	<u>6,032</u>	<u>7,413</u>
Total Liabilities	<u>1,381</u>	<u>0</u>	<u>6,032</u>	<u>7,413</u>
Fund Balances				
Restricted for: Public Safety	<u>5,206</u>	<u>0</u>	<u>27,897</u>	<u>33,103</u>
Total Fund Balances	<u>5,206</u>	<u>0</u>	<u>27,897</u>	<u>33,103</u>
Total Liabilities and Fund Balances	<u>\$ 6,587</u>	<u>\$ 0</u>	<u>\$ 33,929</u>	<u>\$ 40,516</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Special Law Enforcement Fund	Public Housing Fund	Building Permit Fund	Total
Revenues				
License and Permits	\$ 0	\$ 0	\$ 199,561	\$ 199,561
Miscellaneous	231	0	3,229	3,460
Total Revenues	<u>231</u>	<u>0</u>	<u>202,790</u>	<u>203,021</u>
Expenditures				
Current:				
Public Safety	332	0	167,561	167,893
Capital Outlay	28,365	0	8,141	36,506
(Total Expenditures)	<u>28,697</u>	<u>0</u>	<u>175,702</u>	<u>204,399</u>
(Deficiency) Excess of Revenues (Under) Over Expenditures	<u>(28,466)</u>	<u>0</u>	<u>27,088</u>	<u>(1,378)</u>
Other Financing Sources (Uses)				
Transfers to Other Funds	(230,000)	(48,817)	0	(278,817)
Total Other Financing Sources (Uses)	<u>(230,000)</u>	<u>(48,817)</u>	<u>0</u>	<u>(278,817)</u>
Net Change in Fund Balance	(258,466)	(48,817)	27,088	(280,195)
Fund Balances, Beginning of Year	<u>263,672</u>	<u>48,817</u>	<u>809</u>	<u>313,298</u>
Fund Balances, End of Year	<u><u>\$ 5,206</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 27,897</u></u>	<u><u>\$ 33,103</u></u>

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES;
THE PROVISIONS OF THE OFFICE OF MANAGEMENT AND BUDGET
(OMB) CIRCULAR A-133; THE *RULES OF THE AUDITOR GENERAL* OF
THE STATE OF FLORIDA; AND OTHER CONTRACT REQUIREMENTS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

Grantor/Pass-Through Program Title	Federal CFDA/ State CSFA Number	Pass Through Grantor's Number	Expenditures
Federal Awards			
U.S. Department of Agriculture			
Passed Through the State of Florida, Department of Agriculture and Consumer Services:			
Urban and Community Forestry Grant Program	10.664	20607	\$ 15,000
Total U.S. Department of Agriculture			<u>15,000</u>
U.S. Department of Justice			
Passed Through the Florida Department of Law Enforcement:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-JAG-CLAY-1-E6-050	1,755
Equitable Sharing Program	16.922		520,000
Total U.S. Department of Justice			<u>521,755</u>
U.S. Department of Transportation			
Passed Through the Florida Division of Emergency Management:			
Recreational Trails Program	20.219	T2B06	6,496
Total U.S. Department of Transportation			<u>6,496</u>
U.S. Department of Homeland Security			
Passed Through the Florida Division of Emergency Management:			
Disaster Grants - Public Assistance	91.036	FEMA1785-DR-FL	12,508
Public Safety EOC	97.067	13-DS-8Z-04-20-01-293	400,000
Total U.S. Department of Homeland Security			<u>412,508</u>
Total Expenditures of Federal Awards			<u>955,759</u>
State Awards			
Florida Department of Economic Opportunity			
Technical Assistance Grant Program	40.024	P0027	25,000
Total Expenditures of Federal and State Awards			<u>\$ 980,759</u>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
CITY OF GREEN COVE SPRINGS, FLORIDA
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal awards activity of the City of Green Cove Springs, Florida, under programs of the federal government for the year ended September 30, 2014. The information is presented in accordance with the requirement of OMB Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City. Expenditures reported on the schedule are presented on the accrual basis of accounting.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA**

1. Summary of Audit Results

I. Type of Audit Report Issued on Financial Statements

Unmodified Opinion

II. Significant Deficiencies and/or Material Weaknesses in Internal Control

A significant deficiency in internal control disclosed during the audit of the financial statements is included in the report on internal control over financial reporting and on compliance and other matters based on the audit of financial statements performed in accordance with *Government Auditing Standards*.

III. Noncompliance Material to Auditee Financial Statements

No instances of material noncompliance, required to be reported, noted during the audit of the financial statements.

Federal Awards Programs

IV. Significant Deficiencies and/or Material Weaknesses in Internal Control Over Major Federal Programs

Our audit disclosed no findings required to be reported for the major federal award programs under Section 510(a) of OMB Circular A-133.

V. Type of Audit Report Issued on Compliance with Requirements Applicable to Major Federal Programs

Unmodified Opinion

VI. Audit Findings Relative to Section .510(a) of OMB Circular A-133

The audit disclosed no findings required to be reported for the major federal award programs under Section 510(a) of OMB Circular A-133.

VII. Programs Tested as Major Programs Included the Following:

<u>Federal Programs</u>	<u>CFDA No.</u>
Equitable Sharing Program	16.922
Homeland Security Grant Program	97.067

VIII. Dollar Threshold Used to Distinguish Between Type A and Type B Programs

\$300,000 for Major Programs

IX. Auditee Qualification as Low-risk Auditee

The auditee does not qualify as low-risk under OMB Circular A-133.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
CITY OF GREEN COVE SPRINGS, FLORIDA
(Concluded)**

2. **Findings Related to the Financial Statements Required to be Reported Under GAGAS**

2014-1 Wire Transfers

Condition—During our review of controls over wire transfers, we noted that online access to the City’s bank account provides that the designated System Administrator has the ability to modify key controls over wire transfers.

Effect—The ability to modify controls over wire transfers by one individual without compensating detection controls creates the possibility that a fraudulent wire transfer could be made which may not be detected in a timely manner by other City employees.

Recommendation—We recommend the City determine if controls over wire transfers can be strengthened within the online banking system or if compensating detection controls can be implemented.

3. **Findings and Questioned Costs for Major Federal Programs**

No findings and questioned costs related to major federal award programs, required to be reported, were disclosed during the audit.

4. **Status of Prior Audit Findings**

All prior year findings required to be reported in accordance with OMB Circular A-133 have been addressed and corrected by management.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Green Cove Springs, Florida

Report on Compliance for Each Major Program

We have audited the City of Green Cove Springs, Florida's, (the City) compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of the compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes, examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
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Honorable Mayor and City Council
City of Green Cove Springs, Florida

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(Concluded)**

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



June 5, 2015
Gainesville, Florida

**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**

Honorable Mayor and City Council
City of Green Cove Springs, 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Green Cove Springs, Florida (the City) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) 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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-1 to be a significant deficiency.

Certified Public Accountants

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Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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Honorable Mayor and City Council
City of Green Cove Springs, Florida

**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
(Concluded)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying management's response on pages 69 through 71. We did not audit the City's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



June 5, 2015
Gainesville, Florida

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE
WITH SECTION 218.415, FLORIDA STATUTES**

Honorable Mayor and City Council
City of Green Cove Springs, Florida

Report on Compliance

We have examined the City of Green Cove Springs, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2014, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

Management's Responsibility

Management is responsible for the City's compliance with those requirements.

Auditors' Responsibility

Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City'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 the City's compliance with specified requirements.

Opinion

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

Restriction on Use

This report 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.

Purvis, Gray and Company, LLP

June 5, 2015
Gainesville, Florida

Certified Public Accountants

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MANAGEMENT LETTER

Honorable Mayor and City Council
City of Green Cove Springs, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Green Cove Springs, Florida (the City) as of and for the year ended September 30, 2014, and have issued our report thereon dated June 5, 2015.

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; the U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our independent auditors' report on internal control over financial reporting and compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*; independent auditors' report on compliance for each major federal program and state project; report on internal control over compliance required by OMB Circular A-133; schedule of findings and questioned costs; 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 5, 2015, 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.

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. These disclosures can be found in Note 1 to the financial statements.

Financial Condition

- Section 10.554(1)(i)5.a., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the local government entity 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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Certified Public Accountants

P.O. Box 141270 • 222 N.E. 1st Street • Gainesville, Florida 32614-1270 • (352) 378-2461 • FAX (352) 378-2505
Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
443 East College Avenue • Tallahassee, Florida 32301 • (850) 224-7144 • FAX (850) 224-1762
5001 Lakewood Ranch Blvd. N., Suite 101 • Sarasota, Florida 34240 • (941) 907-0350 • FAX (941) 907-0309
MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

MANAGEMENT LETTER
(Continued)

Financial Condition (Concluded)

- 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'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 for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

- Section 10.554(1)(i)5.d, *Rules of the Auditor General*, requires that we determine whether or not a special district that is a component unit of a municipality, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the municipality in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we determined that all special district component units provided the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

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 have the following recommendations:

2014-2 Electric Utility Billing

Condition—In an effort to stabilize monthly bills to customers of the City's electric utility, the City adopted a policy in the prior year to invoice no more than 29 days' electric usage to its customers each billing period. As a result, each billing period the City invoiced its customers 29 days' of usage or less based upon when the meter read date fell in relation to weekends and holidays. Over time, by consistently billing less than 30 days per billing period or month, unbilled usage accumulated to over \$1.7 million at September 30, 2014. As unbilled usage increased, however, the City billed and collected power cost recovery in excess of actual power cost per kilowatt-hour invoiced. As a result, power costs recovered in advance accumulated to over \$1.1 million at September 30, 2014. The net effect of these items had relatively little impact upon the invoices billed to and paid by the City's electric utility customers, but is not in accordance with industry practice. In addition, the accumulated over recovery of power cost exceeds the 6% of annual budgeted bulk power supply cost limit set by City policy.

Effect—The City has accumulated a significant under-recovery of electric usage and over-recovery of power cost in a manner not in accordance with industry practice and has accumulated power cost recovery in excess of limits established by City policy.

Honorable Mayor and City Council
City of Green Cove Springs, Florida

MANAGEMENT LETTER
(Concluded)

Other Matters (Concluded)

2014-2 Electric Utility Billing (Concluded)

Recommendation—We recommend the City gradually reverse the trend of under-billing volume and over-recovering power cost per kilowatt-hour by increasing the number of days billed per billing period to something in excess of 30 days per billing period while offsetting with a reduction in power cost billed per kilowatt-hour so as to make customer invoices largely unaffected and come back into compliance with its policies and industry practice. It should be noted that management has already begun this process.

2014-3 Budgetary Compliance

Condition—In accordance with Section 166.241(2), Florida Statue (F.S.) the City's adopted budget must regulate its expenditures, and the City may not expend any funds or contract for expenditures except pursuant to the adopted budget. During the year, the City budgeted for appropriations related to the construction of the police building in the General Fund. The actual expenditures were incurred in the capital project fund and were funded by an interfund transfer from the General Fund. While these expenditures were budgeted, they were not budgeted as interfund transfers and, therefore, an over expenditure of budgeted appropriations for interfund transfers is being reported in the General Fund budget to actual comparison schedule.

Effect—The General Fund is reporting an over expenditure of the budgeted appropriations for interfund transfers of \$1,575,000.

Recommendation—We recommend the City review the available budget within each budgeted line item and fund and amend the budget as necessary to ensure compliance with Section 166.241(2). F.S.

- 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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

We wish to take this opportunity to thank you and your staff for the cooperation and courtesies extended to us during the course of our audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or other matters.



June 5, 2015
Gainesville, Florida



*Phone: (904) 297-7500
Fax: (904) 284-8118*

*321 Walnut Street
www.greencovesprings.com*

*Green Cove Springs, Florida 32063
DDD: (904) 284-4349*

May 22, 2015

Honorable David W. Martin, CPA
Auditor General
Claude Pepper Building
Room 401
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Pursuant to the provisions of Section 218.39(6) Florida Statutes, the following are the responses to the audit of the City of Green Cove Springs conducted by Purvis, Gray and Company, CPAs for the period October 1, 2013 to September 30, 2014.

2014-01 Wire Transfers:

Auditor's Comment:

During review of wire transfer procedures it was noted the City's administrative account has full access to override all controls that can be utilized through the system.

Management's Response:

During February, 2015 the City began to review our wire transfer procedures in light of data breaches that occurred involving other Municipalities. The City asked Purvis, Gray and Company, LLP to review the City's wire transfer procedures in light of these recent data breaches. The City wants to ensure that access to wire transfers does not compromise the City's financial accounts but safeguards the City's cash accounts by having mitigating controls in place. Restrictions have been placed such that only entities on an approved list authorized by the City Manager may receive funds by electronic means. Dual approval is required by the Finance Director and Assistant Finance Director for any outgoing wire transfers. An email notification will be sent to the Finance Director and Assistant Finance Director with the details of any outgoing wire transactions. Controls have been established that require dual approval by the Finance Director and Assistant Finance Director for any changes made to wire transfer functionality and protocol.

2014-02 Electric Utility Billing:

Auditor's Comment:

In an effort to stabilize monthly bills to customers of the City's electric utility, the City adopted a policy in the prior year to invoice no more than 29 days electric usage to its customers each billing period. As a result, each billing period the City invoiced its customers 29 days of usage or less based upon when the meter read date fell in relation to weekends and holidays. Over time, by consistently billing less than 30 days per billing period or month, unbilled usage accumulated to over \$1.7 million at September 30, 2014. As unbilled usage increased, however, the City billed and collected power cost recovery in excess of actual power cost per kilowatt hour invoiced. As a result, power costs recovered in advance accumulated to over \$1.1 million at September 30, 2014. The net effect of these items had relatively little impact upon the invoices billed to and paid by the City's electric utility customers, but is not in accordance with industry practice. In addition, the accumulated over recovery of power cost exceeds the 6% of annual budgeted bulk power supply cost limit set by City policy.

Management's Response:

The City has accumulated approximately 45 days of unbilled retail sales (\$1.7 Million) at year end. These revenues should have been collected from its customers during the fiscal year. Historically, this figure should range between \$492,000 and \$643,000, since there will always be a portion of retail sales that will lag behind the bill that the City receives from its wholesale provider. However, in this particular case the amount of unbilled retail sales was larger than customary and the direct result of the City's attempt to stabilize its customer's monthly bills by generating them on a 29 day cycle, in lieu of at least a 30-33 day cycle.

Early on in Fiscal Year 2015, the City recognized the unintended consequences of this practice and in January 2015, we began to bill customers in cycles up to 33 days. This measure should result in an unbilled retail sales figure, in any given fiscal year that is within an acceptable range.

Another unintended consequence of billing in 29 day cycles is that our bulk power cost adjustment does not in every instance correspond with the year ending retail sales figure. In this fiscal year, it resulted in \$1.1 Million over recovery. Our policy provides guidance on the cumulative amount that may accrue from bulk power cost adjustments. It recommends that no more than 6% of the annual bulk power supply budget (\$10.2 Million), without appropriate adjustments, be collected in any given fiscal year. For FY 2014, the range should have been closer to \$615,600. It should also be noted that our bulk power cost recovered at year-end reflected an over-recovery of only \$218,890 which is within our policy. However due to unbilled retail sales calculated by the Auditor, an adjusting entry has been made by the Auditor that will bring that figure to \$1.1 Million as noted above.

Our policy also goes on to state that bulk power cost adjustment revenues should support these system expenses:

- (1) The cost of power purchased from any bulk power supplier for use in the City's electric system.
- (2) The cost of transmission services to deliver bulk power to the City's substations.
- (3) The cost of any equipment owned or leased by the City to generate power.
- (4) The cost of operation including fuel and maintenance of City-owned or operated power generating equipment.
- (5) Other costs directly related to securing bulk power supply for the City, such as professional services to issue, evaluate, and negotiate bulk power supply contracts, and regulatory fees associated with bulk power supply.

The steps that the City has taken in January 2015 will also bring the Bulk power cost adjustment to within an acceptable range.

Summing the unbilled retail sales and the cumulative bulk power supply cost adjustments at the end of the fiscal year produced a net effect that had little impact upon the invoices billed to and paid by the city's electric utility customers.

2014-03 Budgetary Compliance:

Auditor's Comment:

In accordance with Section 166.241(2), Florida Statute (F.S.), the City's adopted budget must regulate its expenditures, and the City may not expend any funds or contract for expenditures except pursuant to the adopted budget. During the year, the City budgeted for appropriations related to the construction of the police building in the General Fund. The actual expenditures were incurred in the capital project fund and were funded by an interfund transfer from the General Fund. While these expenditures were budgeted, they were not budgeted as interfund transfers and therefore an over expenditure of budgeted appropriations for interfund transfers is being reported in the General Fund budget to actual comparison schedule.

Management's Response:

The City does review each budget by Fund and Department and prepares budget amendments throughout the year as necessary to ensure compliance with Section 166.241(2) F.S. During FY 2014, the City adopted five budget amendments.

In this instance, the City created for the first time a Capital Projects Fund at the time of budget adoption in the fall for its Police Building Construction Capital Projects Fund. The Sources and Uses were appropriated directly in the Capital Projects Fund. An oversight occurred when the City did not recognize the Transfers Out (\$1,575,000) from the General Fund to the Capital Projects Fund. Steps have been taken to ensure this oversight does not occur again by balancing Transfers Out and Transfers In between the General Fund and Capital Projects Fund.

Respectfully Submitted,



Danielle J. Judd
City Manager