

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

**CITY OF GREEN COVE SPRINGS, FLORIDA**

**SEPTEMBER 30, 2016**

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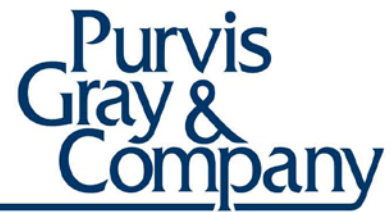
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## INDEPENDENT AUDITORS' REPORT

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, 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, 2016, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, 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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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS  
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

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

**INDEPENDENT AUDITORS' REPORT**  
*(Concluded)*

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of funding progress and contributions for Other Postemployment Benefits (OPEB), schedule of changes in the employers' net pension liability and related ratios, schedule of employer contributions, schedule of investment returns, schedule of the proportionate share of the net pension liability in the Florida Retirement System, and schedule of contributions to the Florida Retirement System, 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other 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 combining nonmajor fund financial statements are the responsibility of management, and 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 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 26, 2017, 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.

  
April 26, 2017  
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, 2016, by \$53.9 million. Unrestricted net position was \$10.8 million at September 30, 2016.
- The City's net position increased by \$907,053 or 1.71%. The governmental net position increased by \$34,027 or 0.14% and the business-type net position increased by \$873,026 or 3.12%.
- The business-type activities revenues, including capital grants and investment revenue, increased by \$1.0 million or 1.06% and the net results from activities increased by \$612,871 or 482%.
- The governmental net position increased due to capital grants and contributions.
- The business-type net position increased mainly due to the water and wastewater impact fees received due to increased building activity during fiscal year 2016.

#### **City Highlights**

- The City spent approximately \$1.1 million on capital improvements, of which \$879K was for the Historic Spring Park project. The City also purchased approximately \$13K in equipment in the General Government Fund during the fiscal year. \$34K was spent on the Augusta Savage Community Center Library, \$17K was spent on the Magnolia and Ferris Parking Lot, \$23K was spent on the Public Works new roof, \$9K was spent replacing signs throughout the city and an additional \$61K was spent replacing vehicles within the Police and Code Enforcement Departments.
- During this fiscal year, the Electric Department spent \$540K on the Hwy. 17 reconductor project. \$216K was spent on the Chapman Substation. \$21K was spent on the Magnolia Point Phase 8B Project. Additional transformers were also purchased during the year for \$67K. \$42K was expended for other electric transmission improvements. \$12K was spent on the electric 4kV project. A lease/purchase agreement in the amount of \$344K was entered into for the electric digger derrick and bucket trucks.
- The Water Department continued the electronic meter replacement program and spent \$93K during the fiscal year.
- The Wastewater Department expended \$80K for the Wastewater system improvements pre-construction phase and \$37K for the Reclaimed Water System Master Plan Project. \$44K was spent on lift station pumps.

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

**City Highlights (Concluded)**

- The Solid Waste Department entered into a lease/purchase agreement in the amount of \$340K for 2 2017 Freightliner 108SD Trash Trucks.
- The Stormwater Department expended \$40K for stormwater repairs on Belle Street.
- \$19K was used to purchase a 2016 Nissan Frontier Truck for the Customer Service Department.

**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.

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

**Fund Financial Statements** *(Concluded)*

**Governmental funds** <sup>(1)</sup>—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's *near-term* financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's *near-term* financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**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 (5) 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 59 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 \$53.9 million or a 1.71% increase at the close of the fiscal year ended September 30, 2016. A portion of the City's net position, \$2,377,899, represents resources that are subject to external restrictions on how they may be used. Governmental activities had \$1,115,153 in restricted net position and the Business-type activities had \$1,262,746 in restricted net position at September 30, 2016.

<sup>(1)</sup> *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)**

**GOVERNMENT-WIDE STATEMENT**

**Statement of Net Position**

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

<b>Statement of Net Position As of September 30, 2016 (In 000s)</b>							
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>		<b>Total % Change</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
Current and Other Assets	\$ 4,159	\$ 3,298	\$ 14,013	\$ 13,803	\$ 18,172	\$ 17,101	6.26%
Capital Assets	<u>25,361</u>	<u>25,174</u>	<u>19,746</u>	<u>19,577</u>	<u>45,107</u>	<u>44,751</u>	0.80%
<b>Total Assets</b>	<b><u>\$ 29,520</u></b>	<b><u>\$ 28,472</u></b>	<b><u>\$ 33,759</u></b>	<b><u>\$ 33,380</u></b>	<b><u>\$ 63,279</u></b>	<b><u>\$ 61,852</u></b>	2.31%
<b>Deferred Outflows</b>	<b><u>\$1,549</u></b>	<b><u>\$493</u></b>	<b><u>\$435</u></b>	<b><u>\$188</u></b>	<b><u>\$1,984</u></b>	<b><u>\$681</u></b>	191.34%
Current Liabilities	\$ 736	\$ 781	\$ 2,664	\$ 3,061	\$ 3,400	\$ 3,842	-11.51%
Long-term Liabilities	<u>4,997</u>	<u>2,891</u>	<u>2,702</u>	<u>2,444</u>	<u>7,699</u>	<u>5,335</u>	44.31%
<b>Total Liabilities</b>	<b><u>\$ 5,733</u></b>	<b><u>\$ 3,672</u></b>	<b><u>\$ 5,366</u></b>	<b><u>\$ 5,505</u></b>	<b><u>\$ 11,099</u></b>	<b><u>\$ 9,177</u></b>	20.94%
<b>Deferred Inflows</b>	<b><u>\$213</u></b>	<b><u>\$204</u></b>	<b><u>\$18</u></b>	<b><u>\$126</u></b>	<b><u>\$231</u></b>	<b><u>\$330</u></b>	-30.00%
<b>Net Position:</b>							
Net Investment in Capital Assets	\$ 22,861	\$ 23,542	\$ 17,942	\$ 17,902	\$ 40,803	\$ 41,444	-1.55%
Restricted	1,115	1,052	1,263	700	2,378	1,752	35.73%
Unrestricted	<u>1,147</u>	<u>495</u>	<u>9,605</u>	<u>9,335</u>	<u>10,752</u>	<u>9,830</u>	9.38%
<b>Total Net Position</b>	<b><u>\$ 25,123</u></b>	<b><u>\$ 25,089</u></b>	<b><u>\$ 28,810</u></b>	<b><u>\$ 27,937</u></b>	<b><u>\$ 53,933</u></b>	<b><u>\$ 53,026</u></b>	<b><u>1.71%</u></b>

**Normal Impacts**

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

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

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

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

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

**Normal Impacts (Concluded)**

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

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

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

**Statement of Activities**

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

**Change in Net Position**  
**As of September 30, 2016 (In 000s)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total Primary</b>		<b>Total %</b>
	<b>Activities</b>		<b>Activities</b>		<b>Government</b>		
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	
<b><u>REVENUES</u></b>							
Charges for Services	\$ 1,176	\$ 897	\$ 16,647	\$ 15,671	\$ 17,823	\$ 16,568	7.57%
Operating Grants and Contributions	446	443	0	0	446	443	0.68%
Capital Grants and Contributions	226	7	41	4	267	11	2327%
<b>General Revenues:</b>							
Property Taxes	1,195	1,176	0	0	1,195	1,176	1.62%
State Revenue Sharing	214	210	0	0	214	210	1.90%
Sales and Use Tax	376	359	0	0	376	359	4.74%
Discretionary Sales Surtax	804	753	0	0	804	753	6.77%
Investment Income	7	5	22	15	29	20	45%
Business and Utility Taxes	505	521	0	0	505	521	-3.07%
Sale of Fixed Assets	0	0	0	0	0	0	0.00%
Other General Revenues	100	66	133	135	233	201	15.92%
<b>Total Revenues</b>	<b><u>\$ 5,049</u></b>	<b><u>\$ 4,437</u></b>	<b><u>\$ 16,843</u></b>	<b><u>\$ 15,825</u></b>	<b><u>\$ 21,892</u></b>	<b><u>\$ 20,262</u></b>	<b><u>8.04%</u></b>

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

**Statement of Activities (Concluded)**

	<u>Governmental</u>		<u>Business-type</u>		<u>Total Primary</u>		<u>Total %</u>
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>		
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<b><u>EXPENSES</u></b>							
<b>Governmental</b>							
<b>Activities:</b>							
General							
Government	\$ 1,516	\$ 1,273	\$ 0	\$ 0	\$ 1,516	\$ 1,273	19.09%
Public Safety	2,908	2,606	0	0	2,908	2,606	11.59%
Transportation	1,303	1,203	0	0	1,303	1,203	8.31%
Physical							
Environment	190	113	0	0	190	113	68.14%
Culture and Recreation	419	374	0	0	419	374	12.03%
Interest on							
Long-term Debt	72	24	0	0	72	24	200.0%
<b>Business-type</b>							
<b>Activities:</b>							
Electric	0	0	10,758	10,745	10,758	10,745	0.12%
Water	0	0	1,371	1,330	1,371	1,330	3.08%
Wastewater	0	0	1,686	1,566	1,686	1,566	7.66%
Stormwater	0	0	128	159	128	159	-19.50%
Solid Waste	0	0	634	527	634	527	20.30%
<b>Total Expenses</b>	<b>\$ 6,408</b>	<b>\$ 5,593</b>	<b>\$14,577</b>	<b>\$14,327</b>	<b>\$ 20,985</b>	<b>\$ 19,920</b>	<b>5.35%</b>
Excess of Revenues							
Over Expenses	\$ (1,359)	\$ (1,156)	\$ 2,266	\$ 1,498	\$ 907	\$ 342	165%
Transfers	1,393	1,371	(1,393)	(1,371)	0	0	
<b>Net Increase/(Decrease)</b>	<b>\$ 34</b>	<b>\$ 215</b>	<b>\$ 873</b>	<b>\$ 127</b>	<b>\$ 907</b>	<b>\$ 342</b>	<b>165%</b>

**Normal Impacts**

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

**Revenues**

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

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

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

**Normal Impacts (Concluded)**

**Revenues (Concluded)**

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

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

*Market Impacts on Investment Income*—due to varying maturities on the City's investments and the varying nature of the market in general, the City investment income may fluctuate from year to year. During 2016, investment income increased 45% 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 24.65% of the City's total net operating budget.

*Personnel Costs (cost of living, merit, and market adjustment)*—the ability to attract and retain human and intellectual resources requires the City to strive to approach a competitive salary range position in the marketplace. A classification and compensation study was completed for the City by Cody & Associates, Inc. It was presented and received by the Council on May 20, 2014. Implementation of the classification and compensation study began in fiscal year 2015 and was fully implemented in fiscal year 2016.

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

**Current Year Impacts**

**Revenues**

Economic reports indicate the local, state, and national economy is showing signs of recovery, as is also evidenced by the increase in sales taxes and shared revenues collected. The City's property tax revenue increased by 1.62% for fiscal year 2016. The City's millage rate for this fiscal year is 3.60 mils. The passing of Amendment 1, Property Tax Reform, limits governments in their ability to collect additional ad valorem tax.

In government activities, total revenues increased primarily due to an increase in property tax revenue, sales tax revenue, and shared state revenues. General fund revenues, including transfers-in, increased from the previous year with an overall increase of 5.0%.

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

**Current Year Impacts (Concluded)**

**Revenues (Concluded)**

Interest revenues are increasing due to increasing market rates.

The business-type activities (Proprietary Fund) revenues increased by approximately 6.44%, due mainly to an increase in water and wastewater impact fees.

**Expenses**

The Governmental activities expenses increased by approximately 14.6%, primarily due to an increase in transportation and public safety expenses.

The primary increase in the business-type activities is a result of the cost recovery and allocation (intergovernmental charges) for the water, wastewater, and solid waste funds being shown on the financial statements in fiscal year 2016 as intergovernmental charges versus being shown as transfers (out) in fiscal year 2015 on the financial statements. The business-type activities expenses, excluding transfers, increased by 1.7%.

**Proprietary Funds**

The Utility Fund accounting for the Electric, Water, Wastewater, Stormwater, and Solid Waste activities had an increase in net position of \$867,953. Operating revenues increased by \$977,025 and operating expenses increased by \$253,362. Utility fund operating expenses (excluding depreciation) increased by 1.78%.

**Budgetary Highlights**

The most significant budget adjustments were as follows:

**General Fund**

- The budget was increased by \$100,994 in Compensated Absences Reserve to fund employees' payouts in the General Fund for vacation and attendance incentive pay payouts.

**Business-type Funds**

- The budget was increased by \$171,132 in Compensated Absences Reserve to fund employees' payouts in the Utility Funds for vacation and attendance incentive pay payouts.
- The Water Utility Fund Budget was increased by \$232,000 and the Wastewater Utility Fund Budget was increased by \$440,025 due to unanticipated revenues from Water and Wastewater Improvement Trust Fund fees due to increased building permit activity.

**Special Revenue Funds**

- Increased Building Fund revenue of \$207,700 for unanticipated revenues and expenditures due to increased building permit activity for Magnolia West and Magnolia Phase VIII.

**Capital Improvement Funds**

- Increased Police Building Capital Improvement Fund by \$1,470,000 to reflect unanticipated revenues and expenditures due to the refinance of Police Building/EOC debt and payoff of the Suntrust loan.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of year-end, the City had \$45,107,044 invested in a variety of capital assets, as reflected in the following schedule, which represents a net increase (addition, deductions, and depreciation) of \$355,868 or .80% from the end of last year. Capital Asset Activity is further outlined in the Notes to Financial Statements, Note No. 4.

	<b>Net of Depreciation (In 000s)</b>					
	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total Primary Government</u></b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land and Land Rights	\$ 8,014	\$ 8,014	\$ 227	\$ 227	\$ 8,241	\$ 8,241
Construction in Progress	939	0	80	0	1,019	0
Buildings and Plants	10,357	10,301	43,884	42,536	54,241	52,837
Improvements Other than Buildings	3,544	3,560	0	0	3,544	3,560
Equipment	2,807	2,879	0	0	2,807	2,879
Infrastructure	9,216	9,199	4,792	4,758	14,008	13,957
Less:						
Accumulated Depreciation	(9,517)	(8,779)	(29,237)	(27,944)	(38,754)	(36,723)
<b>Total</b>	<b>\$ 25,360</b>	<b>\$ 25,174</b>	<b>\$ 19,746</b>	<b>\$ 19,577</b>	<b>\$ 45,106</b>	<b>\$ 44,751</b>

The following reconciliation summarizes the change in Capital Assets.

	<b>Change in Capital Assets (In 000s)</b>					
	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Total Primary Government</u></b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
<b>Beginning Balance, Net</b>	\$ 25,174	\$ 25,313	\$ 19,577	\$ 20,561	\$ 44,751	\$ 45,874
Additions	1,102	735	1,884	530	2,986	1,265
Retirement						
Other	(177)	(487)	(421)	(181)	(598)	(668)
Depreciation	(739)	(387)	(1,294)	(1,333)	(2,033)	(1,720)
<b>Ending Balance, Net</b>	<b>\$ 25,360</b>	<b>\$ 25,174</b>	<b>\$ 19,746</b>	<b>\$ 19,577</b>	<b>\$ 45,106</b>	<b>\$ 44,751</b>

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

**Capital Assets (Concluded)**

This year's major additions were:

<b>Governmental Activities:</b>	<b><i>In (000s)</i></b>
Augusta Savage Library Interior and Exterior	\$ 34
Public Works New Roof	23
Archive Room Display Cases	6
Spring Park Project	879
Police Vehicles	43
Signs Throughout City	9
Code Enforcement Vehicle	18
Magnolia and Ferris Parking Lot	17
Public Works Equipment	7
Computer Servers	2
Park Improvements	35
Garage Equipment	4
<b>Business-type Activities:</b>	
Electric Magnolia Point Phase 8B	21
Electric Chapman Substation	216
Electric Transformers	67
Electric Transmission	42
Electric 4kV Project	12
Water Meter Replacement	93
Wastewater Lift Station Pumps	44
Wastewater System Improvements Pre-Construction Phase	80
Reclaimed Water System Master Plan Project	37
Sanitation Trash Trucks	340
Stormwater Belle Street Project	40
Electric Digger Derrick and Bucket Trucks	344
Electric Hwy 17 Reconstructor Project	540
Customer Service Meter Reader Truck	19

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

**Debt Outstanding**

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

**Outstanding Debt, at Year-end**  
**(In 000s)**

	<b>Totals</b>	
	<b>2015</b>	<b>2016</b>
Governmental:		
Compensated Absences	\$ 531	\$ 500
OPEB Obligation	220	268
Sales Tax Revenue Note:		
Series 2013	1,632	0
Series 2016A	0	1,470
Series 2016B	0	1,030
Net Pension Liability	1,067	2,072
<b>Sub-Total – Governmental</b>	<b>3,450</b>	<b>5,340</b>
Business-type:		
Utility Notes	1,675	1,331
Equipment Notes	0	474
Compensated Absences	420	330
OPEB Obligation	120	118
Net Pension Liability	743	1,045
<b>Sub-Total – Business-type</b>	<b>2,958</b>	<b>3,298</b>
<b>Total</b>	<b>\$ 6,408</b>	<b>\$ 8,638</b>

**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, Florida 32043, telephone (904) 297-7500.



## **BASIC FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2016**  
**CITY OF GREEN COVE SPRINGS, FLORIDA**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and Investments	\$ 3,407,070	\$ 9,812,332	\$ 13,219,402
Accounts Receivable, Net	54,608	1,344,423	1,399,031
Accrued Utility Sales - Unbilled	0	702,509	702,509
Due from Other Governments	406,644	0	406,644
Internal Balances	3,441	(3,441)	0
Inventory	34,929	247,479	282,408
Prepays	190	0	190
Net Pension Asset	252,284	0	252,284
Restricted Assets:			
Cash and Equivalents	0	1,909,451	1,909,451
Capital Assets:			
Nondepreciable	8,953,390	307,136	9,260,526
Depreciable, Net	16,407,215	19,439,303	35,846,518
<b>Total Assets</b>	<b>29,519,771</b>	<b>33,759,192</b>	<b>63,278,963</b>
<b>Deferred Outflows of Resources</b>			
Pension Related	1,549,645	435,124	1,984,769
<b>Total Deferred Outflows of Resources</b>	<b>1,549,645</b>	<b>435,124</b>	<b>1,984,769</b>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	380,449	1,147,640	1,528,089
Power Cost Recovered in Advance	0	276,003	276,003
Deposits	0	646,245	646,245
Accrued Interest Payable	11,881	0	11,881
Noncurrent Liabilities:			
Due Within One Year	344,159	595,168	939,327
Due in More than One Year	2,924,124	1,656,915	4,581,039
Net Pension Liability	2,072,396	1,044,926	3,117,322
<b>Total Liabilities</b>	<b>5,733,009</b>	<b>5,366,897</b>	<b>11,099,906</b>
<b>Deferred Inflows of Resources</b>			
Pension Related	213,453	17,511	230,964
<b>Total Deferred Inflows of Resources</b>	<b>213,453</b>	<b>17,511</b>	<b>230,964</b>
<b>Net Position</b>			
Net Investment in Capital Assets	22,860,605	17,941,829	40,802,434
Restricted for:			
Public Safety	404,336	0	404,336
Capital Projects	623,343	0	623,343
Debt Service	87,474	68,808	156,282
System Improvements	0	1,193,938	1,193,938
Unrestricted	1,147,196	9,605,333	10,752,529
<b>Total Net Position</b>	<b>\$ 25,122,954</b>	<b>\$ 28,809,908</b>	<b>\$ 53,932,862</b>

See accompanying notes.

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities</b>				
General Government	\$ 1,516,064	\$ 94,852	\$ 0	\$ 0
Public Safety	2,907,651	1,042,305	68,036	0
Physical Environment	190,360	0	0	0
Transportation	1,302,999	0	378,402	0
Culture and Recreation	419,277	38,803	0	225,789
Interest on Long-term Debt	72,409	0	0	0
<b>Total Governmental Activities</b>	<u>6,408,760</u>	<u>1,175,960</u>	<u>446,438</u>	<u>225,789</u>
<b>Business-type Activities</b>				
Electric	10,757,768	12,487,180	0	0
Water	1,370,537	1,547,069	0	1,528
Sewer	1,686,749	1,867,131	0	39,599
Solid Waste	633,995	600,081	0	0
Stormwater	128,201	145,946	0	0
<b>Total Business-type Activities</b>	<u>14,577,250</u>	<u>16,647,407</u>	<u>0</u>	<u>41,127</u>
<b>Total Primary Government</b>	<u>\$ 20,986,010</u>	<u>\$ 17,823,367</u>	<u>\$ 446,438</u>	<u>\$ 266,916</u>

**General Revenues**

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

**Net Transfers**

**Total General Revenues and Transfers**

**Change in Net Position**

**Net Position, Beginning of Year**

**Net Position, End of Year**

See accompanying notes.

<b>Net (Expense) Revenue and Change in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,421,212)	\$ 0	\$ (1,421,212)
(1,797,310)	0	(1,797,310)
(190,360)	0	(190,360)
(924,597)	0	(924,597)
(154,685)	0	(154,685)
(72,409)	0	(72,409)
<u>(4,560,573)</u>	<u>0</u>	<u>(4,560,573)</u>
0	1,729,412	1,729,412
0	178,060	178,060
0	219,981	219,981
0	(33,914)	(33,914)
0	17,745	17,745
<u>0</u>	<u>2,111,284</u>	<u>2,111,284</u>
<u>(4,560,573)</u>	<u>2,111,284</u>	<u>(2,449,289)</u>
1,195,333	0	1,195,333
1,394,188	0	1,394,188
174,997	0	174,997
330,365	0	330,365
6,858	22,431	29,289
99,505	132,665	232,170
1,393,354	(1,393,354)	0
<u>4,594,600</u>	<u>(1,238,258)</u>	<u>3,356,342</u>
34,027	873,026	907,053
<u>25,088,927</u>	<u>27,936,882</u>	<u>53,025,809</u>
<u>\$ 25,122,954</u>	<u>\$ 28,809,908</u>	<u>\$ 53,932,862</u>

See accompanying notes.

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Cash and Investments	\$ 2,216,867	\$ 1,190,203	\$ 3,407,070
Accounts Receivable	54,608	0	54,608
Due from Other Governments	404,544	2,100	406,644
Due from Other Funds	3,441	0	3,441
Inventory	34,929	0	34,929
Prepaid Expenses	190	0	190
<b>Total Assets</b>	<u>2,714,579</u>	<u>1,192,303</u>	<u>3,906,882</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	242,178	138,271	380,449
<b>Total Liabilities</b>	<u>242,178</u>	<u>138,271</u>	<u>380,449</u>
<b>Fund Balances</b>			
Nonspendable:			
Inventories	34,929	0	34,929
Prepaid Expenses	190	0	190
Restricted for:			
Debt Service	0	87,474	87,474
Public Safety	35,327	369,009	404,336
Capital Projects	623,343	0	623,343
Assigned to:			
Subsequent Year Budget	1,778,612	0	1,778,612
Capital Projects	0	597,549	597,549
Unassigned	0	0	0
<b>Total Fund Balances</b>	<u>2,472,401</u>	<u>1,054,032</u>	<u>3,526,433</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,714,579</u>	<u>\$ 1,192,303</u>	<u>\$ 3,906,882</u>

See accompanying notes.

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

<b>Fund Balance - Total Governmental Funds</b>	\$	3,526,433
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**Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:**

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

Capital Assets - Net		25,360,605
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Deferred Outflows and Inflows of Resources are not available in the current period and, therefore, are not reported in the governmental funds.

Deferred Outflows and Inflows of Resources at year-end consist of:

Deferred Outflows Related to Pensions		1,549,645
Deferred Inflows Related to Pensions		(213,453)

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 Notes		(2,500,000)
Accrued Interest Payable		(11,881)
Compensated Absences		(500,530)
OPEB Liability		(267,753)

The Net Pension Asset/(Obligation) is reported in the government-wide financial statements but not reported in the governmental fund financial statements:

Net Pension Asset - Police Pension Plan		252,284
Net Pension Obligation - FRS		(2,072,396)

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>25,122,954</b>
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See accompanying notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 2,786,826	\$ 0	\$ 2,786,826
Licenses and Permits	7,061	407,379	414,440
Intergovernmental	918,200	0	918,200
Charges for Services	161,055	0	161,055
Fines and Forfeitures	617,256	43,599	660,855
Investment Earnings	44,598	0	44,598
Miscellaneous	48,539	14,920	63,459
Interfund Charges	264,370	0	264,370
<b>Total Revenues</b>	<u>4,847,905</u>	<u>465,898</u>	<u>5,313,803</u>
<b>Expenditures</b>			
Current:			
General Government	1,437,482	0	1,437,482
Public Safety	2,277,303	283,123	2,560,426
Physical Environment	170,546	0	170,546
Transportation	902,989	0	902,989
Culture and Recreation	282,360	0	282,360
Capital Outlay	197,608	904,320	1,101,928
Principal Payments	0	199,176	199,176
Interest and Fees	0	66,080	66,080
<b>(Total Expenditures)</b>	<u>5,268,288</u>	<u>1,452,699</u>	<u>6,720,987</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(420,383)</u>	<u>(986,801)</u>	<u>(1,407,184)</u>
<b>Other Financing Sources</b>			
Debt Proceeds	0	2,500,000	2,500,000
Debt Refinance	0	(1,432,386)	(1,432,386)
Transfers in	1,393,354	947,458	2,340,812
Transfers (out)	(947,458)	0	(947,458)
<b>Total Other Financing Sources</b>	<u>445,896</u>	<u>2,015,072</u>	<u>2,460,968</u>
<b>Net Change in Fund Balances</b>	25,513	1,028,271	1,053,784
<b>Fund Balances, Beginning of Year</b>	<u>2,446,888</u>	<u>25,761</u>	<u>2,472,649</u>
<b>Fund Balances, End of Year</b>	<u>\$ 2,472,401</u>	<u>\$ 1,054,032</u>	<u>\$ 3,526,433</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, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

**Net Change in Fund Balance - Total Governmental Funds** \$ 1,053,784

**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	\$ 1,101,928	
Current Year Depreciation Expense	(914,434)	
Loss on Disposal of Capital Assets	<u>(821)</u>	186,673

The issuance and refunding of long-term debt affects current financial resources to the government funds, and thus contributes to the change in fund balance. In the statement of net position, however, issuing debt increases/decreases long-term debt 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	(2,500,000)	
Refunding of Existing Debt	<u>1,432,386</u>	(1,067,614)

Repayment of long-term liabilities are expenditures in the governmental funds but the repayment reduces long-term liabilities in the statement of net position:

Principal Payments on Revenue Note		199,176
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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	(6,329)	
Compensated Absences	30,877	
OPEB Liability	<u>(47,723)</u>	(23,175)

The net change in the net pension liability and deferred inflows and outflows related to pensions is reported in the statement of activities, but not in the fund statements.

(314,817)

**Change in Net Position of Governmental Activities** \$ 34,027

See accompanying notes.



**STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2016  
 CITY OF GREEN COVE SPRINGS, FLORIDA**

	<b>Business-type Activities</b>		
	<b>Major Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>Assets</b>			
Current Assets:			
Cash and Investments	\$ 8,271,664	\$ 1,319,508	\$ 221,160
Accounts Receivable (Net of Allowance)	1,032,041	132,166	111,649
Accrued Utility Sales - Unbilled	549,883	58,058	69,570
Inventories	209,022	37,411	1,046
Restricted Current Assets:			
Cash and Cash Equivalents	628,878	423,820	840,556
<b>Total Current Assets</b>	<b>10,691,488</b>	<b>1,970,963</b>	<b>1,243,981</b>
Noncurrent Assets:			
Nondepreciable Capital Assets	38,959	103,085	165,092
Depreciable Capital Assets, Net	8,046,356	6,594,930	4,263,464
<b>Total Noncurrent Assets</b>	<b>8,085,315</b>	<b>6,698,015</b>	<b>4,428,556</b>
<b>Total Assets</b>	<b>18,776,803</b>	<b>8,668,978</b>	<b>5,672,537</b>
<b>Deferred Outflows of Resources</b>			
Pension Related	0	124,748	125,007
<b>Total Deferred Outflows of Resources</b>	<b>0</b>	<b>124,748</b>	<b>125,007</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable and Accrued Liabilities	1,070,876	17,991	35,353
Power Costs Recovered in Advance	276,003	0	0
Due to Other Funds	0	0	0
Customer Deposits	560,070	36,875	32,850
Current Portion of Compensated Absences	4,206	27,451	27,451
Current Portion of Long-term Liabilities	307,351	149,573	228
<b>Total Current Liabilities</b>	<b>2,218,506</b>	<b>231,890</b>	<b>95,882</b>
Noncurrent Liabilities:			
Noncurrent Portion of Compensated Absences	9,813	64,053	64,053
Noncurrent Portion of Long-term Liabilities	657,679	484,419	43,778
Other Postemployment Benefits Liability	4,098	25,245	25,243
Net Pension Liability	0	299,575	300,198
<b>Total Noncurrent Liabilities</b>	<b>671,590</b>	<b>873,292</b>	<b>433,272</b>
<b>Total Liabilities</b>	<b>2,890,096</b>	<b>1,105,182</b>	<b>529,154</b>
<b>Deferred Inflows of Resources</b>			
Pension Related	0	5,020	5,031
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>5,020</b>	<b>5,031</b>
<b>Net Position</b>			
Net Investment in Capital Assets	7,120,285	6,064,023	4,384,550
Restricted for:			
Debt Service	68,808	0	0
System Improvements	0	386,945	806,993
Unrestricted	8,697,614	1,232,556	71,816
<b>Total Net Position</b>	<b>\$ 15,886,707</b>	<b>\$ 7,683,524</b>	<b>\$ 5,263,359</b>

See accompanying notes.

<b>Business-type Activities</b>			
<b>Major Funds</b>	<b>Nonmajor Fund</b>	<b>Total</b>	<b>Business-type Activities</b>
<b>Solid Waste Utility</b>	<b>Stormwater Utility</b>	<b>Enterprise Funds Utilities</b>	<b>Internal Service Fund</b>
\$ 0	\$ 0	\$ 9,812,332	\$ 0
37,770	30,797	1,344,423	0
24,998	0	702,509	0
0	0	247,479	0
16,197	0	1,909,451	0
<u>78,965</u>	<u>30,797</u>	<u>14,016,194</u>	<u>0</u>
0	0	307,136	0
429,637	49,147	19,383,534	55,769
<u>429,637</u>	<u>49,147</u>	<u>19,690,670</u>	<u>55,769</u>
<u>508,602</u>	<u>79,944</u>	<u>33,706,864</u>	<u>55,769</u>
84,766	9,087	343,608	91,516
<u>84,766</u>	<u>9,087</u>	<u>343,608</u>	<u>91,516</u>
11,602	2,318	1,138,140	9,500
0	0	276,003	0
0	2,129	2,129	1,312
16,450	0	646,245	0
20,878	4,256	84,242	14,765
39,009	0	496,161	0
<u>87,939</u>	<u>8,703</u>	<u>2,642,920</u>	<u>25,577</u>
48,716	9,931	196,566	34,453
122,573	0	1,308,449	0
30,078	8,196	92,860	24,587
<u>203,561</u>	<u>21,821</u>	<u>825,155</u>	<u>219,771</u>
<u>404,928</u>	<u>39,948</u>	<u>2,423,030</u>	<u>278,811</u>
<u>492,867</u>	<u>48,651</u>	<u>5,065,950</u>	<u>304,388</u>
3,411	366	13,828	3,683
<u>3,411</u>	<u>366</u>	<u>13,828</u>	<u>3,683</u>
268,055	49,147	17,886,060	55,769
0	0	68,808	0
0	0	1,193,938	0
(170,965)	(9,133)	9,821,888	(216,555)
<u>\$ 97,090</u>	<u>\$ 40,014</u>	<u>\$ 28,970,694</u>	<u>\$ (160,786)</u>
<b>Net Position - Above</b>		\$ 28,970,694	
Internal Service Fund Net Position in			
Enterprise Funds		(160,786)	
<b>Net Position of Business-type Activities</b>		<u>\$ 28,809,908</u>	

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

	<b>Business-type Activities</b>		
	<b>Major Funds</b>		
	<b>Electric Utility</b>	<b>Water Utility</b>	<b>Sewer Utility</b>
<b>Operating Revenues</b>			
Charges for Service	\$ 12,487,179	\$ 1,547,069	\$ 1,867,131
Interfund Charges	0	0	0
<b>Total Operating Revenues</b>	<u>12,487,179</u>	<u>1,547,069</u>	<u>1,867,131</u>
<b>Operating Expenses</b>			
Electric Power Expense	8,856,799	0	0
Personal Services	67,249	505,397	506,629
Billing and Administrative	169,975	86,964	98,823
Contractual Services	544,708	66,395	64,782
Insurance	31,400	26,077	24,707
Material and Supplies	148,711	47,963	129,603
Repairs and Maintenance	33,985	77,097	191,632
Utilities	5,701	67,524	143,373
Other Expenses	114,869	13,180	16,137
Intergovernmental Charges	264,370	0	0
Depreciation	487,960	451,906	511,514
<b>(Total Operating Expenses)</b>	<u>(10,725,727)</u>	<u>(1,342,503)</u>	<u>(1,687,200)</u>
<b>Operating Income</b>	<u>1,761,452</u>	<u>204,566</u>	<u>179,931</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment Revenue	15,765	3,242	2,014
Interest Expense	(35,846)	(28,505)	(118)
Miscellaneous Income (Expense)	120,896	3,471	8,298
<b>Total Nonoperating Revenues (Expenses)</b>	<u>100,815</u>	<u>(21,792)</u>	<u>10,194</u>
<b>Income Before Capital Contributions and Transfers</b>	<u>1,862,267</u>	<u>182,774</u>	<u>190,125</u>
<b>Capital Grants and Contributions</b>	0	1,528	39,599
<b>Transfers</b>			
Transfers (out)	(900,000)	(197,076)	(216,231)
<b>Total Transfers</b>	<u>(900,000)</u>	<u>(197,076)</u>	<u>(216,231)</u>
<b>Change in Net Position</b>	962,267	(12,774)	13,493
<b>Total Net Position, Beginning of Year</b>	<u>14,924,440</u>	<u>7,696,298</u>	<u>5,249,866</u>
<b>Total Net Position, End of Year</b>	<u>\$ 15,886,707</u>	<u>\$ 7,683,524</u>	<u>\$ 5,263,359</u>

See accompanying notes.

<b>Business-type Activities</b>			
<b>Major Funds</b>	<b>Nonmajor Fund</b>	<b>Total</b>	<b>Business-type Activities</b>
<b>Solid Waste Utility</b>	<b>Stormwater Utility</b>	<b>Enterprise Funds Utilities</b>	<b>Internal Service Fund</b>
\$ 600,081	\$ 145,946	\$ 16,647,406	\$ 0
0	0	0	395,291
600,081	145,946	16,647,406	395,291
0	0	8,856,799	0
358,403	86,429	1,524,107	342,437
39,529	0	395,291	0
33,097	7,260	716,242	36,223
4,944	0	87,128	906
42,951	7,749	376,977	6,983
23,109	15,473	341,296	3,554
0	0	216,598	0
57,208	9,069	210,463	115
0	0	264,370	0
70,277	2,265	1,523,922	0
(629,518)	(128,245)	(14,513,193)	(390,218)
(29,437)	17,701	2,134,213	5,073
1,410	0	22,431	0
(4,660)	0	(69,129)	0
0	0	132,665	0
(3,250)	0	85,967	0
(32,687)	17,701	2,220,180	5,073
0	0	41,127	0
(80,047)	0	(1,393,354)	0
(80,047)	0	(1,393,354)	0
(112,734)	17,701	867,953	5,073
209,824	22,313	28,102,741	(165,859)
\$ 97,090	\$ 40,014	\$ 28,970,694	\$ (160,786)
<b>Change in Net Position - Above</b>		\$ 867,953	
Internal Service Fund Activities in			
Enterprise Funds		5,073	
<b>Change in Net Position of Business-type Activities</b>		\$ 873,026	

See accompanying notes.

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016  
 CITY OF GREEN COVE SPRINGS, FLORIDA**

	<b>Business-type Activities</b>	
	<b>Electric Utility</b>	<b>Water Utility</b>
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 11,830,423	\$ 1,575,008
Cash from Other Sources	120,896	3,471
Cash Payments to Suppliers	(9,890,002)	(366,278)
Cash Payments to Employees	(373,863)	(457,722)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,687,454</b>	<b>754,479</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Proceeds (Payments) from Interfund Loans	0	0
Transfers to Other Funds	(900,000)	(197,076)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(900,000)</b>	<b>(197,076)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital Grants Received	0	1,528
Acquisition of Capital Assets	(884,153)	(96,365)
Principal Paid on Debt	(276,155)	(143,991)
Interest Paid on Debt	(35,846)	(28,505)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(1,196,154)</b>	<b>(267,333)</b>
<b>Cash Flows from Investing Activities</b>		
Sale of Investments	2,000,000	0
Interest on Investments	51,975	3,242
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>2,051,975</b>	<b>3,242</b>
<b>Change in Cash and Equivalents</b>	<b>1,643,275</b>	<b>293,312</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>7,257,267</b>	<b>1,450,016</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 8,900,542</b>	<b>\$ 1,743,328</b>
<b>Reported in the Statement of Net Position As:</b>		
Cash and Cash Equivalents	\$ 8,271,664	\$ 1,319,508
Restricted Cash and Cash Equivalents	628,878	423,820
<b>Total Cash and Cash Equivalents, Statement of Net Position</b>	<b>\$ 8,900,542</b>	<b>\$ 1,743,328</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
<b>Operating Income</b>	<b>\$ 1,761,452</b>	<b>\$ 204,566</b>
Depreciation	487,960	451,906
Miscellaneous Income (Expense)	120,896	3,471
Change in:		
Accounts Receivable	(181,014)	(16,940)
Accrued Utility Sales - Unbilled	389,072	32,529
Prepaid Expenses	0	0
Unrecovered Power Cost	(882,722)	0
Inventory	(39,419)	9,486
Accounts Payable and Accrued Liabilities	319,933	9,436
Net Pension Liability	(200,479)	38,333
Customer Deposits	17,910	12,350
Compensated Absences	(83,396)	4,765
OPEB Liability	(22,739)	4,577
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 1,687,454</b>	<b>\$ 754,479</b>

See accompanying notes.

<b>Business-type Activities</b>				<b>Business-type Activities</b>
<b>Sewer Utility</b>	<b>Solid Waste Utility</b>	<b>Stormwater Utility</b>	<b>Total Utilities</b>	<b>Internal Service Fund</b>
\$ 1,917,885	\$ 631,742	\$ 143,862	\$ 16,098,920	\$ 395,291
8,298	0	0	132,665	0
(645,269)	(201,083)	(36,502)	(11,139,134)	(38,933)
(457,913)	(305,739)	(80,744)	(1,675,981)	(337,231)
<u>823,001</u>	<u>124,920</u>	<u>26,616</u>	<u>3,416,470</u>	<u>19,127</u>
0	(45,040)	0	(45,040)	(75)
(216,231)	(80,047)	0	(1,393,354)	0
<u>(216,231)</u>	<u>(125,087)</u>	<u>0</u>	<u>(1,438,394)</u>	<u>(75)</u>
39,599	0	0	41,127	0
(117,020)	50,383	(39,728)	(1,086,883)	(19,052)
0	(38,119)	0	(458,265)	0
(118)	(4,660)	0	(69,129)	0
<u>(77,539)</u>	<u>7,604</u>	<u>(39,728)</u>	<u>(1,573,150)</u>	<u>(19,052)</u>
0	0	0	2,000,000	0
2,014	1,410	0	58,641	0
<u>2,014</u>	<u>1,410</u>	<u>0</u>	<u>2,058,641</u>	<u>0</u>
531,245	8,847	(13,112)	2,463,567	0
530,471	7,350	13,112	9,258,216	0
<u>\$ 1,061,716</u>	<u>\$ 16,197</u>	<u>\$ 0</u>	<u>\$ 11,721,783</u>	<u>\$ 0</u>
\$ 221,160	\$ 0	\$ 0	\$ 9,812,332	\$ 0
840,556	16,197	0	1,909,451	0
<u>\$ 1,061,716</u>	<u>\$ 16,197</u>	<u>\$ 0</u>	<u>\$ 11,721,783</u>	<u>\$ 0</u>
\$ 179,931	\$ (29,437)	\$ 17,701	\$ 2,134,213	\$ 5,073
511,514	70,277	2,265	1,523,922	0
8,298	0	0	132,665	0
(3,996)	3,239	(2,084)	(200,795)	0
45,195	19,322	0	486,118	0
0	0	0	0	5,300
0	0	0	(882,722)	0
139	0	0	(29,794)	0
23,649	(245)	3,049	355,822	3,548
39,373	35,837	2,969	(83,967)	29,291
9,555	9,100	0	48,915	0
4,765	11,372	1,229	(61,265)	(28,544)
4,578	5,455	1,487	(6,642)	4,459
<u>\$ 823,001</u>	<u>\$ 124,920</u>	<u>\$ 26,616</u>	<u>\$ 3,416,470</u>	<u>\$ 19,127</u>

See accompanying notes.

**STATEMENT OF FIDUCIARY NET POSITION  
PENSION TRUST FUND  
SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 31,802
Investments	3,943,453
<b>Total Assets</b>	<u>3,975,255</u>
<b>Liabilities</b>	<u>0</u>
<b>Net Position</b>	
Held in Trust for Pension Benefits	<u>\$ 3,975,255</u>

See accompanying notes.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PENSION TRUST FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

**Additions**

Contributions:	
Employer	\$ 141,437
Member	8,770
State	85,340
Total Contributions	<u>235,547</u>

Investment Income:	
Net Appreciation in Fair Value of Investments	291,007
(Less) Investment Management Fee	<u>(26,174)</u>
Net Investment Income	<u>264,833</u>

<b>Total Additions</b>	<u>500,380</u>
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**Deductions**

Member Benefits	19,062
Administration Fees	<u>1,000</u>

<b>(Total Deductions)</b>	<u>(20,062)</u>
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<b>Change in Net Position</b>	480,318
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<b>Net Position, Beginning of Year</b>	<u>3,494,937</u>
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<b>Net Position, End of Year</b>	<u><u>\$ 3,975,255</u></u>
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See accompanying notes.



## **NOTES TO FINANCIAL STATEMENTS**

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

**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

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

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

**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. 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.

**Fund Financial Statements**

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

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

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Fund Financial Statements (Concluded)**

The City reports the following major governmental fund:

- **General Fund**—the primary operating fund, used to account for all activities except those required to be accounted for in another fund.

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 types of funds:

- **Special Revenue Funds**—to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purpose.
- **Capital Project Funds**—to account for the costs of constructing public buildings and renovations.
- **Internal Service Fund**—to account for customer services provided to the proprietary funds.

**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.

**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 (Concluded)**

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, pension 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.
- **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.

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**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 90 days for utility funds and 30 days for the general fund of the current fiscal year operating budget.

**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 Electric Fund is net of an \$80,000 allowance and accounts receivable of the Stormwater Fund is net of a \$10,000 allowance.

**Investments**

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

**Inventories**

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

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

**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

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

**Note 1 - Summary of Significant Accounting Policies (Continued)**

**Capital Assets (Concluded)**

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 2016.

**Claims and Judgments**

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

**Compensated Absences**

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

**Deferred Inflows and Outflows of Resources**

Deferred outflows of resources represent the consumption of net position that is applicable to a future reporting period and will not be recognized as an outflow of resources until that future time. Deferred inflows of resources represent the acquisition of net position that is applicable to a future reporting period and will not be recognized as an inflow of resources until that future time. Deferred outflows have a positive effect on net position, similar to assets, while deferred inflows have a negative effect on net position, similar to liabilities. The City reports pension-related deferred inflows and outflows of resources.

*Pension Related*—the difference between expected and actual experience with regard to economic or demographic factors and changes to assumption in the measurement of total pension liability, the differences between expected and actual earnings on pension plan investments, and the change in the proportionate share of the net pension liability resulting from a change in proportion are reported as deferred inflows or outflows of resources, to be recognized in expense. Contributions made subsequent to the measurement date, but prior to the reporting date, are reported as deferred outflows of resources.

**Property Taxes**

The Clay County Tax Collector bills and collects property taxes for the City. At September 30, 2016, 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 (Continued)**

**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, 2016, there was approximately \$1,193,938 included in restricted net position that was restricted by enabling legislation for system improvements.

**Use of Estimates**

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

**New Accounting Pronouncements**

**GASB Statement No. 72, *Fair Value Measurement and Application***, which requires governmental entities to generally record investments at fair value, unless an exception applies, and to make disclosures about those fair value measurements. GASB 72 defines an investment as a security or other asset that: (a) a government holds primarily to generate income or profit, and (b) has a present service capacity based solely on that asset's ability to generate cash or to generate cash when sold. It also clarifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurement date. The adoption of GASB Statement No. 72 resulted in the addition of the disclosure of the fair value hierarchy and valuation techniques of the City's investments.

**GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*** was issued to address how certain investment pool transactions are reported in response to anticipated changes in a U.S. Securities and Exchange Commission (SEC) rule that was previously included in GASB literature by reference. This Statement allows qualifying external investment pools to measure all investments at amortized cost if the pool meets certain criteria, and establishes certain additional note disclosure requirement for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. The adoption of GASB Statement No. 79 resulted in additional disclosures in the City's financial statements related to the City's investments in Florida PRIME.

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

**Note 1 - Summary of Significant Accounting Policies (Concluded)**

**Future GASB Pronouncement Implementations**

**GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions***, replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, including the recognition and measurement of liabilities, deferred outflows of resources, deferred inflows of resources and expense. For each qualifying plan providing postemployment benefits other than pensions, employers are required to report the difference between the actuarial OPEB liability and the related plan's fiduciary net position as the net OPEB liability on the statement of net position. Additionally, Statement No. 75 sets forth note disclosure and required supplementary disclosure requirements for defined contribution OPEB. The City is currently evaluating the impact that adoption of this Statement will have on its financial statements.

**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 Certificates of Deposit and the Local Government Investment Pool (State Pool). The State Pool is administered by the Florida State Board of Administration (SBA), who provides regulatory oversight.

Florida Prime Investment Pool (Florida PRIME) is similar to money market funds in which units are owned in the fund rather than the underlying investments. These investments are reported at amortized cost and meet the requirements of GASB Statement No.31, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. There is no limitation or restrictions on withdrawals from Florida PRIME; although in the occurrence of an event that has a material impact on liquidity or operations of the trust fund, the funds' executive director may limit contributions to or withdrawals from the trust fund for a period of 48 hours.



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

**Note 2 - Deposits and Investments (Continued)**

**Investments (Continued)**

The City is exposed to the following risks associated with its non-pension 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:			
Florida PRIME	\$ 5,993,443	29 Days	AAAm (S&P)
<b>Total</b>	<b>\$ 5,993,443</b>		

Total investments include \$5,993,443 classified as Cash and Cash Equivalents in the accompanying financial statements.

Investments of the Pension Trust Fund are held with The Florida Municipal Investment Trust (the Trust), 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 and are as follows:

<u>Pension Trust Fund Investments</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>	<u>FMV Level</u>
FMIvT Broad Market High Quality Bond Portfolio	\$ 620,140	5.9 Years	Level 2
FMIvT Core Plus Fixed Income	946,111	6.84 Years	Level 3
FMIvT High Quality Growth Portfolio	302,119	N/A	Level 2
FMIvT Large Cap Diversified Value Portfolio	325,971	N/A	Level 2
FMIvT Russell 1000 Index Portfolio	910,333	N/A	Level 2
FMIvT Diversified Small Cap Equity Portfolio	449,204	N/A	Level 2
FMIvT International Blend Portfolio	389,575	N/A	Level 2
<b>Total Pension Trust Fund</b>	<b>\$ 3,943,453</b>		

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset’s fair value; Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

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

**Note 2 - Deposits and Investments (Continued)**

**Investments (Concluded)**

Investments above classified as Level 2 investments are invested in a number of underlying investments including US government and agency securities, asset-backed securities, corporate bonds and notes, and domestic and international stocks. The underlying securities have observable Level 1 quoted pricing inputs or observable Level 2 significant other observable pricing inputs. Most of the security prices were obtained from a pricing service, Interactive Data Corporation (IDC). While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted and therefore classified as Level 2 investments, since the value is based on market-corroborated data. The investment above classified as a Level 3 investment invests in two underlying funds, the Franklin Templeton Global Multi-Sector Plus Fund, LP and the Pioneer Institutional Multi-Sector Fixed Income Portfolio, LLC. Shares of these funds are not publicly quoted. These underlying funds invest in a variety of financial instruments, including equity investments, asset-backed securities, debt securities, swaps, forward exchange contracts, credit-linked notes, escrow accounts, litigation trusts for both U.S. and foreign companies and governments. This investment is classified as Level 3 since the value is based on unobservable inputs.

Asset allocation in the FMPTF external investment pool at September 30, 2016, is as follows:

<b>Asset Allocation</b>	<b>Asset Allocation Percentage</b>
Cash and Money Market	0.8%
Broad Market High Quality Bond Portfolio	15.6%
Core Plus	23.8%
High Quality Growth Portfolio	7.6%
Large Cap Diversified Value Portfolio	8.2%
Russell 1000 Index Portfolio	22.9%
Diversified Small Cap Equity Portfolio	11.3%
International Equity Portfolio	9.8%
<b>Total</b>	<b>100.0%</b>

*Interest Rate Risk*—Interest rate risk exists when there is a possibility the change in interest rates could adversely affect an investment’s fair value. The City does not have a policy for interest rate risk. The weighted average maturity (WAM) of the underlying debt investments in the FMPTF pool is used to determine interest rate risk when applicable.

*Credit Risk*—Credit risk exists when there is a probability that the issuer or other counter party to an investment may be unable to fulfill its obligations. The government’s investment policy limits exposure to credit risk.

*Custodial Credit Risk*—Under GASB Statement No. 40, disclosure is only required if investments are uninsured, unregistered, and held by either the counterparty or the counterparty’s trust department or agent but not in the City’s name. The City’s investments are through the FMPTF in the FMiVT, which are evidenced by shares in the pool. Investments in the pools should be disclosed but not categorized because they are not evidenced by securities that exist in a physical or book entry form. The City’s investments are with the pool, not the securities that make up the pool and, therefore, no disclosure is required.

*Foreign Current Risk*—The City’s investments are part of FMiVT and those investments are not subject to foreign current risk.

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

**Note 2 - Deposits and Investments (Concluded)**

**Restricted Cash**

Restricted cash and cash equivalents at September 30, 2016, consists of the following:

Customer Deposits	\$ 646,705
Debt Sinking Fund	68,808
System Improvements	<u>1,193,938</u>
<b>Total Restricted Cash</b>	<u><u>\$ 1,909,451</u></u>

**Note 3 - Interfund Balances and Transfers**

The following is a summary of interfund receivables and payables at September 30, 2016:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Storm Water Fund	\$ 2,129
General Fund	Business-type Internal Service Fund	<u>1,312</u>
<b>Total</b>		<u><u>\$ 3,441</u></u>

The interfund balances resulted from the normal course of operations and are expected to be repaid within one year.

The following is a summary of interfund transfers made during the 2016 Fiscal Year:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund	\$ 1,393,354	\$ (947,458)
Nonmajor Governmental Funds	947,458	0
Electric Fund	0	(900,000)
Water Fund	0	(197,076)
Sewer Fund	0	(216,231)
Solid Waste Fund	<u>0</u>	<u>(80,047)</u>
<b>Total</b>	<u><u>\$ 2,340,812</u></u>	<u><u>\$ (2,340,812)</u></u>

The interfund transfers resulted from the normal course of operations. Transfers to the nonmajor governmental funds were for the debt service of the new police building and the construction of the renovations to the historic Spring Park. Transfers from the utility funds were made to support the City's provision of general government services.

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

**Note 4 - Capital Assets Activity**

During the year ended September 30, 2016, the following changes in capital assets occurred:

	<b>Beginning Balance October 1, 2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance September 30, 2016</b>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 8,014,273	\$ 0	\$ 0	\$ 8,014,273
Construction in Progress	0	939,117	0	939,117
Total Capital Assets Not Being Depreciated	<u>8,014,273</u>	<u>939,117</u>	<u>0</u>	<u>8,953,390</u>
Capital Assets Being Depreciated:				
Buildings	10,301,183	56,231	0	10,357,414
Improvements Other than Buildings	3,559,569	9,408	(24,716)	3,544,261
Machinery and Equipment	2,879,078	79,878	(152,134)	2,806,822
Infrastructure	9,198,758	17,294	0	9,216,052
Total Capital Assets Being Depreciated	<u>25,938,588</u>	<u>162,811</u>	<u>(176,850)</u>	<u>25,924,549</u>
Less Accumulated Depreciation:				
Buildings	(1,607,032)	(305,054)	0	(1,912,086)
Improvements Other than Buildings	(1,510,625)	(154,608)	24,298	(1,640,935)
Machinery and Equipment	(2,146,531)	(198,537)	151,731	(2,193,337)
Infrastructure	(3,514,741)	(256,235)	0	(3,770,976)
Total Accumulated Depreciation	<u>(8,778,929)</u>	<u>(914,434)</u>	<u>176,029</u>	<u>(9,517,334)</u>
Total Capital Assets Being Depreciated, Net	<u>17,159,659</u>	<u>(751,623)</u>	<u>(821)</u>	<u>16,407,215</u>
<b>Governmental Activities Capital Depreciated, Net</b>	<u>\$ 25,173,932</u>	<u>\$ 187,494</u>	<u>\$ (821)</u>	<u>\$ 25,360,605</u>
<b>Business-type Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 227,136	\$ 0	\$ 0	\$ 227,136
Construction in Progress	0	80,000	0	80,000
Total Capital Assets Not Being Depreciated	<u>227,136</u>	<u>80,000</u>	<u>0</u>	<u>307,136</u>
Capital Assets Being Depreciated:				
Electric Transmission and Distribution Plant	17,733,215	1,227,628	0	18,960,843
Water/Wastewater Treatment Plant	9,789,533	96,365	(16,500)	9,869,398
Water/Wastewater Pumping and Collection Plant	15,012,949	81,027	(40,000)	15,053,976
General Plant and Equipment	4,758,107	398,645	(364,494)	4,792,258
Total Capital Assets Being Depreciated	<u>47,293,804</u>	<u>1,803,665</u>	<u>(420,994)</u>	<u>48,676,475</u>
Less Accumulated Depreciation:				
Electric Transmission and Distribution Plant	(10,606,786)	(487,960)	0	(11,094,746)
Water/Wastewater Treatment Plant	(6,243,425)	(456,654)	16,500	(6,683,579)
Water/Wastewater Pumping and Collection Plant	(8,093,974)	(506,766)	40,000	(8,560,740)
General Plant and Equipment	(2,999,511)	(72,542)	173,946	(2,898,107)
Total Accumulated Depreciation	<u>(27,943,696)</u>	<u>(1,523,922)</u>	<u>230,446</u>	<u>(29,237,172)</u>
Total Capital Assets Being Depreciated, Net	<u>19,350,108</u>	<u>279,743</u>	<u>(190,548)</u>	<u>19,439,303</u>
<b>Total Business-type Activities Capital Assets, Net</b>	<u>\$ 19,577,244</u>	<u>\$ 359,743</u>	<u>\$ (190,548)</u>	<u>\$ 19,746,439</u>

**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:

<b>Governmental Activities</b>		
General Government	\$	182,569
Public Safety		238,069
Transportation		368,610
Physical Environment		2,780
Culture and Recreation		<u>122,406</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$</b>	<b><u>914,434</u></b>
 <b>Business-type Activities</b>		
Electric	\$	487,960
Water		451,906
Wastewater		511,514
Sanitation		70,277
Stormwater		<u>2,265</u>
<b>Total Depreciation Expense - Business-type Activities</b>	<b>\$</b>	<b><u>1,523,922</u></b>

**Note 5 - Long-term Obligations**

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

	<u>Balance October 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2016</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Sales Tax Revenue Note					
Series 2013	\$ 1,631,562	\$ 0	\$ (1,631,562)	\$ 0	\$ 0
Sales Tax Revenue Note					
Series 2016A	0	1,470,000	0	1,470,000	136,000
Series 2016B	0	1,030,000	0	1,030,000	58,000
Compensated Absences	531,407	220,163	(251,040)	500,530	150,159
Net Pension Liability	1,067,053	1,005,343	0	2,072,396	0
Net OPEB Obligation	<u>220,030</u>	<u>47,723</u>	<u>0</u>	<u>267,753</u>	<u>0</u>
<b>Total Governmental Activities</b>	<b><u>\$ 3,450,052</u></b>	<b><u>\$ 3,773,229</u></b>	<b><u>\$ (1,882,602)</u></b>	<b><u>\$ 5,340,679</u></b>	<b><u>\$ 344,159</u></b>

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

**Note 5 - Long-term Obligations (Continued)**

	<u>Balance</u> <u>October 1,</u> <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2016</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-type Activities</b>					
Electric Capital					
Improvement Note	\$ 897,710	\$ 0	\$ (245,185)	\$ 652,525	\$ 254,066
Water Capital					
Improvement Note	777,982	0	(143,991)	633,991	149,573
Capital Lease – Electric					
Utility Vehicle	0	190,844	(17,354)	173,490	29,608
Capital Lease – Electric					
Utility Vehicle	0	152,631	(13,616)	139,015	23,677
Capital Lease –					
Sanitation Vehicle	0	199,701	(38,119)	161,582	39,009
SRF Wastewater Loan	0	44,006	0	44,006	228
Compensated Absences	419,836	109,021	(198,829)	330,028	99,007
Net Pension Liability	743,352	301,574	0	1,044,926	0
Net OPEB Obligation	<u>119,630</u>	<u>0</u>	<u>(2,184)</u>	<u>117,446</u>	<u>0</u>
<b>Total Business-type Activities</b>	<u>\$ 2,958,510</u>	<u>\$ 997,777</u>	<u>\$ (659,278)</u>	<u>\$ 3,297,009</u>	<u>\$ 595,168</u>

**Notes Payable**

\$2,270,000 - 2009 Electric Utility Revenue Note, for improvements to the City's electrical distribution system.

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

This note is payable from and secured by the net revenues of the City's electric utility system. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$688,080. During 2016, approximately \$1,529,063 of net revenue from the City's electric utility system was recognized, and \$275,232 was paid for debt service.

\$ 652,525

\$1,650,000 - 2008 Water Revenue Note, for improvements to the City's water system. The note is payable in semi-annual installments of \$86,248 (including interest of 3.84%) through October 1, 2020. This note is payable from and secured by the net revenues of the City's utility system. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$689,984. During 2016, approximately \$67,106 of net revenue from the City's water utility system and \$1,580,537 of supplemental pledged revenue from the City's electric and sewer utility systems was recognized, and \$172,496 was paid for debt service.

633,991

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

**Note 5 - Long-term Obligations (Continued)**

**Notes Payable (Continued)**

<p>\$44,006 - 2016 Wastewater SRF Loan, for improvements to the City's wastewater system. The loan is payable in semi-annual installments of \$1,427 (including interest of 2.29%) through September 15, 2036. This loan is payable from and secured by the net revenues of the City's utility system. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$57,091. During 2016, approximately \$1,593,016 of net revenue from the City's utility system was recognized, and \$188 was paid for debt service.</p>	<p>\$ 44,006</p>
<p>\$199,701 - 2016 Equipment Capital Lease, for the purchase of two garbage trucks. The lease is payable in annual installments of \$42,779 (including interest of 2.33%) beginning June 30, 2016 through June 30, 2020. The amount of the remaining principal and interest payments is \$171,117. During 2016, \$42,779 was paid for debt service.</p>	<p>161,582</p>
<p>\$152,631 - 2016 Equipment Capital Lease, for the purchase of an electric utility truck. The lease is payable in monthly installments of \$2,346 (including interest of 3.45%) beginning March 1, 2016 through February 1, 2022. The amount of the remaining principal and interest payments is \$152,798. During 2016, \$16,422 was paid for debt service.</p>	<p>139,015</p>
<p>\$190,844 - 2016 Equipment Capital Lease, for the purchase of an electric utility truck. The lease is payable in monthly installments of \$2,934 (including interest of 3.40%) beginning March 1, 2016 through February 1, 2022. The amount of the remaining principal and interest payments is \$190,710. During 2016, \$20,538 was paid for debt service.</p>	<p>173,490</p>
<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, 2016. This note is payable from and secured solely by Sales Tax Revenue. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$0. During 2016, approximately \$804,608 of net revenue from discretionary sales surtax was recognized, and \$210,189 was paid for debt service. The remaining balance of \$1,442,834 was refinanced by Refunding Revenue Note, Series 2016A.</p>	<p>0</p>
<p>\$1,470,000 - Refunding Revenue Note, Series 2016A, refunded Sales Tax Revenue Note, Series 2013, which was issued for the construction of the City's new police station and emergency operations center. The note is payable in semi-annual installments of \$80,513 (including interest of 1.63%) beginning January 1, 2017 through July 1, 2026. This note is payable from and secured solely by Sales Tax Revenue and Communication Service Tax Revenue. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$1,681,510. During 2016, approximately \$1,134,973 of net revenue from discretionary sales surtax was recognized, and \$0 was paid for debt service.</p>	<p>1,470,000</p>

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

**Note 5 - Long-term Obligations (Concluded)**

**Notes Payable (Concluded)**

\$1,030,000 - Revenue Note, Series 2016B, for the construction of the City's Spring Park Project. The note is payable in semi-annual installments of \$40,103 (including interest of 2.25%) beginning January 1, 2017 through July 1, 2031. This note is payable from and secured solely by Sales Tax Revenue and Communication Service Tax Revenue. The approximate amount of this pledge is equal to the remaining principal and interest payments of \$1,219,796. During 2016, approximately \$1,134,973 of net revenue from discretionary sales surtax was recognized, and \$0 was paid for debt service.

	\$ 1,030,000
<b>Total Notes Payable</b>	\$ 4,304,609

The annual requirements to amortize notes payable as of September 30, 2016, are as follows:

**Governmental Funds**

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 194,000	\$ 47,314	\$ 241,314
2018	199,000	42,706	241,706
2019	202,000	39,091	241,091
2020	206,000	35,389	241,389
2021	210,000	31,636	241,636
2022-2026	1,107,000	99,197	1,206,197
2027-2031	382,000	24,019	406,019
<b>Total</b>	<b>\$ 2,500,000</b>	<b>\$ 319,352</b>	<b>\$ 2,819,352</b>

**Proprietary Funds**

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 496,161	\$ 60,561	\$ 556,722
2018	515,599	40,130	555,729
2019	396,478	21,679	418,157
2020	270,572	10,012	280,584
2021	63,263	2,092	65,355
2022-2026	37,153	3,828	40,981
2027-2031	11,970	2,303	14,273
2032-2036	13,413	859	14,273
<b>Total</b>	<b>\$ 1,804,609</b>	<b>\$ 141,464</b>	<b>\$ 1,946,073</b>

**Interest Expense**

Interest expense is included as a direct expense of the electric utilities, water utilities, sewer utilities, and sanitation in the amounts of \$35,846, \$28,505, \$118, and \$4,660, respectively.



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

**Note 6 - Retirement Plans**

The City participates in the following pension plans:

**Florida Retirement System (FRS)**

***General Information about the Florida Retirement System***

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing, multiple-employer, defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the City are eligible to enroll as members of the State-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112 Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer, defined-benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The City's pension expense totaled \$521,642 for the fiscal year ended September 30, 2016, (all plans).

***FRS Pension Plan***

***Plan Description.*** The FRS Pension Plan (Plan) is a cost-sharing, multiple-employer, defined benefit pension plan, with a DROP for eligible employees. The general classes of membership applicable to the City are as follows:

- *Regular Class*—Members of the FRS who do not qualify for membership in the other classes.
- *Elected Officers Class*—Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)*—Members in senior management level positions.
- *Special Risk Class*—Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

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

**Note 6 - Retirement Plans (Continued)**

**Florida Retirement System (Continued)**

***FRS Pension Plan (Continued)***

***Plan Description. (Concluded)***

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All vested members enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Members of the Plan may include up to four years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

***Benefits Provided.*** Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

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

**Note 6 - Retirement Plans (Continued)**

**Florida Retirement System (Continued)**

**FRS Pension Plan (Continued)**

**Benefits Provided. (Concluded)**

<b>Class, Initial Enrollment, and Retirement Age/Years of Service</b>	<b>Percent Value</b>
<b><i>Regular Class Members Initially Enrolled Before July 1, 2011:</i></b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<b><i>Regular Class Members Initially Enrolled on or After July 1, 2011:</i></b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<b><i>Elected Officers Class</i></b>	<b>3.00</b>
<b><i>Senior Management Service Class</i></b>	<b>2.00</b>
<b><i>Special Risk Regular:</i></b>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the City's 2015-16 fiscal year were as follows:

<b>Class</b>	<b>Year Beginning July 1, 2015</b>		<b>Year Beginning July 1, 2016</b>	
	<b>Percent of Gross Salary</b>		<b>Percent of Gross Salary</b>	
	<b>Employee</b>	<b>Employer</b>	<b>Employee</b>	<b>Employer (1)</b>
FRS, Regular	3.00	5.56	3.00	5.80
FRS, Elected Officers	3.00	40.57	3.00	40.75
FRS, Senior Management Service	3.00	19.73	3.00	20.05
FRS, Special Risk Regular	3.00	20.34	3.00	20.85
DROP – Applicable to Members from All of the Above Classes	0.00	11.22	0.00	11.33

- (1) These rates include the normal cost and unfunded actuarial liability contributions but do not include the contribution for the Retiree Health Insurance Subsidy and fee of 0.04% (0.06% effective July 1, 2016) for administration of the FRS Investment Plan and provision of educational tools for both plans.

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

**Note 6 - Retirement Plans (Continued)**

**Florida Retirement System (Continued)**

**FRS Pension Plan (Continued)**

Contributions. (Concluded)

The City's contributions to the Plan totaled \$206,110 for the fiscal year ended September 30, 2016. This excludes the HIS defined benefit pension plan contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2016, the City reported a liability of \$2,134,081 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's contributions during the Plan's fiscal year relative to the contributions of all participating members in the same fiscal year. At June 30, 2016, the City's proportion increased, 0.000477487%, from its proportion measured as of June 30, 2015.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>(Deferred Inflows of Resources)</u>
Employer Contributions after Measurement Date	\$ 49,136	\$ 0
Difference Between Expected and Actual Experience	163,402	(19,870)
Changes of Assumptions	129,104	0
Changes in Proportion and Difference Between City Contributions and Proportionate Share of Contributions	175,674	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	<u>551,634</u>	<u>0</u>
<b>Total</b>	<u>\$ 1,068,950</u>	<u>\$ (19,870)</u>

The deferred outflows of resources related to pensions, totaling \$49,136, resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2017	\$ 157,086
2018	157,086
2019	372,147
2020	252,241
Thereafter	<u>61,384</u>
<b>Total</b>	<u>\$ 999,944</u>

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

**Note 6 - Retirement Plans (Continued)**

**Florida Retirement System (Continued)**

**FRS Pension Plan (Continued)**

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation
Investment Rate of Return	7.60% Net of Pension Plan Investment Expense, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale BB.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Annual Target Allocation <sup>(1)</sup></u>	<u>Annual Arithmetic Return</u>	<u>Geometric Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.7%
Fixed Income	18%	4.7%	4.6%	4.6%
Global Equity	53%	8.1%	6.8%	17.2%
Real Estate (Property)	10%	6.4%	5.8%	12.0%
Private Equity	6%	11.6%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	11.1%
<b>Total</b>	<u>100%</u>			
Assumed Inflation – Mean		2.6%		1.9%

<sup>(1)</sup> As Outlined in the FRS Pension Plan's Investment Policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.60%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate was 7.60% in the July 1, 2016 valuation.

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

**Note 6 - Retirement Plans (Continued)**

**Florida Retirement System (Continued)**

**FRS Pension Plan (Concluded)**

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

	<b>1% Decrease (6.60%)</b>	<b>Current Discount Rate (7.60%)</b>	<b>1% Increase (8.60%)</b>
City's Proportionate Share of the Net Pension Liability	\$ 3,928,987	\$ 2,134,081	\$ 640,058

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

**HIS Pension Plan**

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing, multiple-employer, defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. During the City's fiscal year, contribution rates were 1.66%, pursuant to Section 112.363, Florida Statutes. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The City's contributions to the HIS Plan totaled \$43,243 for the fiscal year ended September 30, 2016.

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

**Note 6 - Retirement Plans (Continued)**

**Florida Retirement System (Continued)**

***HIS Pension Plan (Continued)***

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At September 30, 2016, the City reported a net pension liability of \$983,242 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's contributions during the Plan's fiscal year relative to the contributions of all participating members in the same fiscal year. At June 30, 2016, the City's proportionate share increased 0.00078417100%, from its proportionate share measured as of June 30, 2015.

The City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>(Deferred Inflows of Resources)</u>
Employer Contributions after Measurement Date	\$ 9,015	\$ 0
Changes of Assumptions	154,296	0
Difference Between Expected and Actual Experience	0	(2,239)
Changes in Proportion and Difference between City Contributions and Proportionate Share of Contributions	65,686	(30,471)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	155	342
<b>Total</b>	<u>\$ 229,152</u>	<u>\$ (32,368)</u>

The deferred outflows of resources related to pensions, totaling \$9,015, resulting from City contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2017	\$ 30,727
2018	30,727
2019	30,632
2020	30,587
Thereafter	65,096
<b>Total</b>	<u>\$ 187,769</u>

*Actuarial Assumptions.* The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

**Note 6 - Retirement Plans (Continued)**

**Florida Retirement System (Concluded)**

***HIS Pension Plan (Concluded)***

***Actuarial Assumptions. (Concluded)***

Inflation	2.60%
Salary Increases	3.25% Average, Including Inflation

Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

The actuarial assumptions used in the July 1, 2016 valuation, were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

***Discount Rate.*** The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

***Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.*** The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.85%) or 1-percentage-point higher (3.85%) than the current rate:

	<b>1% Decrease (1.85%)</b>	<b>Current Discount Rate (2.85%)</b>	<b>1% Increase (3.85%)</b>
City's Proportionate Share of the Net Pension Liability	\$ 1,128,002	\$ 983,242	\$ 863,099

***Pension Plan Fiduciary Net Position.*** Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

**FRS – Defined Contribution Pension Plan**

The City contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member's account upon retirement.



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

**Note 6 - Retirement Plans (Continued)**

**FRS – Defined Contribution Pension Plan (Concluded)**

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City’s employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Allocations to the investment member’s accounts during the 2015-16 fiscal year were as follows:

Class	Percent of Gross Compensation
FRS, Regular	6.30
FRS, Elected Officers	11.34
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% (0.06% effective July 1, 2016) of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City’s Investment Plan contributions totaled \$12,148 for the fiscal year ended September 30, 2016.

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

**Note 6 - Retirement Plans (Continued)**

**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.

*Plan Benefits.* 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.

*Plan Administration.* 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.

*Contributions.* Employer Contributions are actuarially determined. 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, 2016, Consisted of:*

Retirees and Beneficiaries Receiving Benefits	2
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	7
Active Plan Members	<u>17</u>
<b>Total</b>	<u><u>26</u></u>

*The Following was the Board's Adopted Allocation Policy as of September 30, 2016:*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Core Bonds	16%	3.50%
Multi-sector	24%	4.00%
U.S. Large Cap Equity	39%	9.00%
U.S. Small Cap Equity	11%	9.75%
Non-U.S. Equity	<u>10%</u>	9.75%
<b>Total</b>	<u><u>100%</u></u>	

*Expected Rate of Return.* For the year ended September 30, 2016, the weighted arithmetic average rate of return on the pension plan investments, net of pension plan investment expense, was 7.00%.

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

**Note 6 - Retirement Plans (Continued)**

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

Net Pension Liability. The components of the net pension liability of the sponsor on September 30, 2016, were as follows:

Total Pension Liability	\$ 3,722,971
Plan Fiduciary Net Position	(3,975,255)
Sponsor's Net Pension Asset	<u>\$ (252,284)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	106.78%

Actuarial Assumptions. The Total Pension Liability was determined by an actuarial valuation as of October 1, 2014, updated to September 30, 2016, using the following actuarial assumptions:

Projected Salary Increases	4.00%
Inflation Rate	1.50%
Discount Rate	7.00%
Mortality Rate	RP 2000 Combined Healthy (sex distinct), projected to the valuation year using scale AA.
Retirement Age	Normal retirement age

Comparison of Net Pension Liability Using Alternative Discount Rates:

	<u>Discount Rate</u> <u>- 1.00%</u>	<u>7.00%</u> <u>Discount Rate</u>	<u>Discount Rate</u> <u>+ 1.00%</u>
Total Pension Liability	\$ 4,367,047	\$ 3,722,971	\$ 3,198,670
(Fiduciary Net Position)	(3,975,255)	(3,975,255)	(3,975,255)
<b>Net Pension (Asset)/Liability</b>	<u>\$ 391,792</u>	<u>\$ (252,284)</u>	<u>\$ (776,585)</u>

Changes in Net Pension Liability. The Changes in Net Pension Liability for the plan is as follows:

	<u>Total Pension</u> <u>Liability (a)</u>	<u>Plan Fiduciary</u> <u>Net Position (b)</u>	<u>Net Pension</u> <u>Asset (a+b)</u>
<b>Reporting Period Ended September 30, 2015</b>	\$ 2,886,388	\$ (3,495,232)	\$ (608,844)
Change for a Year:			
Service Cost	219,094	0	219,094
Interest	215,822	(251,170)	(35,348)
Differences between Expected and Actual Experience	0	(39,837)	(39,837)
Demographic Experience	(136,512)	0	(136,512)
Contributions - Employer	0	(226,777)	(226,777)
Contributions - Employee	0	(8,475)	(8,475)
Benefit Payments, Including Refunds of Employee Contributions	(19,062)	19,062	0
Assumption Changes	557,241	0	557,241
Administrative Expense	0	27,174	27,174
<b>Reporting Period Ended September 30, 2016</b>	<u>\$ 3,722,971</u>	<u>\$ (3,975,255)</u>	<u>\$ (252,284)</u>

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

**Note 6 - Retirement Plans (Continued)**

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

Pension Expense. For the year ended September 30, 2016, the City recognized Pension Expense of \$276,417.

Deferred Inflow and Deferred Outflow of Resources. On September 30, 2016, the City reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	<b>Deferred Outflow of Resources</b>	<b>Deferred Inflow of Resources</b>
Differences between Expected and Actual Experience		
Demographic Experience	\$ 0	\$ (138,888)
Net Differences between Projected and Actual Earnings		
on Pension Plan Investments	129,425	(39,837)
Changes in Assumptions	557,241	0
<b>Total</b>	<b>\$ 686,666</b>	<b>\$ (178,725)</b>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

<b>Fiscal Year Ending</b>	<b>Amount</b>
2017	\$ 73,972
2018	73,972
2019	75,905
2020	19,926
Thereafter	264,166
<b>Total</b>	<b>\$ 507,941</b>

**General Employees' 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 Employees' 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, 2016, 2015, and 2014, were \$51,369, \$57,850, and \$60,849, respectively, equal to the required contributions for each year.

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

**Note 6 - Retirement Plans (Concluded)**

**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, 2016, the City made approximately \$23,188 in contributions on eligible compensation, or 15% of covered payroll. There were no participant contributions for the year.

**Note 7 - Other Postemployment Benefits Plan**

**Plan Description**

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

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

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

As of October 1, 2014, the date of the latest actuarial valuation, plan participation consisted of 85 active employees and five retirees receiving benefits.

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

**Funding Policy**

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

**Annual OPEB Cost and Net OPEB Obligation**

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

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

**Note 7 - Other Postemployment Benefits Plan (Continued)**

**Annual OPEB Cost and Net OPEB Obligation (Concluded)**

Annual Required Contribution (ARC)	\$	80,869
Interest on Net OPEB Obligation		11,535
Adjustment to ARC		<u>(16,736)</u>
Annual OPEB Cost (Expense)		75,668
(Contributions Made)		<u>(30,130)</u>
Increase in Net OPEB Obligation		45,538
<b>Net OPEB Obligation, Beginning of Year</b>		<u>333,906</u>
<b>Net OPEB Obligation, End of Year</b>	<b>\$</b>	<b><u>379,444*</u></b>

\*OPEB Obligation per the actuaries' report may differ from the Statement of Net Position and Note 5 due to various timing and other matters.

**Trend Information**

<u>Year Ended September 30</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation</u>
2016	\$ 75,668	\$ 30,130	39.80%	\$ 379,444
2015	75,668	30,130	39.80%	333,906
2014	66,463	27,582	41.50%	288,368

**Actuarial Methods and Assumptions**

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

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

**Actuarial Methods**

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

**Actuarial Assumptions**

Investment Rate of Return	4.0%
Projected Annual Salaries Increase	0.0%
Inflation Rate	0.0%
Mortality	RP-2000 Combined Healthy Mortality Table
Health Care Cost Trend Rate	8.0% in 2015, Decreasing 0.75% per Year Until 2019, and then 4.5% Thereafter

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

**Note 7 - Other Postemployment Benefits Plan (Concluded)**

**Funding Status and Funding Progress**

The OPEB payments made for the 2016 fiscal year were 39.80% of the annual OPEB cost. As of the actuarial valuation report dated October 1, 2014, the actuarial value of assets was \$0, the actuarial accrued liability was \$506,735, the unfunded actuarial accrued liability (UAAL) was also \$506,735, the funded ratio was 0%, the covered payroll was \$3,361,442, and the UAAL as a percentage of covered payroll was 15.10%.

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

**Note 8 - Risk Management**

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

**Note 9 - Power Supply Agreements**

**General**

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

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

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

**St. Lucie Project**

In May 1983, FMPA issued \$290,000,000 St. Lucie Project Revenue Bonds, Series 1983 (Series 1983) in order to purchase an 8.806% undivided ownership interest in Florida Power and Light Company's (FP&L) St. Lucie Unit No. 2. In March 1986, FMPA issued \$284,810,000 in St. Lucie Project Refunding Revenue Bonds, Series 1986, to advance refund \$250,910,000 of the outstanding Series 1983 bonds in a legal defeasance of that portion of the Series 1983 bonds. In July 1992, FMPA issued \$326,090,000 St. Lucie Project Refunding Revenue Bonds, Series 1992 (Series 1992), to advance refund in the prior two issues. In 2000 and 2002, FMPA issued two additional refunding bonds to partially refund the 1992 issue. In addition, FMPA has issued several additional bonds. At September 30, 2016, the total outstanding amount related to the St. Lucie Project is \$321,595,000. The City is contingently liable for 1.757% of the total amount of outstanding debt, (approximately \$5,650,424) at September 30, 2016.

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

**Note 9 - Power Supply Agreements (Concluded)**

**St. Lucie Project (Concluded)**

Pursuant to a power sales contract and a project support contract with FMPA, the City acquired an entitlement share of 1.757% (approximately 1.241MW) of FMPA's 8.806% interest in St. Lucie No. 2. Payments are required by the City whether or not the St. Lucie Project is operable or operating, and are due each month based upon a budget prepared by FMPA, adjusted annually. Total costs under this contract during 2016 were \$936,146.

**All Requirements Power Supply Agreement**

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

Power rates are determined by the Board, subject to the approval of the project participants, but must be sufficient to meet FMPA's revenue requirements. Charges to the City are payable solely from utility revenues and in no way can FMPA compel the City to exercise its taxing power. Total costs under this contract during 2016 were \$7,920,653.

**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, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<b>Variance With Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues</b>				
Taxes	\$ 2,773,824	\$ 2,773,824	\$ 2,786,826	\$ 13,002
Licenses and Permits	6,400	6,400	7,061	661
Intergovernmental	1,801,638	1,801,638	918,200	(883,438)
Charges for Services	57,100	57,100	161,055	103,955
Fines and Forfeitures	443,500	443,500	617,256	173,756
Investment Earnings	1,200	1,200	44,598	43,398
Miscellaneous	131,057	131,057	48,539	(82,518)
Interfund Charges	610,447	610,447	264,370	(346,077)
<b>Total Revenues</b>	<u>5,825,166</u>	<u>5,825,166</u>	<u>4,847,905</u>	<u>(977,261)</u>
<b>Expenditures</b>				
Current:				
General Government	1,999,455	2,060,673	1,478,073	582,600
Public Safety	2,814,274	3,013,158	2,335,374	677,784
Physical Environment	139,617	141,136	170,546	(29,410)
Transportation	1,569,732	1,583,048	945,522	637,526
Culture and Recreation	822,321	823,897	338,773	485,124
<b>(Total Expenditures)</b>	<u>(7,345,399)</u>	<u>(7,621,912)</u>	<u>(5,268,288)</u>	<u>2,353,624</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(1,520,233)</u>	<u>(1,796,746)</u>	<u>(420,383)</u>	<u>1,376,363</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	1,047,277	1,047,277	1,393,354	346,077
Transfers (out)	(947,458)	(947,458)	(947,458)	0
<b>Total Other Financing Sources (Uses)</b>	<u>99,819</u>	<u>99,819</u>	<u>445,896</u>	<u>346,077</u>
<b>Net Change in Fund Balance</b>	(1,420,414)	(1,696,927)	25,513	1,722,440
<b>Fund Balances, Beginning of Year</b>	<u>1,420,414</u>	<u>1,696,927</u>	<u>2,446,888</u>	<u>749,961</u>
<b>Fund Balances, End of Year</b>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,472,401</u>	<u>\$ 2,472,401</u>

**NOTES TO BUDGETARY COMPARISON SCHEDULE**  
**SEPTEMBER 30, 2016**  
**CITY OF GREEN COVE SPRINGS, FLORIDA**

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

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

Fiscal Year Ended September 30,	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>			
Service Cost	\$ 219,094	\$ 150,177	\$ 150,177
Expected Interest Growth	215,822	216,948	(49,064)
Demographic Gain/Loss	(136,512)	(18,269)	(1,935)
Employee Contributions	0	0	(7,497)
Benefit Payments and Refunds	(19,062)	(18,780)	(13,844)
Assumption Changes	557,241	0	0
Administrative Expenses	0	0	23,305
<b>Net Change in Total Pension Liability</b>	<u>836,583</u>	<u>330,076</u>	<u>101,142</u>
<b>Total Pension Liability - Beginning</b>	<u>2,886,388</u>	<u>2,556,312</u>	<u>2,455,170</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>3,722,971</u></u>	<u><u>2,886,388</u></u>	<u><u>2,556,312</u></u>
<b>Plan Fiduciary Net Position</b>			
Contributions	235,252	212,216	195,747
Net Investment Income	291,007	(4,872)	256,130
Benefit Payments, Including Refunds of Employee Contributions	(19,062)	(18,780)	(22,317)
Administrative Expense	(27,174)	(16,444)	(23,305)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>480,023</u>	<u>172,120</u>	<u>406,255</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>3,495,232</u>	<u>3,323,112</u>	<u>2,916,857</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>3,975,255</u></u>	<u><u>3,495,232</u></u>	<u><u>3,323,112</u></u>
<b>Net Pension Asset - Ending (a) - (b)</b>	<u><u>\$ (252,284)</u></u>	<u><u>\$ (608,844)</u></u>	<u><u>\$ (766,800)</u></u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	106.78%	121.09%	130.00%
<b>Covered Employee Payroll</b>	\$ 795,911	N/A	\$ 693,444
<b>Net Pension Asset as a Percentage of Covered Employee Payroll</b>	-31.70%	N/A	-110.58%

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

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

<b>Fiscal Year Ended September 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2016	\$ 230,927	\$ 226,777	\$ 4,150	\$ 795,911	28.49%
2015	203,387	203,965	(578)	N/A	N/A
2014	188,250	193,375	(5,125)	693,444	27.89%
2013	231,594	231,594	0	N/A	N/A
2012	218,682	218,682	0	719,300	30.40%
2011	218,693	218,693	0	727,111	30.08%
2010	249,232	249,232	0	725,727	34.34%
2009	204,951	204,951	0	N/A	N/A
2008	197,286	197,286	0	651,768	30.27%
2007	245,011	245,011	0	N/A	N/A

**Note to Schedule**

**Actuarial Methods and Assumptions**

Employer's Reporting Date: September 30, 2016

Measurement Date: September 30, 2016

Actuarial Valuation Date: October 1, 2015

**Actuarial Assumptions**

Discount Rate: 7.00% per annum (2.92% per annum is attributable to long-term inflation); this rate was used to discount all future benefit payments.

Salary Increases: 4% per annum

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

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

Retirement: Normal Retirement Rate

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

Future Contributions: Contributions from the employer and employees are assumed to be made as legally required.

Changes: Since the prior measurement date, the discount rate was decreased from 8.07% per annum to 7.00% per annum.

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

Fiscal Year Ended September 30,	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Annual Money-Weighted Rate of Return Net of Investment Expense</b>	4.08%	4.48%	4.48%

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

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS  
CITY OF GREEN COVE SPRINGS, FLORIDA  
LAST 10 FISCAL YEARS\*  
(UNAUDITED)**

**FLORIDA RETIREMENT SYSTEM PENSION PLAN**

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Proportion of the FRS Net Pension Plan	0.008451778%	0.007974291%
Proportionate Share of the FRS Net Pension Plan	\$ 2,134,081	\$ 1,029,986
Covered-Employee Payroll**	\$ 2,484,644	\$ 2,386,450
Proportionate Share of the FRS Net Pension Liability as a Percentage of its Covered-Employee Payroll	85.89%	43.16%
<b>FRS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>84.88%</b>	<b>92.00%</b>

\* GASB No. 68 was adopted for the 2015 Fiscal Year and 10-year trend information will be developed from 2015 forward.

\*\*The amounts shown above as reported on the date indicated, have a measurement date three months prior. Covered-employee payroll is for the year shown.

**HEALTH INSURANCE SUBSIDY PENSION PLAN**

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
Proportion of the HIS Net Pension Plan	0.008436522%	0.007652351%
Proportionate Share of the HIS Net Pension Plan	\$ 983,242	\$ 780,419
Covered-Employee Payroll**	\$ 2,484,644	\$ 2,386,450
Proportionate Share of the HIS Net Pension Liability as a Percentage of its Covered-Employee Payroll	39.57%	32.70%
<b>HIS Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	<b>0.97%</b>	<b>0.50%</b>

\* GASB No. 68 was adopted for the 2015 Fiscal Year and 10-year trend information will be developed from 2015 forward.

\*\* The amounts shown above as reported on the date indicated, have a measurement date three months prior. Covered-employee payroll is for the year shown.

**REQUIRED SUPPLEMENTARY INFORMATION -  
SCHEDULE OF CITY CONTRIBUTIONS  
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PENSION PLANS  
SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

**FLORIDA RETIREMENT SYSTEM PENSION PLAN**

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 206,110	\$ 194,420
FRS Contribution in Relation to the Contractually Required Contribution	<u>(206,110)</u>	<u>(206,890)</u>
FRS Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ (12,470)</u>
Covered-Employee Payroll (FYE 9/30)	\$ 2,484,644	\$ 2,386,450
FRS Contributions as a Percentage of Covered-Employee Payroll	8.30%	8.15%

\* GASB No. 68 was adopted for the 2015 fiscal year and 10-year trend information will be developed from 2015 forward.

**HEALTH INSURANCE SUBSIDY PENSION PLAN**

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 43,243	\$ 29,252
HIS Contribution in Relation to the Contractually Required Contribution	<u>(43,243)</u>	<u>(32,711)</u>
HIS Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ (3,459)</u>
Covered-Employee Payroll (FYE 9/30)	\$ 2,484,644	\$ 2,386,450
HIS Contributions as a Percentage of Covered-Employee Payroll	1.74%	1.23%

\* GASB No. 68 was adopted for the 2015 fiscal year and 10-year trend information will be developed from 2015 forward.



**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**SEPTEMBER 30, 2016**  
**CITY OF GREEN COVE SPRINGS, FLORIDA**

**Note I - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS**

**Changes in Benefit Terms**

No significant changes.

**Changes in Assumptions**

- **FRS**—There were no significant changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained as 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long term expected rate of return decreased from 7.65% to 7.60%.
- **HIS**—The municipal rate used to determine total pension liability was decreased from 3.80% to 2.85%.

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

<b>Actuarial Valuation Date October 1,</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)* Entry Age</b>	<b>(b-a) Unfunded (Overfunded) AAL (UAAL)</b>	<b>(a/b) Funded Ratio</b>	<b>(c) Covered Payroll</b>	<b>(b-a)/(c) UAAL as a Percentage of Covered Payroll</b>
2014	\$ 0	\$ 506,735	\$ 506,735	0.0%	\$ 3,361,442	15.1%
2011	0	408,964	408,964	0.0%	3,484,107	11.7%
2008	0	609,131	609,131	0.0%	3,438,653	17.7%

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

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

<b>Year Ended</b>	<b>Annual Required Contributions</b>	<b>Actual Employer Contributions</b>	<b>Percentage Contributed</b>
9/30/2016	\$ 75,668	\$ 30,130	39.8%
9/30/2015	75,668	30,130	39.8%
9/30/2014	66,463	27,582	41.5%

**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.
- **Building Permit Fund**—To account for the activities of building department and the restricted fund balance generated from those activities.

## **CAPITAL PROJECTS FUNDS**

- **Police Building Construction**—To account for the activities related to the construction of the City's new police headquarters and the subsequent debt service payments.
- **Spring Park**—To account for the activities related to the old City Hall demolition and Historic Spring Park renovations and the subsequent debt service payments.

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Total</u>
	<u>Special Law Enforcement Fund</u>	<u>Building Permit Fund</u>	<u>Police Building Construction</u>	<u>Spring Park</u>	
<b>Assets</b>					
Cash and Cash Equivalents	\$ 50,272	\$ 349,258	\$ 27,166	\$ 763,507	\$ 1,190,203
Due from Other Government	2,100	0	0	0	2,100
<b>Total Assets</b>	<u>52,372</u>	<u>349,258</u>	<u>27,166</u>	<u>763,507</u>	<u>1,192,303</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	<u>0</u>	<u>32,621</u>	<u>0</u>	<u>105,650</u>	<u>138,271</u>
<b>Total Liabilities</b>	<u>0</u>	<u>32,621</u>	<u>0</u>	<u>105,650</u>	<u>138,271</u>
<b>Fund Balances</b>					
Restricted for:					
Debt Service	0	0	27,166	60,308	87,474
Public Safety	52,372	316,637	0	0	369,009
Assigned	<u>0</u>	<u>0</u>	<u>0</u>	<u>597,549</u>	<u>597,549</u>
<b>Total Fund Balances</b>	<u>52,372</u>	<u>316,637</u>	<u>27,166</u>	<u>657,857</u>	<u>1,054,032</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 52,372</u>	<u>\$ 349,258</u>	<u>\$ 27,166</u>	<u>\$ 763,507</u>	<u>\$ 1,192,303</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
CITY OF GREEN COVE SPRINGS, FLORIDA**

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		<u>Total</u>
	<u>Special Law Enforcement Fund</u>	<u>Building Permit Fund</u>	<u>Police Building Construction</u>	<u>Spring Park</u>	
<b>Revenues</b>					
License and Permits	\$ 0	\$ 407,379	\$ 0	\$ 0	\$ 407,379
Fines and Forfeitures	43,599	0	0	0	43,599
Miscellaneous	143	14,777	0	0	14,920
<b>Total Revenues</b>	<u>43,742</u>	<u>422,156</u>	<u>0</u>	<u>0</u>	<u>465,898</u>
<b>Expenditures</b>					
Current:					
Public Safety	434	282,689	0	0	283,123
Capital Outlay	0	0	0	904,320	904,320
Principle Payments	0	0	199,176	0	199,176
Interest and Fees	0	0	45,476	20,604	66,080
<b>(Total Expenditures)</b>	<u>434</u>	<u>282,689</u>	<u>244,652</u>	<u>924,924</u>	<u>1,452,699</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>43,308</u>	<u>139,467</u>	<u>(244,652)</u>	<u>(924,924)</u>	<u>(986,801)</u>
<b>Other Financing Sources (Uses)</b>					
Debt Proceeds	0	0	1,470,000	1,030,000	2,500,000
Debt Refinance	0	0	(1,432,386)	0	(1,432,386)
Transfers from Other Funds	0	0	409,723	537,735	947,458
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>447,337</u>	<u>1,567,735</u>	<u>2,015,072</u>
<b>Net Change in Fund Balance</b>	43,308	139,467	202,685	642,811	1,028,271
<b>Fund Balances, Beginning of Year</b>	<u>9,064</u>	<u>177,170</u>	<u>(175,519)</u>	<u>15,046</u>	<u>25,761</u>
<b>Fund Balances, End of Year</b>	<u>\$ 52,372</u>	<u>\$ 316,637</u>	<u>\$ 27,166</u>	<u>\$ 657,857</u>	<u>\$ 1,054,032</u>

**ADDITIONAL ELEMENTS OF REPORT PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES;  
AND THE *RULES OF THE AUDITOR GENERAL***

**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, 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, 2016, 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 26, 2017.

**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.

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

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

**Certified Public Accountants**

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MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS



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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

  
April 26, 2017  
Gainesville, Florida

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

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

**Report on Compliance**

We have examined the City of Green Cove Springs, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2016, as required by Section 10.556(10)(a), *Rules of the Auditor General*.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

**Opinion**

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

**Restriction on Use**

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Council Members, and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Purvis, Gray and Company, LLP*

April 26, 2017  
Gainesville, Florida

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## MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of the City of Green Cove Springs, Florida (the City) as of and for the year ended September 30, 2016, and have issued our report thereon dated April 26, 2017.

### Auditors' Responsibility

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

### Other Reports

We have issued our independent auditors' report on internal control over financial reporting and compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards* and independent accountants' report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Section 10.556(10)(a), *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated April 26, 2017, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. These disclosures can be found in Note 1 to the financial statements.

### Financial Condition

- Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

### Certified Public Accountants

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

**MANAGEMENT LETTER**  
*(Concluded)*

**Financial Condition (Concluded)**

- Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

**Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2016, 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, 2016. In connection with our audit, we determined that these two reports were in agreement.

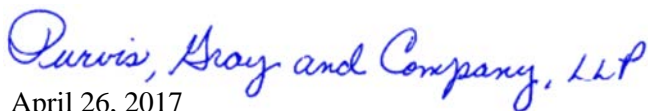
**Other Matters**

- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had no such findings.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

  
Purvis, Gray and Company, LLP

April 26, 2017  
Gainesville, Florida