

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
CITY OF GREEN COVE SPRINGS, FLORIDA
SEPTEMBER 30, 2013**

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CITY OF GREEN COVE SPRINGS, FLORIDA

SEPTEMBER 30, 2013

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**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**

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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, 2013, 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 auditors' 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, 2013, 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

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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, and schedules of funding progress and contributions for Other Postemployment Benefits (OPEB) and pension plans, 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 of federal awards 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 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 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 April 30, 2014, 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

April 30, 2014
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, 2013, by \$53.5 million. Unrestricted net position was \$10.2 million at September 30, 2013.
- The City's net position increased by \$50,963 or .10%. The governmental net position decreased \$210,402 or .83% and the business-type net position increased by \$261,365 or .93%.
- The business-type activities revenues, including capital grants and investment revenue, increased by \$830,469 or 5.04% and the net results from activities increased by \$458,020 or 232.9%.
- The governmental net position decreased mainly due to a decrease in intergovernmental charges and transfers from the utility funds and the transfer of the Public Housing Agency to another outside agency.
- The business-type net position increased mainly due to a decrease of \$254,238 in intergovernmental charges and transfers out of the Utility Fund and an increase in electric revenue and revenues from the implementation of stormwater.
- The City obtained a \$2.4 million revenue note to fund the new Police Emergency Operations Center.
- The above figures are comparable to Fiscal Year 2012.

City Highlights

- The City spent approximately \$1,298,705 on capital improvements of which \$600k was for the new Police Emergency Operations Center, and \$346k for stormwater drainage improvements on Oakridge and Magnolia Avenues. The City also purchased approximately \$250k in equipment in the General Government Fund during the fiscal year. The City also spent \$91k on property acquisition. This was the final amount due on property for a stormwater pond.
- A new stormwater fee of \$3 per parcel of land was implemented in the latter part of the year and resulted in approximately \$40k in revenue.
- During this fiscal year, the Electric Department purchased generators to be used at intersections for power during emergencies. Additional capacitors and transformers were also purchased during the year. \$135k was also spent for improvements to Chapman Substation. \$134k was expended for other electric improvements.
- The Water Department continued the electronic meter replacement program and spent \$112k during the fiscal year. \$9k was spent for waterline extensions and improvements. An additional \$12k was expended for equipment.
- The Wastewater Department expended \$41k to rehab manholes and \$50k for lift station and plant upgrades.

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 \$53.5 million or a .1% increase at the close of the fiscal year ended September 30, 2013. A portion of the City's net position, \$2,199,498, represents resources that are subject to external restrictions on how they may be used. Governmental activities had \$1,903,675 in restricted net position and the Business-type activities had \$295,823 in restricted net position at September 30, 2013.

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, 2013 (In 000s)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>		<u>Total %</u> <u>Change</u>
	2013	2012	2013	2012	2013	2012	
Current and							
Other Assets	\$ 7,104	\$ 5,057	\$ 11,526	\$ 10,822	\$ 18,630	\$ 15,879	17.3%
Capital Assets	<u>21,978</u>	<u>21,347</u>	<u>21,460</u>	<u>22,438</u>	<u>43,438</u>	<u>43,785</u>	-.8%
Total Assets	<u>\$ 29,082</u>	<u>\$ 26,404</u>	<u>\$ 32,986</u>	<u>\$ 33,260</u>	<u>\$ 62,068</u>	<u>\$ 59,664</u>	4.03%
Current							
Liabilities	\$ 825	\$ 401	\$ 1,601	\$ 1,745	\$ 2,426	\$ 2,146	13.1%
Long-term							
Liabilities	<u>3,222</u>	<u>758</u>	<u>2,943</u>	<u>3,335</u>	<u>6,165</u>	<u>4,093</u>	50.1%
Total							
Liabilities	<u>\$ 4,047</u>	<u>\$ 1,159</u>	<u>\$ 4,544</u>	<u>\$ 5,080</u>	<u>\$ 8,591</u>	<u>\$ 6,239</u>	37.7%
Net Position:							
Net Investment							
in Capital Assets	\$ 21,976	\$ 21,347	\$ 19,091	\$ 19,677	\$ 41,067	\$ 41,024	.1%
Restricted	1,904	2,859	296	222	2,200	3,081	-28.6%
Unrestricted	<u>1,155</u>	<u>1,039</u>	<u>9,055</u>	<u>8,281</u>	<u>10,210</u>	<u>9,320</u>	9.6%
Total Net							
Position	<u>\$ 25,035</u>	<u>\$ 25,245</u>	<u>\$ 28,442</u>	<u>\$ 28,180</u>	<u>\$ 53,477</u>	<u>\$ 53,425</u>	<u>.1%</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. There is a second impact, an increase in invested in capital assets and an increase in related net debt will not change the net investment in 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, 2013 (In 000's)							
	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total Primary</u> <u>Government</u>		<u>Total %</u> <u>Change</u>
<u>REVENUES</u>	2013	2012	2013	2012	2013	2012	
Charges for Services	\$ 900	\$ 981	\$17,164	\$16,122	\$ 18,064	\$ 17,103	5.6%
Operating Grants and Contributions	1,040	2,148	0	0	1,040	2,148	-51.6%
Capital Grants and Contributions	2	23	9	210	11	233	-95.3%
General Revenues:							
Property Taxes	935	812	0	0	935	812	15.1%
State Revenue Sharing	196	195	0	0	196	195	.5%
Sales and Use Tax	324	312	0	0	324	312	3.8%
Discretionary Sales Surtax	679	652	0	0	679	652	4.1 %
Investment Income	4	5	8	14	12	19	-36.8%
Business and Utility Taxes	525	535	0	0	525	535	-1.9%
Sale of Fixed Assets	141	0	0	0	141	0	100%
Other General Revenues	<u>80</u>	<u>93</u>	<u>98</u>	<u>103</u>	<u>178</u>	<u>196</u>	-9.2%
Total Revenues	<u>\$ 4,826</u>	<u>\$ 5,756</u>	<u>\$17,279</u>	<u>\$16,449</u>	<u>\$ 22,105</u>	<u>\$ 22,205</u>	-.4%

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

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change
<u>EXPENSES</u>	2013	2012	2013	2012	2013	2012	
Governmental Activities:							
General							
Government	\$ 1,277	\$ 698	\$ 0	\$ 0	\$ 1,277	\$ 698	83.0%
Public Safety	2,359	2,207	0	0	2,359	2,207	6.9%
Transportation	1,274	1,311	0	0	1,274	1,311	-2.8%
Physical							
Environment	136	194	0	0	136	194	-29.9%
Economic							
Environment	827	1,217	0	0	827	1,217	-32.0%
Culture and							
Recreation	424	436	0	0	424	436	-2.8%
Interest on Long-term Debt	7	0	0	0	7	0	100%
Business-Type Activities:							
Electric	0	0	12,157	11,599	12,157	11,599	4.8%
Water	0	0	1,294	1,371	1,294	1,371	-5.6%
Wastewater	0	0	1,508	1,605	1,508	1,605	-6.0%
Stormwater	0	0	5	0	5	0	100%
Solid Waste	<u>0</u>	<u>0</u>	<u>787</u>	<u>885</u>	<u>787</u>	<u>885</u>	-11.1%
Total Expenses	<u>\$ 6,304</u>	<u>\$ 6,063</u>	<u>\$15,751</u>	<u>\$15,460</u>	<u>\$ 22,055</u>	<u>\$ 21,523</u>	2.5%
Excess of Revenues							
Over Expenses	\$ (1,478)	\$ (307)	\$ 1,528	\$ 989	\$ 50	\$ 682	-92.7%
Transfers	<u>1,267</u>	<u>1,186</u>	<u>(1,267)</u>	<u>(1,186)</u>	<u>0</u>	<u>0</u>	0.0%
NET INCREASE	<u>\$ (211)</u>	<u>\$ 879</u>	<u>\$ 261</u>	<u>\$ (197)</u>	<u>\$ 50</u>	<u>\$ 682</u>	-92.7%

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

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.)

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 2013, investment income decreased 33.3% 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 20.1% of the City's total net operating budget exclusive of the Public Housing Assistance program that was transferred during the year.

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 3% cost of living adjustment was given at the beginning of fiscal year 2013 and a wage study has been completed during fiscal year 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.

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

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 15.1% due to an increase in the millage rate for fiscal year 2013. The City's millage rate for this fiscal year is 2.98 mills. 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 Capital grants, and contributions revenue, fines and forfeitures (red light cameras), transfer of the Public Housing Agency to an outside agency, and a decrease in the interfund charges from the utility funds. General fund revenues, including transfers-in, decreased from the previous year with an overall decrease of 17.5%.

Interest revenues continue to decline due to the market rates.

The business-type activities (Proprietary Fund) revenues increased by approximately 5.0% due mainly to an increase in electric revenues.

Expenses

The Governmental activities expenses increased primarily due 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.

The primary increase in the business-type activities is a result of an increase in the cost of electrical power. The business-type activities expenses, excluding transfers, increased by 2.5%.

Proprietary Funds

The Utility Fund accounting for the Electric, Water, Wastewater, Stormwater, and Solid Waste activities had an increase in net position of \$275,018. Operating revenues increased by \$1,041,819 and operating expenses increased by \$328,399. The increase in revenues and expenses was due mainly to the cost of power being higher during the year. Utility fund operating expenses (excluding depreciation) increased by 4.1%.

Budgetary Highlights

The most significant budget adjustments were as follows:

General Fund

- Increase in revenues of \$141,000 for the sale of the old gym property converted to a parking lot on Highway 17.

Business-type Funds

- No major amendments made during the fiscal year.

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 \$43,437,988 invested in a variety of capital assets, as reflected in the following schedule, which represents a net decrease (addition, deductions, and depreciation) of \$347,569 or .79% 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>	
	2013	2012	2013	2012	2013	2012
Land and Land Rights	\$ 8,014	\$ 7,923	\$ 227	\$ 227	\$ 8,241	\$ 8,150
Construction in Progress	590	0	0	0	590	0
Buildings and Plants	6,049	6,047	41,938	41,450	47,987	47,497
Improvements Other than Buildings	3,192	2,827	0	0	3,192	2,827
Equipment	2,774	2,603	0	0	2,774	2,603
Infrastructure	9,041	9,040	4,444	4,443	13,485	13,483
Less:						
Accumulated Depreciation	(7,682)	(7,093)	(25,149)	(23,682)	(32,831)	(30,775)
Total	<u>\$ 21,978</u>	<u>\$ 21,347</u>	<u>\$ 21,460</u>	<u>\$ 22,438</u>	<u>\$ 43,438</u>	<u>\$ 43,785</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>	
	2013	2012	2013	2012	2013	2012
Beginning Balance, Net	\$ 21,347	\$ 21,520	\$ 22,438	\$ 22,871	\$ 43,785	\$ 44,391
Additions	1,299	509	488	1,141	1,787	1,650
Retirement						
Other	0	0	0	(143)	0	(143)
Depreciation	(668)	(682)	(1,466)	(1,431)	(2,134)	(2,113)
Ending Balance, Net	<u>\$ 21,978</u>	<u>\$ 21,347</u>	<u>\$ 21,460</u>	<u>\$ 22,438</u>	<u>\$ 43,438</u>	<u>\$ 43,785</u>

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

Capital Assets (Concluded)

This year's major additions were:

	<i>In (100s)</i>
Governmental Activities:	
Financial Accounting System	\$ 141
Video System	29
Website	12
Old City Hall Feasibility Study	10
2 Police Cars	49
New Public Safety/Emergency	
Operations Center	590
Storm Water Drainage Improvements	346
Park Equipment	10
Tillinghast Property	91
Business-Type Activities:	
Electric Substation Modifications –	
Chapman	\$ 135
Electric Improvements	134
Generators for Traffic Lights	7
Water Meter Replacement	112
Water Line Extensions and	
Improvements	9
Lift Station Improvements	50
Manhole Rehab and Replacement	41

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	
	2013	2012
Governmental:		
Compensated Absences	\$ 568	\$ 554
OPEB Obligation	178	147
Sales Tax Revenue Note		
Series 2013	2,415	0
Sub-Total - Governmental	<u>3,161</u>	<u>701</u>
Business-type:		
Utility Notes	2,413	2,762
Equipment Note	85	132
Compensated Absences	369	372
OPEB Obligation	76	69
Sub-Total – Business-Type	<u>2,943</u>	<u>3,335</u>
Total	<u>\$ 6,104</u>	<u>\$ 4,036</u>

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

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, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and Cash Equivalents	\$ 3,106,230	\$ 5,801,789	\$ 8,908,019	\$ 28,709
Investments	1,200,000	2,000,000	3,200,000	0
Accounts Receivable, Net	34,196	1,421,281	1,455,477	0
Accrued Interest Receivable	14,564	32,814	47,378	980
Accrued Utility Sales - Unbilled	0	993,901	993,901	0
Due from Other Governments	177,556	0	177,556	1,668
Inventory	37,951	196,367	234,318	0
Prepays	121,053	0	121,053	20
Unrecovered Power Cost	0	99,856	99,856	0
Restricted Assets:				
Cash and Equivalents	0	850,863	850,863	0
Unspent Bond Proceeds	2,412,500	108,959	2,521,459	0
Capital Assets:				
Nondepreciable	8,603,936	227,136	8,831,072	0
Depreciable, Net	13,374,306	21,232,610	34,606,916	0
Unamortized Debt Issue Costs	0	20,488	20,488	0
Total Assets	29,082,292	32,986,064	62,068,356	31,377
Liabilities				
Accounts Payable and Accrued Liabilities	808,413	1,046,256	1,854,669	680
Due to Other Governments	9,590	0	9,590	0
Deposits	0	555,040	555,040	0
Accrued Interest Payable	7,056	0	7,056	0
Noncurrent Liabilities:				
Due Within One Year	556,565	439,132	995,697	0
Due in More Than One Year	2,605,070	2,504,216	5,109,286	0
Net Pension Obligation	60,734	0	60,734	0
Total Liabilities	4,047,428	4,544,644	8,592,072	680
Net Position				
Net Investment in Capital Assets	21,975,742	19,091,306	41,067,048	0
Restricted for:				
Public Housing	48,817	0	48,817	0
Public Safety	826,799	0	826,799	0
Transportation	139,189	0	139,189	0
Capital Projects	888,870	0	888,870	0
Culture and Recreation	0	0	0	30,697
Debt Service	0	68,808	68,808	0
System Improvements	0	227,015	227,015	0
Unrestricted	1,155,447	9,054,291	10,209,738	0
Total Net Position	\$ 25,034,864	\$ 28,441,420	\$ 53,476,284	\$ 30,697

See accompanying notes.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
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	\$ 1,276,990	\$ 20,016	\$ 3,115	\$ 0
Public Safety	2,359,023	850,655	52,440	1,743
Physical Environment	136,397	0	0	0
Transportation	1,273,612	0	329,589	0
Economic Environment	826,771	0	655,268	0
Culture and Recreation	423,652	29,675	0	0
Interest on Long-term Debt	7,056	0	0	0
Total Governmental Activities	6,303,501	900,346	1,040,412	1,743
Business-type Activities				
Electric	12,156,816	13,510,774	0	0
Water	1,293,947	1,264,144	0	3,072
Sewer	1,508,078	1,462,741	0	6,025
Solid Waste	787,442	885,991	0	0
Stormwater	4,806	39,850	0	0
Total Business-type Activities	15,751,089	17,163,500	0	9,097
Total Primary Government	\$ 22,054,590	\$ 18,063,846	\$ 1,040,412	\$ 10,840
Component Unit				
Augusta Savage Arts Center	\$ 37,201	\$ 6,166	\$ 35,094	\$ 0
Total Component Unit	\$ 37,201	\$ 6,166	\$ 35,094	\$ 0

General Revenues

Property Taxes
Sales Taxes and Shared Revenues
Business and Utility Taxes
Communication Service Tax
Investment Earnings
Miscellaneous
Gain on Sale of Capital Assets

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
\$ (1,253,859)	\$ 0	\$ (1,253,859)	\$ 0
(1,454,185)	0	(1,454,185)	0
(136,397)	0	(136,397)	0
(944,023)	0	(944,023)	0
(171,503)	0	(171,503)	0
(393,977)	0	(393,977)	0
(7,056)	0	(7,056)	0
(4,361,000)	0	(4,361,000)	0
0	1,353,958	1,353,958	0
0	(26,731)	(26,731)	0
0	(39,312)	(39,312)	0
0	98,549	98,549	0
0	35,044	35,044	0
0	1,421,508	1,421,508	0
(4,361,000)	1,421,508	(2,939,492)	0
0	0	0	4,058
0	0	0	4,058
934,527	0	934,527	0
1,198,542	0	1,198,542	0
184,841	0	184,841	0
340,910	0	340,910	0
4,193	8,247	12,440	35
80,040	98,155	178,195	0
141,000	0	141,000	0
1,266,545	(1,266,545)	0	0
4,150,598	(1,160,143)	2,990,455	35
(210,402)	261,365	50,963	4,093
25,245,266	28,180,055	53,425,321	26,604
<u>\$ 25,034,864</u>	<u>\$ 28,441,420</u>	<u>\$ 53,476,284</u>	<u>\$ 30,697</u>

See accompanying notes.

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013
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	\$ 2,782,691	\$ 0	\$ 323,539	\$ 3,106,230
Unspent Bond Proceeds	0	2,412,500	0	2,412,500
Investments	1,200,000	0	0	1,200,000
Accounts Receivable	34,196	0	0	34,196
Accrued Interest Receivable	14,564	0	0	14,564
Due from Other Governments	177,556	0	0	177,556
Due from Other Funds	289,763	0	3,144	292,907
Inventory	37,951	0	0	37,951
Prepaid Expenses	121,053	0	0	121,053
Total Assets	<u>4,657,774</u>	<u>2,412,500</u>	<u>326,683</u>	<u>7,396,957</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and Accrued				
Liabilities	509,586	295,032	3,795	808,413
Due to Other Governments	0	0	9,590	9,590
Due to Other Funds	3,144	289,763	0	292,907
Total Liabilities	<u>512,730</u>	<u>584,795</u>	<u>13,385</u>	<u>1,110,910</u>
Fund Balances				
Nonspendable:				
Inventories	37,951	0	0	37,951
Prepaid Expenses	121,053	0	0	121,053
Restricted for:				
Transportation	139,189	0	0	139,189
Public Housing	0	0	48,817	48,817
Public Safety	563,127	0	264,481	827,608
Capital Projects	1,183,902	1,827,705	0	3,011,607
Assigned to:				
Subsequent Year Budget	1,188,207	0	0	1,188,207
Unassigned	911,615	0	0	911,615
Total Fund Balances	<u>4,145,044</u>	<u>1,827,705</u>	<u>313,298</u>	<u>6,286,047</u>
Total Liabilities and Fund Balances	<u>\$ 4,657,774</u>	<u>\$ 2,412,500</u>	<u>\$ 326,683</u>	<u>\$ 7,396,957</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

Fund Balance - Total Governmental Funds	\$	6,286,047
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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		21,978,242
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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		(2,415,000)
Accrued Interest Payable		(7,056)
Compensated Absences		(568,305)
OPEB Liability		(178,330)

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

		(60,734)
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Net Position of Governmental Activities	\$	25,034,864
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See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

	General Fund	Police Building Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 2,394,239	\$ 0	\$ 0	\$ 2,394,239
Licenses and Permits	2,372	0	100,814	103,186
Intergovernmental	650,527	0	637,768	1,288,295
Charges for Services	46,693	0	0	46,693
Fines and Forfeitures	779,981	0	0	779,981
Investment Earnings	4,193	0	0	4,193
Miscellaneous	62,602	0	6,365	68,967
Interfund Charges	205,000	0	0	205,000
Total Revenues	<u>4,145,607</u>	<u>0</u>	<u>744,947</u>	<u>4,890,554</u>
Expenditures				
Current:				
General Government	1,302,915	0	0	1,302,915
Public Safety	2,174,343	0	100,310	2,274,653
Physical Environment	126,982	0	0	126,982
Transportation	972,341	0	0	972,341
Economic Environment	0	0	825,644	825,644
Culture and Recreation	281,405	0	0	281,405
Capital Outlay	711,410	587,295	0	1,298,705
(Total Expenditures)	<u>5,569,396</u>	<u>587,295</u>	<u>925,954</u>	<u>7,082,645</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>(1,423,789)</u>	<u>(587,295)</u>	<u>(181,007)</u>	<u>(2,192,091)</u>
Other Financing Sources				
Transfers in	1,266,545	0	0	1,266,545
Sale of Fixed Assets	141,000	0	0	141,000
Issuance of Debt	0	2,415,000	0	2,415,000
Total Other Financing Sources	<u>1,407,545</u>	<u>2,415,000</u>	<u>0</u>	<u>3,822,545</u>
Net Change in Fund Balances	(16,244)	1,827,705	(181,007)	1,630,454
Fund Balances, Beginning of Year	<u>4,161,288</u>	<u>0</u>	<u>494,305</u>	<u>4,655,593</u>
Fund Balances, End of Year	<u>\$ 4,145,044</u>	<u>\$ 1,827,705</u>	<u>\$ 313,298</u>	<u>\$ 6,286,047</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, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

Net Change in Fund Balance - Total Governmental Funds \$ 1,630,454

**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	\$ 1,298,705	
Current Year Depreciation Expense	<u>(667,844)</u>	
		630,861

The issuance of notes and similar long-term debt provides current financial
resources to government funds, and thus contribute to the change in fund
balance. In the statement of net position, however, issuing debt increases
long-term liabilities and does not affect the statement of activities. The
amounts of the items that make up these differences in treatment of long-
term debt and related items are:

Proceeds from Issuance of Debt	(2,415,000)
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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:

Accrued Interest on Long-term Debt	(7,056)
Compensated Absences	(13,748)
OPEB Liability	(31,417)

The change in the Net Pension Obligation is reported in the government- wide financial statements, but not in the fund financial statements.	<u>(4,496)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (210,402)</u></u>
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See accompanying notes.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA

	Business-type Activities		
	Major Funds		
	Electric Utility	Water Utility	Sewer Utility
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 4,490,947	\$ 1,287,274	\$ 0
Investments	2,000,000	0	0
Accounts Receivable (Net of Allowance)	1,113,077	103,814	120,123
Accrued Interest Receivable	32,814	0	0
Accrued Utility Sales - Unbilled	805,739	64,048	75,771
Due from Other Funds	1,564,880	0	0
Inventories	150,566	43,175	2,626
Unrecovered Power Costs	99,856	0	0
Restricted Current Assets:			
Cash and Cash Equivalents	438,834	147,841	264,188
Unspent Bond Proceeds	108,959	0	0
Total Current Assets	10,805,672	1,646,152	462,708
Noncurrent Assets:			
Nondepreciable Capital Assets	38,959	103,085	85,092
Depreciable Capital Assets, Net	7,826,437	7,648,209	5,399,212
Unamortized Debt Issue Costs	9,631	10,857	0
Total Noncurrent Assets	7,875,027	7,762,151	5,484,304
Total Assets	18,680,699	9,408,303	5,947,012
Liabilities			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	918,144	23,596	50,952
Due to Other Funds	0	0	480,203
Customer Deposits	370,026	92,507	92,507
Current Portion of Compensated Absences	11,231	7,633	7,633
Current Portion of Long-term Liabilities	228,343	133,443	0
Total Current Liabilities	1,527,744	257,179	631,295
Noncurrent Liabilities:			
Noncurrent Portion of Compensated Absences	89,249	60,701	60,701
Noncurrent Portion of Long-term Liabilities	1,134,315	916,599	0
Other Postemployment Benefits Liability	22,603	12,767	12,767
Total Noncurrent Liabilities	1,246,167	990,067	73,468
Total Liabilities	2,773,911	1,247,246	704,763
Net Position			
Net Investment in Capital Assets	6,621,328	6,712,109	5,484,304
Restricted for:			
Debt Service	68,808	0	0
System Improvements	0	55,334	171,681
Unrestricted	9,216,652	1,393,614	(413,736)
Total Net Position	\$ 15,906,788	\$ 8,161,057	\$ 5,242,249

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	\$ 23,568	\$ 5,801,789	\$ 0
0	0	2,000,000	0
72,759	11,508	1,421,281	0
0	0	32,814	0
48,343	0	993,901	0
0	0	1,564,880	0
0	0	196,367	0
0	0	99,856	0
0	0	850,863	0
0	0	108,959	0
121,102	35,076	13,070,710	0
0	0	227,136	0
358,212	0	21,232,070	540
0	0	20,488	0
358,212	0	21,479,694	540
479,314	35,076	34,550,404	540
52,575	0	1,045,267	989
871,610	0	1,351,813	213,067
0	0	555,040	0
7,232	0	33,729	7,494
36,123	0	397,909	0
967,540	0	3,383,758	221,550
57,518	0	268,169	59,603
49,064	0	2,099,978	0
14,630	0	62,767	13,699
121,212	0	2,430,914	73,302
1,088,752	0	5,814,672	294,852
273,025	0	19,090,766	540
0	0	68,808	0
0	0	227,015	0
(882,463)	35,076	9,349,143	(294,852)
\$ (609,438)	\$ 35,076	\$ 28,735,732	\$ (294,312)
Net Position - Above		\$ 28,735,732	
Internal Service Fund Net Position in			
Enterprise Funds		(294,312)	
Net Position of Business-type Activities		<u>\$ 28,441,420</u>	

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Business-type Activities		
	Major Funds		
	Electric Utility	Water Utility	Sewer Utility
Operating Revenues			
Charges for Service	\$ 13,510,774	\$ 1,264,144	\$ 1,462,741
Interfund Charges	0	0	0
Total Operating Revenues	<u>13,510,774</u>	<u>1,264,144</u>	<u>1,462,741</u>
Operating Expenses			
Electric Power Expense	10,180,718	0	0
Personal Services	603,230	380,423	376,498
Billing and Administrative	168,933	84,379	84,379
Contractual Services	194,049	78,825	107,762
Insurance	21,484	13,000	35,000
Material and Supplies	135,204	65,349	140,369
Repairs and Maintenance	20,905	55,241	124,723
Utilities	5,177	59,977	143,942
Other Expenses	112,521	21,439	16,655
Intergovernmental Charges	200,000	0	0
Depreciation	443,790	488,724	477,586
(Total Operating Expenses)	<u>(12,086,011)</u>	<u>(1,247,357)</u>	<u>(1,506,914)</u>
Operating Income	<u>1,424,763</u>	<u>16,787</u>	<u>(44,173)</u>
Nonoperating Revenues (Expenses)			
Investment Revenue	5,913	1,757	339
Interest Expense	(58,132)	(44,033)	0
Miscellaneous Income (Expense)	84,593	14,600	(890)
Amortization	(1,927)	(1,551)	0
Total Nonoperating Revenues (Expenses)	<u>30,447</u>	<u>(29,227)</u>	<u>(551)</u>
Income Before Capital Contributions and Transfers	<u>1,455,210</u>	<u>(12,440)</u>	<u>(44,724)</u>
Capital Grants and Contributions	0	3,072	6,025
Transfers (out)	<u>(900,000)</u>	<u>(136,117)</u>	<u>(141,481)</u>
Change in Net Position	555,210	(145,485)	(180,180)
Total Net Position, Beginning of Year	<u>15,351,578</u>	<u>8,306,542</u>	<u>5,422,429</u>
Total Net Position, End of Year	<u>\$ 15,906,788</u>	<u>\$ 8,161,057</u>	<u>\$ 5,242,249</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
\$ 885,991	\$ 39,850	\$ 17,163,500	\$ 0
0	0	0	350,636
885,991	39,850	17,163,500	350,636
0	0	10,180,718	0
293,906	0	1,654,057	313,636
12,945	0	350,636	0
328,411	0	709,047	30,974
9,560	0	79,044	1,500
49,118	761	390,801	16,854
21,433	4,013	226,315	1,325
0	0	209,096	0
12,523	0	163,138	0
0	0	200,000	0
56,415	0	1,466,515	0
(784,311)	(4,774)	(15,629,367)	(364,289)
101,680	35,076	1,534,133	(13,653)
238	0	8,247	0
(2,426)	0	(104,591)	0
(148)	0	98,155	0
0	0	(3,478)	0
(2,336)	0	(1,667)	0
99,344	35,076	1,532,466	(13,653)
0	0	9,097	0
(88,947)	0	(1,266,545)	0
10,397	35,076	275,018	(13,653)
(619,835)	0	28,460,714	(280,659)
\$ (609,438)	\$ 35,076	\$ 28,735,732	\$ (294,312)
Change in Net Position - Above		\$ 275,018	
Internal Service Fund Activities in			
Enterprise Funds		(13,653)	
Change in Net Position of Business-type			
Activities		\$ 261,365	

See accompanying notes.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA

	Business-type Activities		
	Electric Utility	Water Utility	Sewer Utility
Cash Flows from Operating Activities			
Cash Received from Customers	\$ 13,773,485	\$ 1,096,427	\$ 1,294,874
Cash from Other Sources	84,593	14,600	(891)
Cash Payments to Suppliers	(11,118,710)	(354,058)	(601,560)
Cash Payments to Employees	(638,434)	(371,619)	(366,606)
Net Cash Provided by (Used in) Operating Activities	2,100,934	385,350	325,817
Cash Flows from Noncapital Financing Activities			
Proceeds (Payments) from Interfund Loans	(55,942)	1,048,468	(250,908)
Transfers (out)	(900,000)	(136,117)	(141,481)
Net Cash Provided by (Used in) Noncapital Financing Activities	(955,942)	912,351	(392,389)
Cash Flows from Capital and Related Financing Activities			
Capital Grants Received	0	3,072	6,026
Acquisition of Capital Assets	(272,329)	(121,045)	(94,171)
Principal Paid on Debt	(220,361)	(128,463)	0
Interest Paid on Debt	(58,132)	(44,033)	0
Net Cash Provided by (Used in) Capital and Related Financing Activities	(550,822)	(290,469)	(88,145)
Cash Flows from Investing Activities			
Interest on Investments	2,540	1,758	339
Net Cash Provided by (Used in) Investing Activities	2,540	1,758	339
Change in Cash and Equivalents	596,710	1,008,990	(154,378)
Cash and Cash Equivalents, Beginning of Year	4,442,030	426,125	418,566
Cash and Cash Equivalents, End of Year	\$ 5,038,740	\$ 1,435,115	\$ 264,188
Reported in the Statement of Net Position As:			
Cash and Cash Equivalents	\$ 4,490,947	\$ 1,287,274	\$ 0
Unspent Bond Proceeds	108,959	0	0
Restricted Cash and Cash Equivalents	438,834	147,841	264,188
Total Cash and Cash Equivalents, Statement of Net Position	\$ 5,038,740	\$ 1,435,115	\$ 264,188
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income	\$ 1,424,763	\$ 16,787	\$ (44,173)
Depreciation	443,790	488,724	477,586
Miscellaneous Income (Expense)	84,593	14,600	(890)
Change in:			
Accounts Receivable	429,389	(8,018)	(38,585)
Accrued Utility Sales - Unbilled	(331,352)	(16,381)	(23,077)
Unrecovered Power Cost	(99,856)	0	0
Due from Other Governments	169,187	0	0
Inventory	38,662	556	318
Accounts Payable and Accrued Liabilities	(287,568)	23,596	50,952
Customer Deposits	264,530	(143,318)	(106,205)
Compensated Absences	(38,219)	9,096	9,095
OPEB Liability	3,015	(292)	796
Net Cash Provided by (Used in) Operating Activities	\$ 2,100,934	\$ 385,350	\$ 325,817
Noncash Investing, Capital, and Financing Activities			
Amortization of Debt Issue Costs	\$ 1,927	\$ 1,552	\$ 0

See accompanying notes.

Business-type Activities			Business-type Activities
Solid Waste Utility	Stormwater Utility	Total Utilities	Internal Service Fund
\$ 840,456	\$ 28,342	\$ 17,033,584	\$ 350,636
(148)	0	98,154	0
(381,415)	(4,774)	(12,460,517)	(49,664)
(284,452)	0	(1,661,111)	(301,858)
174,441	23,568	3,010,110	(886)
(142,355)	0	599,263	(76,380)
(88,947)	0	(1,266,545)	0
(231,302)	0	(667,282)	(76,380)
0	0	9,098	0
0	0	(487,545)	0
(47,280)	0	(396,104)	0
(2,435)	0	(104,600)	0
(49,715)	0	(979,151)	0
238	0	4,875	0
238	0	4,875	0
(106,338)	23,568	1,368,552	(77,266)
106,338	0	5,393,059	77,266
\$ 0	\$ 23,568	\$ 6,761,611	\$ 0
\$ 0	\$ 23,568	\$ 5,801,789	\$ 0
0	0	108,959	0
0	0	850,863	0
\$ 0	\$ 23,568	\$ 6,761,611	\$ 0
\$ 101,680	\$ 35,076	\$ 1,534,133	\$ (13,653)
56,415	0	1,466,515	0
(148)	0	98,155	0
(30,548)	(11,508)	340,730	0
(14,987)	0	(385,797)	0
0	0	(99,856)	0
0	0	169,187	0
0	0	39,536	0
52,575	0	(160,445)	989
0	0	15,007	0
6,795	0	(13,233)	10,050
2,659	0	6,178	1,728
\$ 174,441	\$ 23,568	\$ 3,010,110	\$ (886)
\$ 0	\$ 0	\$ 3,479	\$ 0

See accompanying notes.

STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA

Assets

Cash and Cash Equivalents	\$ 36,871
Investments	2,799,363
Due from Other Governments	<u>66,408</u>
Total Assets	<u><u>2,902,642</u></u>

Liabilities

0

Net Position

Held in Trust for Pension Benefits	<u><u>\$ 2,902,642</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, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

Additions

Contributions:	
Employer	\$ 150,234
Member	7,535
State	66,408
Total Contributions	<u>224,177</u>

Investment Income:	
Net Appreciation in Fair Value of Investments	295,654
(Less) Investment Management Fee	<u>(11,032)</u>
Net Investment Income	<u>284,622</u>

Total Additions	<u>508,799</u>
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Deductions

Member Benefits	7,483
Administration Fees	<u>1,000</u>

(Total Deductions)	<u>(8,483)</u>
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Change in Net Position	500,316
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Net Position, Beginning of Year	<u>2,402,326</u>
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Net Position, End of Year	<u><u>\$ 2,902,642</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, 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.

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 provided for governmental funds, proprietary funds, and fiduciary funds 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 current year's fund financial statements for the proprietary funds has been changed for the current year presentations to separate each utility of the City as opposed to past presentation with all utility functions being presented as a combined utility unit. This form of presentation offers users a more detailed view of the City's utility systems and activities related to those systems.

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 a \$62,049 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 2013.

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 or Public Housing Fund that incurred the liabilities.

Property Taxes

The Clay County Tax Collector bills and collects property taxes for the City. At September 30, 2013, 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, 2013, there was approximately \$227,015 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.

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.

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 the Local Government Investment Pool (State Pool). The State Pool is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight. Previously, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the subprime mortgage financial market. Consequently, the SBA placed some restrictions on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools (Florida PRIME and Fund B).

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

Note 2 - Deposits and Investments (Continued)

Investments (Continued)

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.

Fund B is reported at fair value, determined by the fair value per share of the pool's underlying portfolio. The weighted-average life (WAL) of Fund B at September 30, 2013, was 4.04 years. A portfolio's WAL is the dollar weighted-average length of time until securities held reach maturity. Since Fund B consists of restructured or defaulted securities, there is considerable uncertainty regarding the WAL.

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	733,891	N/A	AAAm (S&P)
Fund B, at Fair Value	<u>4,872</u>	N/A	Not Rated
Total	<u>\$ 3,938,763</u>		

Total investments include \$738,763 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	\$ 1,100,458	5.54 Years	AA/V4 (Fitch)
FMIvT High Quality Growth Portfolio	224,063	N/A	Not Rated
FMvT Large Cap Diversified Value Portfolio	221,226	N/A	Not Rated
FMIvT Russell 1000 Index Portfolio	646,662	N/A	Not Rated
FMIvT Diversified Small Cap Equity Portfolio	311,986	N/A	Not Rated
FMIvT International Blend Portfolio	294,968	N/A	Not Rated
Total Pension Trust Fund	<u>\$ 2,799,363</u>		

Restricted Cash

Restricted cash and cash equivalents at September 30, 2013, consists of the following:

Customer Deposits	\$ 555,040
Debt Sinking Fund	68,808
System Improvements	227,015
Proprietary Fund Unspent Debt Proceeds	108,959
Governmental Fund Unspent Debt Proceeds	<u>2,412,500</u>
Total Restricted Cash	<u>\$ 3,372,322</u>

Note 3 - Interfund Balances and Transfers

The following is a summary of interfund receivables and payables at September 30, 2013:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Project Fund	\$ 289,763
Nonmajor Governmental Funds	General Fund	3,144
Electric Fund	Sewer Fund	480,203
Electric Fund	Solid Waste Fund	871,610
Electric Fund	Business-type Internal Service Fund	<u>213,067</u>
Total		<u>\$ 1,857,787</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 arose as a result of the separation of the utility funds and is not expected to be repaid within one year.

Interfund transfers of \$1,266,545 were made from the Electric Fund to the General Fund 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, 2013, the following changes in capital assets occurred:

	Beginning Balance October 1, 2012	Increases	Decreases	Ending Balance September 30, 2013
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 7,922,864	\$ 91,409	\$ 0	\$ 8,014,273
Construction in Progress	0	589,663	0	589,663
Total Capital Assets Not Being Depreciated:	7,922,864	681,072	0	8,603,936
Capital Assets Being Depreciated:				
Buildings	6,046,814	2,066	0	6,048,880
Improvements Other Than Buildings	2,826,683	365,713	0	3,192,396
Machinery and Equipment	2,603,066	249,854	(79,196)	2,773,724
Infrastructure	9,040,837	0	0	9,040,837
Total Capital Assets Being Depreciated	20,517,400	617,633	(79,196)	21,055,837
Less Accumulated Depreciation:				
Buildings	(1,181,657)	(144,193)	0	(1,325,850)
Improvements Other Than Buildings	(1,197,252)	(123,156)	0	(1,320,408)
Machinery and Equipment	(1,952,716)	(149,404)	79,196	(2,022,924)
Infrastructure	(2,761,258)	(251,091)	0	(3,012,349)
Total Accumulated Depreciation	(7,092,883)	(667,844)	79,196	(7,681,531)
Total Capital Assets Being Depreciated, Net	13,424,517	(50,211)	0	13,374,306
Governmental Activities Capital Depreciated, Net	\$ 21,347,381	\$ 630,861	\$ 0	\$ 21,978,242
Business-type Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 227,136	\$ 0	\$ 0	\$ 227,136
Capital Assets Being Depreciated:				
Electric Transmission and Distribution Plant	17,046,415	275,436	0	17,321,851
Water/Wastewater Treatment Plant	9,629,031	91,417	0	9,720,448
Water/Wastewater Pumping and Collection Plant	14,774,747	120,692	0	14,895,439
General Plant and Equipment	4,443,398	540	0	4,443,938
Total Capital Assets Being Depreciated	45,893,591	488,085	0	46,381,676
Less Accumulated Depreciation:				
Electric Transmission and Distribution Plant	(9,384,671)	(335,917)	0	(9,720,588)
Water/Wastewater Treatment Plant	(5,170,821)	(335,477)	0	(5,506,298)
Water/Wastewater Pumping and Collection Plant	(6,670,669)	(480,237)	0	(7,150,906)
General Plant and Equipment	(2,456,390)	(314,884)	0	(2,771,274)
Total Accumulated Depreciation	(23,682,551)	(1,466,515)	0	(25,149,066)
Total Capital Assets Being Depreciated, Net	22,211,040	(978,430)	0	21,232,610
Total Business-type Activities Capital Assets, Net	\$ 22,438,176	\$ (978,430)	\$ 0	\$ 21,459,746

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	\$	186,805
Public Safety		43,657
Transportation		294,461
Physical Environment		930
Culture and Recreation		<u>141,991</u>
Total Depreciation Expense - Governmental Activities	\$	<u>667,844</u>
Business-type Activities		
Electric	\$	443,790
Water		488,724
Wastewater		477,586
Sanitation		<u>56,415</u>
Total Depreciation Expense - Business-type Activities	\$	<u>1,466,515</u>

Note 5 - Long-term Obligations

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

	Balance October 1, 2012	Additions	Deductions	Balance September 30, 2013	Due Within One Year
Governmental Activities					
Sales Tax Revenue Note					
Series 2013	\$ 0	\$ 2,415,000	\$ 0	\$ 2,415,000	\$ 386,074
Compensated Absences	554,557	231,491	(217,743)	568,305	170,491
Net OPEB Obligation	<u>146,913</u>	<u>31,417</u>	<u>0</u>	<u>178,330</u>	<u>0</u>
Total Governmental Activities	<u>\$ 701,470</u>	<u>\$ 2,677,908</u>	<u>\$ (217,743)</u>	<u>\$ 3,161,635</u>	<u>\$ 556,565</u>
Business-type Activities					
Electric Capital					
Improvement Note	\$ 1,583,029	\$ 0	\$ (220,361)	\$ 1,362,668	\$ 228,343
Water Capital					
Improvement Note	1,178,504	0	(128,463)	1,050,041	133,443
Equipment Note –					
Sanitation	132,469	0	(47,291)	85,178	36,123
Compensated Absences	372,171	124,526	(127,702)	368,995	41,223
Net OPEB Obligation	<u>68,559</u>	<u>7,907</u>	<u>0</u>	<u>76,466</u>	<u>0</u>
Total Business-type Activities	<u>\$ 3,334,732</u>	<u>\$ 132,433</u>	<u>\$ (523,817)</u>	<u>\$ 2,943,348</u>	<u>\$ 439,132</u>

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

Note 5 - Long-term Obligations (Continued)

Notes Payable

<p>\$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 \$1,513,775. During 2013, approximately \$1,439,625 of net revenue from the City's electric utility system was recognized and \$275,232 was paid for debt service.</p>	\$ 1,362,668
<p>\$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 the pledge is equal to the remaining principal and interest payments of \$1,207,471. During 2013, approximately \$(119,330) of net revenue from the City's water utility system and \$1,301,780 of supplemental pledged revenue from the City's electric and wastewater utility systems were recognized and \$172,496 was paid for debt service.</p>	1,050,041
<p>\$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 the pledge is equal to the remaining principal and interest payments of \$99,433. During 2013, approximately \$1,182,450 of net revenue from the City's utility systems was recognized and \$62,145 was paid for debt service.</p>	85,178
<p>\$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 the pledge is equal to the remaining principal and interest payments of \$2,520,725. During 2013, approximately \$678,831 of net revenue from discretionary sales surtax was recognized and \$0 paid for debt service during 2013.</p>	<hr/> 2,415,000
Total Notes Payable	<hr/> \$ 4,912,887

**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, 2013, are as follows:

Governmental Funds

Year Ending September 30,	Principal	Interest	Total
2014	\$ 386,074	\$ 29,754	\$ 415,828
2015	397,364	26,023	423,387
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	\$ 2,415,000	\$ 105,725	\$ 2,520,725

Proprietary Funds

Year Ending September 30,	Principal	Interest	Total
2014	\$ 397,909	\$ 87,620	\$ 485,529
2015	424,295	73,149	497,444
2016	389,176	58,552	447,728
2017	403,639	44,089	447,728
2018	418,641	29,087	447,728
2019-2021	464,227	18,371	482,598
Total	\$ 2,497,887	\$ 310,868	\$ 2,808,755

Interest Expense

Interest expense is included as a direct function expense of the electric utilities, water utilities and sanitation in the amounts of \$58,132, \$44,033, and \$2,435, 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 Florida Retirement System (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, 2013, were as follows: Regular Employees 6.95%; Special Risk Employees 19.06%; Senior Management 18.31%; Elected Officials 33.03%. 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, 2013, 2012, and 2011, were \$150,730, \$125,620, and \$246,318, respectively, equal to the required contributions of each year. The employees' contributions for the years ended September 30, 2013, 2012, and 2011 were \$58,994, \$59,748, and \$13,253, 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, 2013, consisted of 16 active members and 2 retiree receiving benefits.

Net Pension Obligation

Annual Required Contribution (ARC)	\$ 221,345
Interest on Net Pension Obligation	4,121
Adjustment to ARC	<u>(4,328)</u>
Annual Pension Cost	221,138
Contributions Made	(216,642)
Net Pension Obligation, Beginning of Year	<u>56,238</u>
Net Pension Obligation, End of Year	<u><u>\$ 60,734</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)

Funding Policy and Annual Pension Cost—The City's annual pension cost for the current year and related information is as follows:

Contribution Rates:

City	30.77%
Plan Members	1%
Annual Pension Cost	\$ 221,138
Contributions Made	\$ 150,234
Actuarial Valuation Date	October 1, 2011
Actuarial Cost Method	Aggregate *
Amortization Method	Level percentage, open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases	5.68%

* Because the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial accrued liabilities, information about the Plan's funded status and funding progress has been prepared using the entry age normal actuarial cost method for that purpose. The information presented is intended to serve as a surrogate for the funded status and funding progress of the Plan.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/13	\$ 221,345	98%	\$ 60,734
9/30/12	221,138	91%	56,238
9/30/11	231,815	103%	35,887

Funding Status and Funding Progress—The pension payments made for the 2013 fiscal year were 68 % of the annual pension cost. As of the actuarial valuation report dated October 1, 2011, the actuarial value of assets was \$1,863,280, the actuarial accrued liability was \$1,963,799, the unfunded actuarial accrued liability (UAAL) was \$100,519, the funded ratio was 94.88%, the covered payroll was \$719,300, and the UAAL as a percentage of covered payroll was 13.97%.

The required schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the accrued actuarial liability for benefits.

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

Note 6 - Pension Plans (Concluded)

(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, 2013, 2012, and 2011, were \$70,625, \$68,152, and \$71,369, respectively, equal to the required contributions for each year.

(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, 2013, the City made approximately \$21,160 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 employee's medical insurance, less the Florida Retirement System 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 Florida Retirement System 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.

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

Note 7 - Other Postemployment Benefits Plan (Continued)

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:

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>(31,417)</u>
Increase in Net OPEB Obligation	30,349
Net OPEB Obligation, Beginning of Year	<u>215,472</u>
Net OPEB Obligation, End of Year	<u><u>\$ 245,821</u></u>

Trend Information—

Year Ended September 30	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Obligation
2013	\$ 61,766	\$ 31,417	50.90%	\$ 245,821
2012	61,766	22,442	36.33%	215,472
2011	90,012	31,296	34.77%	176,148

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.

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

Note 7 - Other Postemployment Benefits Plan (Concluded)

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

Funding Status and Funding Progress—The OPEB payments made for the 2013 fiscal year were 36.3% 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.

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

Note 9 - Power Supply Agreements (Concluded)

General (Concluded)

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, 2013, the total outstanding amount related to the St. Lucie Project is \$313,432,000. The City is contingently liable for 1.757% of the total amount of outstanding debt, (approximately \$5,507,000) at September 30, 2013.

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 2013 were \$769,798.

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.

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 2013 were \$9,410,920.

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

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, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues				
Taxes	\$ 2,367,602	\$ 2,367,602	\$ 2,394,239	\$ 26,637
Licenses and Permits	6,600	6,600	2,372	(4,228)
Intergovernmental	2,811,836	2,741,836	650,527	(2,091,309)
Charges for Services	41,650	41,650	46,693	5,043
Fines and Forfeitures	852,000	781,000	779,981	(1,019)
Investment Earnings	13,000	13,000	4,193	(8,807)
Miscellaneous	109,040	109,040	62,602	(46,438)
Interfund Charges	209,000	209,000	205,000	(4,000)
Total Revenues	6,410,728	6,269,728	4,145,607	(2,124,121)
Expenditures				
Current:				
General Government	4,767,178	4,804,428	2,014,325	2,790,103
Public Safety	2,285,694	2,242,944	2,174,343	68,601
Physical Environment	174,974	174,974	126,982	47,992
Transportation	1,016,849	1,016,849	972,341	44,508
Culture and Recreation	285,706	291,206	281,405	9,801
(Total Expenditures)	(8,530,401)	(8,530,401)	(5,569,396)	2,961,005
(Deficiency) of Revenues (Under)				
Expenditures	(2,119,673)	(2,260,673)	(1,423,789)	836,884
Other Financing Sources (Uses)				
Transfers in	1,266,545	1,266,545	1,266,545	0
Sale of Fixed Assets	0	141,000	141,000	0
Total Other Financing Sources	1,266,545	1,407,545	1,407,545	0
Net Change in Fund Balance	(853,128)	(853,128)	(16,244)	836,884
Fund Balances, Beginning of Year	853,128	853,128	4,161,288	3,308,160
Fund Balances, End of Year	\$ 0	\$ 0	\$ 4,145,044	\$ 4,145,044

NOTES TO BUDGETARY COMPARISON SCHEDULE
SEPTEMBER 30, 2013
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 ordinance, 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.

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

Actuarial Valuation Date 10/1	(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	\$ 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%
2009	1,287,400	1,594,530	307,130	80.7%	725,727	42.3%
*	1,067,770	N/A	N/A	N/A	N/A	N/A
2007	1,029,753	949,006	(80,747)	108.5%	651,768	0.0%
*	653,389	N/A	N/A	N/A	N/A	N/A

* = Not Applicable

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
PENSION PLAN
CITY OF GREEN COVE SPRINGS, FLORIDA**

Year Ended	Annual Required Contributions	Actual Employer Contributions	Percentage Contributed
9/30/2013	\$ 221,345	\$ 216,642	97.9%
9/30/2012	221,345	200,787	90.7%
9/30/2011	231,972	237,754	102.5%
9/30/2010	261,060	249,232	95.5%
9/30/2009	220,322	204,951	93.0%
9/30/2008	212,082	197,236	93.0%

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

Actuarial Valuation Date 10/1	(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%

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

Year Ended	Annual Required Contributions	Actual Employer Contributions	Percentage Contributed
9/30/2013	\$ 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%
9/30/2009	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, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Special Law Enforcement Fund	Public Housing Fund	Building Permit Fund	Total
Assets				
Cash and Cash Equivalents	\$ 265,053	\$ 58,486	\$ 0	\$ 323,539
Due From Other Funds	<u>0</u>	<u>0</u>	<u>3,144</u>	<u>3,144</u>
Total Assets	<u><u>265,053</u></u>	<u><u>58,486</u></u>	<u><u>3,144</u></u>	<u><u>326,683</u></u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable and				
Accrued Liabilities	1,381	79	2,335	3,795
Due to Other Governments	<u>0</u>	<u>9,590</u>	<u>0</u>	<u>9,590</u>
Total Liabilities	<u><u>1,381</u></u>	<u><u>9,669</u></u>	<u><u>2,335</u></u>	<u><u>13,385</u></u>
Fund Balances				
Restricted for:				
Public Safety	263,672	0	809	264,481
Public Housing	<u>0</u>	<u>48,817</u>	<u>0</u>	<u>48,817</u>
Total Fund Balances	<u><u>263,672</u></u>	<u><u>48,817</u></u>	<u><u>809</u></u>	<u><u>313,298</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 265,053</u></u>	<u><u>\$ 58,486</u></u>	<u><u>\$ 3,144</u></u>	<u><u>\$ 326,683</u></u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

	Special Law Enforcement Fund	Public Housing Fund	Building Permit Fund	Total
Revenues				
License and Permits	\$ 0	\$ 0	\$ 100,814	\$ 100,814
Intergovernmental	0	637,768	0	637,768
Miscellaneous	6,365	0	0	6,365
Total Revenues	<u>6,365</u>	<u>637,768</u>	<u>100,814</u>	<u>744,947</u>
Expenditures				
Current:				
Economic Environment	0	825,644	0	825,644
Public Safety	305	0	100,005	100,310
(Total Expenditures)	<u>305</u>	<u>825,644</u>	<u>100,005</u>	<u>925,954</u>
(Deficiency) of Revenues (Under)				
Expenditures	<u>6,060</u>	<u>(187,876)</u>	<u>809</u>	<u>(181,007)</u>
Fund Balances, Beginning of Year	<u>257,612</u>	<u>236,693</u>	<u>0</u>	<u>494,305</u>
Fund Balances, End of Year	<u><u>\$ 263,672</u></u>	<u><u>\$ 48,817</u></u>	<u><u>\$ 809</u></u>	<u><u>\$ 313,298</u></u>

**FINANCIAL DATA SCHEDULE REQUIRED BY HUD
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

111	Cash - Unrestricted	\$ 58,486
113	Cash - Other Restricted	
124	Accounts Receivable - Other Government	0
120	Total Receivables, Net of Allowance for Doubtful Accounts	0
190	Total Assets	58,486
312	Accounts Payable < 90 Days	79
331	Accounts Payable - HUD PHA Programs	9,590
333	Accounts Payable - Other Government	
300	Total Liabilities	9,669
509.3	Restricted Fund Balance	
512.3	Unrestricted Net Position	48,817
513	Total Equity/Net Position	48,817
600	Total Liabilities and Equity/Net Position	58,486
70600	HUD PHA Operating Grants	406,693
70800	Other Government Grants	26,000
71400	Fraud Recovery	3,189
71500	Other Revenue	201,886
70000	Total Revenue	637,768
91100	Administrative Salaries	79,401
91200	Auditing Fees	3,000
91500	Employee Benefit Contributions - Administrative	15,439
91600	Office Expenses	4,421
91810	Allocated Overhead	4,500
91900	Other	5,972
93200	Electricity	0
93600	Sewer	0
96900	Total Other Expenses	112,733
97000	Excess Operating Revenue Over Operating Expenses	525,035
97300	Housing Assistance Payments	562,523
10030	Operating Transfers to Other Government	150,388
90000	Total Expenses	825,644
10000	(Deficiency) of Total Revenue (Under) Total Expenses	(187,876)
11030	Beginning Equity	236,693
	Ending Equity	\$ 48,817
11190	Unit Months Available	824
11210	Number of Unit Months Leased	799

**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
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA**

Grantor/Pass-Through Program Title	Federal CFDA/ State CSFA Number	Pass Through Grantors Number	Expenditures
Federal Awards			
U.S. Department of Housing and Urban Development			
Direct Assistance:			
Section 8 Housing Choice Vouchers	14.871	FL098V0	\$ 611,768
Total U.S. Department of Housing and Urban Development			<u>611,768</u>
U.S. Department of Justice			
Passed Through the Florida Department of Law Enforcement:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-JAG-CLAY-1C5-049	<u>1,743</u>
Total U.S. Department of Justice			<u>1,743</u>
U.S Department of Homeland Security			
Passed Through the Florida Division of Emergency Management:			
Disaster Grants- Public Assistance	91.036	FEMA1785-DR-FL	<u>3,115</u>
Total U.S. Department of Homeland Security			<u>3,115</u>
Total Expenditures of Federal Awards			<u><u>\$ 616,626</u></u>

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
CITY OF GREEN COVE SPRINGS, FLORIDA
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards 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, 2013. 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, 2013
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 and a material weakness in internal control disclosed during the audit of the financial statements are 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 noncompliance 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 a material weakness over internal control over major federal program that is required to be reported in the schedule of findings and questioned costs.

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

Disclaimer of Opinion

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

Audit findings relative to the major program are included in the independent auditors' report on compliance with requirements that could have a direct and material effect on the major program and on internal control over compliance in accordance with the Office of Management and Budget (OMB) Circular A-133.

VII. **Programs Tested as Major Programs Included the Following:**

<u>Federal Program</u>	<u>CFDA No.</u>
Section 8 Housing Choice Vouchers	14.871

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, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA
(Continued)**

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

2013-01 Segregation of Duties

Condition—One of the basic tenets of a sound system of internal control is the proper segregation of incompatible duties. During the audit, we noted an incompatible duty in the journal entry process:

- **Journal Entries**—There is no secondary review of journal entries prepared and posted by the Assistant City Manager.

Effect—Lack of separation of incompatible duties and ineffective detection controls could result in errors or irregularities that will not be prevented or detected on a timely basis.

Recommendation—We recommend the City review the process in the journal entry function and either separate incompatible duties or implement effective compensating controls to mitigate risks.

2013-02 ADG User Access Privileges

Condition—During the City's Information Technology (IT) review, it was noted that multiple members of the Finance Department and City Management have administrative capabilities (all-access) within ADG, the City's accounting software, as well as incompatible user capabilities. Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside their areas of responsibility. Periodically reviewing access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their assigned job duties.

Effect—The significant access within the IT structure creates segregation of duties issues that can result in errors, irregularities, and loss of data that could potentially cripple the City's information systems or circumvent established controls that are meant to prevent or detect these types of issues on a timely basis.

Recommendation—We recommend that the City review the assigned functions and capabilities of each employee and assign functions based on those needs and also assign responsibilities for the City's software to a capable employee that is not involved in the day-to-day financial activities of the City.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
CITY OF GREEN COVE SPRINGS, FLORIDA
(Concluded)**

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

2013-03 Section 8 Housing Choice Vouchers (CFDA 14.871)

A/B- Activities Allowed, E- Eligibility, R-Reporting, N-Special Tests and Provisions

Condition—The City transferred the housing choice voucher program to Flagler County Housing Authority as of April 1, 2013. The interlocal agreement between the City and Flagler County Housing Authority stipulated that Flagler County Housing Authority would receive all of the records and vouchers, and administer the program under all of the HUD rules, regulation, and laws, which included record retention. Thus, the City did not maintain copies of the records that were transferred to the public housing authority. The City is required to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

The housing assistance contracts, rental agreements, income verification documentation, tenant applications, and other information are essential to determine whether the expenditures of federal funds were in accordance with the major compliance items noted above. Flagler County Housing Authority destroyed those records without the City's expressed written consent.

Effect—Due to the scope limitation above, it could not be determined whether the City substantially complied with major compliance requirements of activities allowed, eligibility, reporting, and special tests and provisions.

Questioned Costs—Due to the scope limitation (lack of supporting documentation that was destroyed by Flagler County Housing Authority) the entire expenditure of federal awards for the reporting period beginning October 1, 2012 through April 1, 2013, during which time the program was administered by the City in the amount of \$611,768 are questioned costs.

4. **Summary Schedule of Prior Audit Findings**

No Corrective Action Plan is required because there were no findings required to be reported under OMB Circular A-133 in the prior year.

**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

We were engaged to audit the City of Green Cove Springs, Florida, (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, 2013. 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. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion on CFDA 14.871

The City transferred the CFDA 14.871 Housing Choice Vouchers program to Flagler County Housing Authority as of April 1, 2013, through an interlocal agreement. The City was responsible for administration of the program through March 31, 2013. The City transferred all of the tenant supporting documentation to Flagler County Housing Authority in order to give Flagler County Housing Authority the ability to administer the program as required by the interlocal agreement. The necessary records to test compliance over the major compliance requirements were not maintained by the City or Flagler County Housing Authority. Management was unable to recover the necessary underlying records in order to test the major compliance requirements, which is the basis for our disclaimer of opinion on the major compliance requirements for major programs.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion Paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the compliance requirements referred to in the first paragraph.

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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 requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-03 to be a material weakness.

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 with a type of compliance require 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.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying management's response on pages 66 through 67. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Purvis, Gray and Company, LLP

April 30, 2014
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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 30, 2014.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and questions costs as item 2013-02 to be a material weakness.

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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)**

Internal Control Over Financial Reporting (Concluded)

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 2013-01 to be a significant deficiency.

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 66 through 67. 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.

Purvis, Gray and Company, LLP

April 30, 2014
Gainesville, Florida

MANAGEMENT LETTER

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

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, 2013, and have issued our report thereon dated April 30, 2014.

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*. 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 program and on internal control over compliance required by OMB Circular a-133, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated April 30, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted in the table below:

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2011-12 Fiscal Year Finding #	2010-11 Fiscal Year Finding #
2013-01	2011-01	2011-01

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve the City's financial management. In connection with our audit, we did not have any such recommendations.

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

MANAGEMENT LETTER
(Concluded)

- Section 10.554(1)(i)4., *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.
- Section 10.554(1)(i)5., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is included in Note 1 to the financial statements.
- Section 10.554(1)(i)6.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental 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.
- Section 10.554(1)(i)6.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), *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.

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.

Purvis, Gray and Company, LLP

April 30, 2014
Gainesville, Florida



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May 6, 2014

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, 2012 to September 30, 2013.

2013-01 Segregation of Duties:

JOURNAL ENTRIES:

Auditor's Comment:

There is no secondary review of journal entries prepared and posted by the Assistant City Manager.

Management's Response:

Journal entries were prepared by both the accounting technician and the Finance Director/Assistant City Manager. The Finance Director/Assistant City Manager reviews the journal entries for accuracy, and then general ledger accounts are checked for accuracy after the entries are made. There is no longer a position "Finance Director/Assistant City Manager", therefore effective immediately, the Financial Analyst will review the entries made by the Finance Director.

2013-02 ADG User Access Privileges:

Auditor's Comment:

During the City's IT review, it was noted that multiple members of the finance department and city management have administrative capabilities (all-access) within the ADG software as well as incompatible user capabilities. Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside their areas

of responsibility. Periodically reviewing access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their assigned job duties.

Management's Response:

The City asked Purvis, Gray and Company, LLP to perform an IT review due to the implementation of the City's new financial system (ADG) during FY 2013. The City wants to ensure that access within ADG does not create conflicts of interest but safeguards the City's information systems by segregating duties. Subsequent to the IT review, a review was made by the Finance and Assistant Finance Directors of the City's ADG user access privileges. The assigned functions and capabilities of each employee was reviewed and their ADG user access privileges were adjusted based on their assigned functions and needs. The Finance and Assistant Finance Directors are the only employees that can assign ADG user access privileges. Each employee's ADG user access privileges will be reviewed on a quarterly basis for any changes that may have occurred in their assigned functions and needs. Responsibility for the City's software has been assigned to the City's Information Systems Specialist who reports directly to the Assistant City Manager.

2013-03 Section 8 Housing Choice Vouchers (CFDA 14.871):

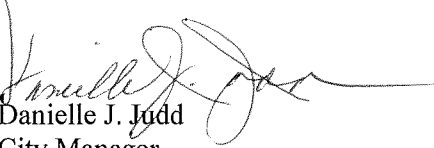
Auditor's Comment:

The City transferred the housing choice voucher program to Flagler County Housing Authority as of April 1, 2013. The interlocal agreement between the City and Flagler County Housing Authority stipulated that the Flagler County Housing Authority would receive all of the records and vouchers, and administer the program under all of the HUD rules, regulation, and laws which included record retention. Thus, the City did not maintain copies of the records that were transferred to the public housing authority. The City is required to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. The housing assistance contracts, rental agreements, income verification documentation, tenant applications, and other information are essential to determine whether the expenditures of federal funds were in accordance with the major compliance items noted above. Flagler County Housing Authority destroyed those records without the City's expressed written consent.

Management's Response:

The housing choice voucher program was turned over to the Flagler County Housing Authority in April 2013 along with all the assets and records for the period October 1, 2012 through March 31, 2013. According to the agreement with the Flagler County Housing Authority, all records were to be retained.

Respectfully submitted,


Danielle J. Judd
City Manager